



A \$81.6 BILLION IN FUNDS UNDER MANAGEMENT

Lend Lease

REPORT TO SHAREHOLDERS 2000

New look
real estate services ~
integrated & global.

The rise
of intellectual capital
as an essential business asset.



Powerful plan.
Powerful future.


Lend Lease
CORPORATION

Lend Lease

An Integrated Real Estate Group



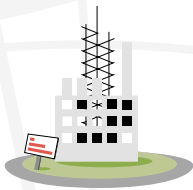
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LOWRY THEATRE, SALFORD



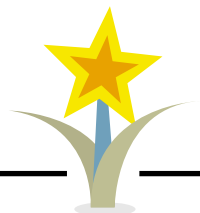
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Directing global capital flows.

BOVIS LEND LEASE
A strategic partner that delivers.

PROPERTY DEVELOPMENT
Building communities.

Integrated & Global Benefits Everyone...

As businesses become more global they must invest in or manage a global portfolio of real estate assets. Only a global real estate company with skills in project management and construction, real estate investment and funds management and property development can provide optimal guidance and services.

We understand real estate assets, know more about the cities of the future and the technologies that will shape building.

We can see better than anyone how to find and develop assets to produce enhanced income streams and reduce risk.

The Customer

We have the platform to offer a portfolio of services – a series of solutions for customers with real estate assets. There is a growing group of clients who want a company able to serve them globally and provide broader advice and services, such as construction clients who want development, finance and advisory help.

(see page 28)

The Investor

For those who want to invest in real estate – buildings and facilities, high return income streams, redevelopment of built environments – our mix of skills reduces risk. Because we can finance, design, build and place capital assets with institutional investors we manage risk better than anyone else.

(see page 20)

The Employee

As a knowledge based service business which operates around the world we can offer great career opportunities to employees. We've always invested in developing our employees' talents, and provide for substantial employee ownership. We aim to grow our human capital as well as our financial – and that makes Lend Lease a great place to work.

(see page 40)



The Partner

We believe we do our best work when we involve quality partners. We actively seek out long term strategic partnerships. Partners choose to work with us because of the breadth and depth of skills we bring to the table, but also our ability to work closely with the communities in which we operate. *(see page 34)*

The Supplier

We procure products and services on behalf of our clients, and have established relationships with our suppliers to meet those needs. Our suppliers have substantial opportunities working with us as a global business. We share the benefits of efficiently managing the supply chain. *(see page 38)*

The Shareholder

Lend Lease investors can rely on a highly skilled global team leading the business to take advantage of opportunities across the real estate spectrum. This enables us to continue to deliver capital growth. *(see next page)*

Integrated Services

Our business platform

We now have the platform to build a fully integrated global real estate group comprising three primary businesses:

- real estate investment and funds management;
- project management and construction; and
- property development.

Our Group operates in 40 countries on six continents, with a significant presence in Asia/Pacific, Europe and the United States. We have over 10,000 employees around the world and our revenue pattern has changed from a reliance on earnings from Australia to a more globally diversified income stream.

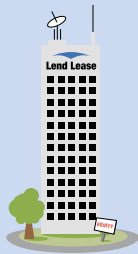
We believe we can add superior value for clients through our unique mix of skills and platforms.

A full real estate company

We now have the components of a full real estate company. They are:

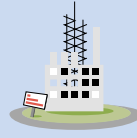
1. Real estate investment and funds management –

We are one of the largest managers in the world. We manage more than A\$81 billion for institutional, mutual fund and private clients. That money is invested in property funds, real estate securities, mortgages and commercial mortgage-backed securities. We also service some A\$93 billion of commercial real estate loans. We are well positioned to take advantage of opportunities in regional markets in both public and private markets, and in cross-border arbitrage opportunities to earn premium returns for our clients.



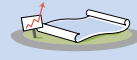
2. Project management and construction –

Bovis Lend Lease works with a blue chip global corporate client base, often on a fee for service basis. It has the ability to provide a total solution to a client's asset creation needs, from feasibility, planning and financing through to actual completion of construction and commissioning.



3. Property development –

Our services extend to commercial, retail, multi-family residential, and complex urban mixed-use projects with a strong retail focus, often with third party capital. A number of high profile projects have recently been completed or are in progress in every region of the world in which we operate.



Clients in each of these businesses expect and obtain specialised and focused services either within a region or globally.

There is a growing group of clients who now want a global integrated offering. There are also clients for whom we see the opportunity to add more value to their business by offering them an integrated service. They are looking to get a broader range of services from a fewer number of providers with multiple skills and global scale, such as construction clients who want development, finance and advisory help.

To those clients we offer a unique integrated real estate portfolio of services.

This is **unique** because we have all three arms in three major regions – Asia/Pacific, US and Europe.

We understand the property life cycle – the potential to take an

asset from development, through construction to investment.

We understand the benefits that can be gained from the integration of asset and development management and project management – development can enhance returns for investors or achieve better solutions for our project management clients. Project management skills reduce risk for our investors in our funds. It also differentiates us as a property investment manager.

We have a multi-geography and multi-product capability in raising capital – so we can take advantage of differential returns around the world and deliver it via a number of products such as real estate debt, equity, listed and unlisted markets.

We understand the investment cycle in property – to share in the value created we have to ensure performance for our investors but also participate in the returns via co-investment or fee for performance.

It is **integrated** because we can offer a portfolio of these products and services to customers that cross traditional real estate business lines.

We can offer those services and knowledge directly to global customers – one provider, all services.

Clients who deal with us at a regional or specific business level can benefit from our breadth. We draw on our knowledge and expertise, our research capabilities, our skills, and our network of partners. No matter where our clients' business or project is we can leverage our knowledge, skills and experience to provide a superior return.

Examples of these integrated services are:

1. We can bring not only investment management skills but also development and project management skills

to corporate clients who seek to take real estate off their balance sheet so that capital is focused on their core business.

2. We can bring third party capital to clients who need to upgrade their physical environments such as manufacturing plants and offices. We can also provide the skill to create the assets they need to run their business as well as development, project management and construction services to carry out the upgrade.
3. For clients who engage us as a developer on a fee for service basis, to coordinate construction management of a project with the tenant lease and with the credit tenant financing, we can also carry out the construction. Our investment business can arrange construction loans and permanent financing.

A growing market

We understand that performance is key, and we understand the importance of income generating assets. We live in a world of ageing populations and ageing populations need income to live on in retirement. Worldwide, real estate as an asset class is an excellent producer of income, usually with some capital growth. Yet retirees' portfolios globally have a much lower asset allocation to real estate than they do in countries such as Australia which has a highly developed securitised property market.

There is also an increasing trend towards the securitisation of real estate globally. And the liquidity that comes with securitisation is important if asset allocations to real estate are to be increased. Securitisation also assists corporations to take the real estate they use in their businesses off their balance sheets.

There is a significant opportunity to take forty years of Australian experience in securitised property and use it to harness real estate as an asset class for investors worldwide.

<http://www.lendlease.com>

OFFERING OUR INTEGRATED SERVICES TO CLIENTS



PARKWAY PARADE, SINGAPORE L to R: LIM POH TIN, HO CHUN KWONG, ANDREW SWEENEY, TAN SER JOO AND JOHN SIRONIC

Offering our Integrated Services to clients

There are a number of projects underway that show our ability to add value for clients by using the integrated real estate capability of all our businesses.

Retail

The key to performance for our clients and our investment funds is specialist 'value added' services, knowledge of the particular sector of real estate market and then active management.

The retail or shopping centre business is one where significant additional value can be created by focused market knowledge and integrating services linking the major skill sets of our organization.

Opportunities exist to carry out significant redevelopment work for GPT on Erina Fair, Penrith Plaza and Sunshine Plaza to the potential value of A\$600 million over the next three years.

In Europe we are repositioning the retail business to be a specialist value added service around a portfolio of assets owned by third party capital. This includes the

Solihull, Dundee and Bluewater projects through the limited partnerships, and projects such as the redevelopment of an inner city retail centre in Leeds. We have also been

selected as joint venture partner for the proposed redevelopment of the Shell Centre on London's South Bank.

The joint venture aims to take advantage of a unique urban regeneration opportunity that will combine corporate, civic, entertainment and leisure elements in a stimulating mixed-use environment.

We have also been commissioned by the local government in Amsterdam-North, The Netherlands to review an existing master plan to re-develop 120 hectares in the heart of their district. The potential is to develop new homes, transform and expand the retail components and build new office space.

In Asia, Asia Pacific Investment Company (APIC) entered into a conditional sale and purchase agreement to acquire Parkway Parade shopping centre in Singapore. APIC is ideally placed to leverage our development

and retail property expertise to reposition Parkway, adding entertainment components, including a state-of-the-art seven cinema complex, and improved eating environments.

We will continue to develop this shopping centre focus into a core global competency.

Private finance initiatives

PFI and BOT (Build, Operate, Transfer) are mechanisms for the private sector to fund and build infrastructure, civic amenities and government offices.

In the UK we currently have a number of PFI initiatives underway with Halifax and Worcester Hospitals and an office project for HM Treasury. A key factor in winning these contracts is our ability to put together the right mix of services – construction, funding, funds management and facilities management – often as part of a consortium. Our income derives from building the facility, from a preferred position in regard to further redevelopment during the life of the agreement, from facilities management fees, from equity returns and from our share of

the rental paid by the public authority over the term of the concession. There is approximately £4 billion of hospital PFI projects to be bid over the next four years.

In the US, the Lend Lease Actus joint venture is underway to develop a plan to refit and build new homes at Fort Hood, the largest military installation in the US.

The concept is similar to the PFI initiatives – a long term operating contract, in this case 50 years, with an associated long term secure cash flow. We are pursuing similar opportunities with other military bases.

In both cases the governments are undertaking major privatisation initiatives and we are well placed to be able to respond to those opportunities. This has led us to think about the creation of a new class of assets under management – assets under contract – to add to the existing categories of funds under management and loans under servicing.

For more information on these initiatives, see the Operations section of the report – page 20.



Financial Highlights

Results For the Year

	A\$m
Operating revenue	\$12,996.8
Operating profit after tax	432.2
Extraordinary profit after tax on sale of Financial Services businesses	3,112.3
Total profit after tax	3,544.5

Further details on the results can be found in the Concise Financial Report on page 57.

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 by:

- diversifying earnings by geography and markets
- developing existing and new businesses
- expanding our capabilities through joint ventures and key relationships
- 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 2000 the operating profit after tax was A\$432.2 million. 2000 represented the 25th consecutive year of operating profit growth.

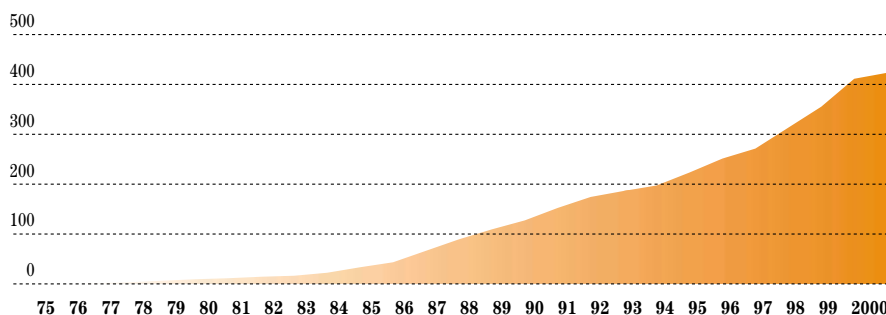
Accounting profits, as shown in the graph, do not measure other factors which add value for shareholders, such as the increased value of underlying businesses, intellectual capital or corporate culture.

These factors, together with the effectiveness of our Group's activities,

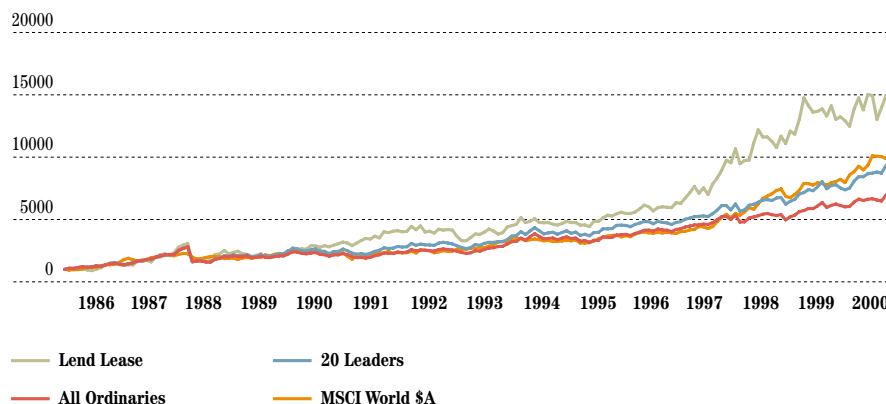
operations, investments and management decisions are however, reflected over time in the share price performance. To demonstrate Lend Lease's performance over a longer period, the 15 Year Share Performance Accumulation Indices graph shows how A\$1,000 invested in Lend Lease shares on 30 June 1985 grew through dividends and share price movements over the 15 years to June 2000.

The graph clearly shows that Lend Lease has outperformed a 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.

Profit After Tax – 25 Consecutive Years of Profit Growth Financial Years to 30 June



15 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) with steadier but growing income streams from our Project and Construction Management and Real Estate Investments businesses.

Sources

The changing sources of Lend Lease's profit in recent years are shown in the graphs below. The sale of the Financial Services businesses on 30 June 2000 will have a significant impact on the mix in future years. In addition the mix in Lend Lease's profit over the next few years will be impacted by the following key drivers:

- profit release over the next two to five years from the Project and Construction Management backlog and from the sale of property developments
- success of the integrated real estate services model
- successful integration of the acquired Boston Financial and five AMRESKO businesses into the North American Real Estate Investments business
- further 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 over the past six years, calculated before tax, financing costs, amortisation charges and corporate overheads.

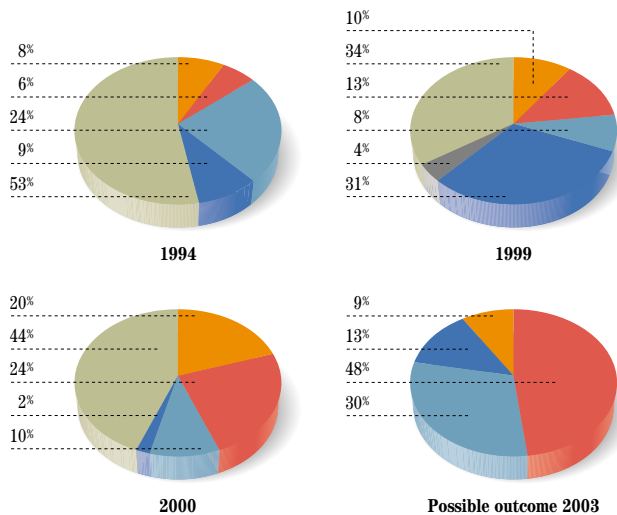
We also depict the possible outcome in three years' time, based on expectations as at August 2000. This illustration takes no account of initiatives or acquisitions which may be made to expand our businesses in the interim period.

Australian/Non Australian Profits

The graphs below show the very significant increase in profits generated over the past five years from the Group's activities outside Australia. The 1999 figures include a significant contribution from the partial sale of the Group's UK property development, Bluewater.

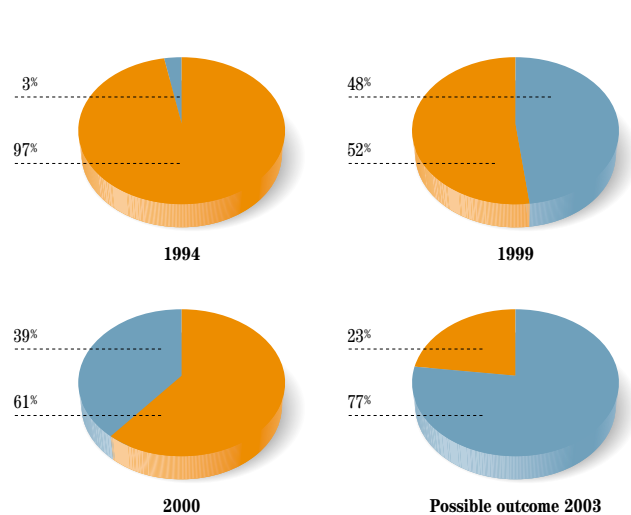
The Possible Outcome 2003 graph illustrates expectations, as at August 2000, and takes no account of initiatives or acquisitions which may be made to expand our businesses in the interim period.

Segment Profit Before Tax, Financing Costs⁽¹⁾, Amortisation Charges and Corporate Overheads



	1994	1999	2000	2003
Real Estate Investments	6%	13%	24%	48%
Project and Construction Management	24%	8%	10%	30%
Property Development	9%	31%	2%	13%
Other Real Estate	-	4%	-	-
Financial Services	53%	34%	44%	-
Investments	8%	10%	20%	9%

Geographical Profit Before Tax and Financing Costs



	1994	1999	2000	2003
Australian	97%	52%	61%	23%
Non Australian	3%	48%	39%	77%

(1) Financing costs refer to interest paid on borrowings and the costs of currency hedging.



“Our longstanding principles and philosophies will continue to apply.”

CHAIRMAN'S REPORT Stuart Hornery

CHAIRMAN'S REPORT **Stuart Horner**



Our core values are built on caring and sharing and are just as valuable to our future as they have been to our past.

Our founder, Dick Dusseldorp died in Tahiti on 22 April 2000, at the age of 81. I had seen him just weeks before, in London, focusing on new ways to securitise real estate, still vibrant and confident as ever.

So it came as a shock to receive the phone call and then to see him looking quite serene in the environment he loved so much.

Dick first came to Australia in 1951 to evaluate emerging opportunities in this country. He was then a Senior Manager with Bredero's United Companies, a significant building organization based in The Netherlands. As a consequence of his trip, Bredero decided to establish a presence here, and sent a team of engineers, under Dick's leadership.

The rest is history. Civil & Civic commenced operations in 1952 and in 1958 sponsored the launch of Lend Lease Corporation. In 1962, Bredero exchanged its ownership of Civil & Civic for a shareholding in Lend Lease.

Between 1951 and his retirement in 1988, Dick put his stamp on the Australian property market, and Lend Lease became a respected organization as a consequence.

You and I owe a deep debt of gratitude to Dick for his contribution over a lifetime with Lend Lease. He always had the interests of our employees and shareholders at heart, as well as being a great mentor to me and many others.

Just before he died, I shared with Dick our reasoning behind selling MLC. Some of you will be aware that in 1958 he and MLC's Milton Allen, who also died recently, shook hands on an agreement that would see MLC become our founding shareholder and major customer. MLC maintained this

position until the early '80s when Lend Lease effectively acquired its parent. We would not be where we are today without the support from MLC over the last 42 years of our history.

Milton called me shortly before he died to tell me that, while he was delighted with the value that had been added to MLC under Lend Lease's leadership, he nevertheless

“Shareholders are part of the Lend Lease family.”

was also delighted that MLC was going to have what he called a genuine home. I extend a grateful thanks to past and present MLC employees for their outstanding contribution while they were part of our Group.

So this year is a watershed. Our push into Financial Services through MLC and Westpac has come to an end. We have done hugely well out of both investments.

Over the coming years Lend Lease will emerge as a leading global real estate organization with specialist capabilities in a select number of areas of the built environment, such as health care, retail and communities. Our presence in each will call on the various services offered by the Group, which are generally bundled under the heading of project management

and construction, development and real estate investments.

Our longstanding principles and philosophies will continue to apply. We will for example create exciting communities for 20,000 people at North Lakes in Queensland, for thousands of military families at Fort Hood in the USA and for 50,000 people in Bluewater Valley in the UK. We won't just build houses.

Most of the building blocks are in place, with every reason to believe that shareholders will continue to benefit from their investment in Lend Lease.

These benefits will come in different ways from the past, driven by changes to the tax environment, and the increasing offshore earnings contribution. Given the significance of these issues, the Board considered it prudent to share some of the surplus from the sale of MLC with shareholders, effected by an off-market buy-back approved in August.

Returning to Dick, one of his most deeply held beliefs was the notion that there is a community of interest between labour and capital. Dick maintained that caring and sharing, if practised in good faith, would always lead to a stronger outcome, particularly if a productivity gain was not seen as the ultimate goal. This philosophy has become a fundamental plank of our existence. We call it the Lend Lease Way.

Employees today share in the Group's profits, and are our largest shareholder. Vehicles such as the Employee Foundation encourage individuals to live a balanced life, as well as facilitating their contribution to our future success. Enthusiastic, committed and loyal employees are never a given, and Dick's passionate belief in their importance is the major factor behind the strength of our performance and our reputation.

But Dick never overlooked our shareholders either, and they have done equally well with a return of 22% p.a. over the last 40 years. Shareholders are part of the Lend

Lease family; a sentiment perhaps best summed up in an extract from one of the many letters I received in response to the letter I sent, advising of Dick's passing.

...“I am sure all who received the letter were made to feel more than just shareholders and business partners but rather members of a caring extended family running a highly successful organization...” Mr and Mrs I Horsley

All this adds up to a reputation as an organization that serves more than one master. Today, most employees and shareholders care about the communities in which they live and work, and demand that corporations do likewise. We have both to thank for keeping our eyes on this most important tenet.

We don't always succeed in our ambitions, unfortunately. The write-down of our investment in Fox Studios, and the association with the tragedy at Thredbo, are constant reminders of the need for great diligence and proper risk management in everything we do.

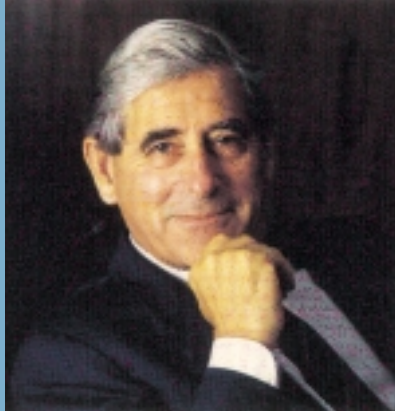
Our response to the Thredbo inquiry however, reflects our caring approach and there are numerous other examples, such as the Bluewater project in the UK. It is commercially successful beyond our wildest expectations, but the community, also our customer, remembers the array of 'caring capital' programs put in place. Approximately one quarter of the 2000 construction workers, for example, had been unemployed for more than six months, many not from the industry. We formed a partnership with the local authorities to recruit, train, and motivate these people, and the program has become a model for many UK developments.

More and more, others are doing the same. In my capacity as Chairman of Australia's National Training Authority, I am aware of the Cape Flattery Mining project in North Queensland, which has probably the most advanced program for training

FOUNDER OF LEND LEASE CORPORATION

Vale Dick Dusseldorp

December 2 1918 – April 22 2000



“‘Caring’ and ‘sharing’ are concepts that attract minimal interest among many managers, who tend to see people as workers rather than workers as people. Yet I have found that such concepts, practiced in good faith, are powerful in their impact, particularly when productivity gain is seen not as a goal in itself but as a means to enhance life for all.”

1991 Copland Memorial Address

1950s

Visits Australia to assess expansion opportunities for Holland based construction company Bredero's. Heads up newly formed Civil & Civic Contractors to supply and erect 200 pre-fabricated houses for the Snowy Mountains Hydro-Electric Authority in Cooma, NSW. Pioneered the concept of developer contributions to infrastructure with planned garden suburb, Middle Cove, Sydney. Begins development of the first concrete skyscraper in Sydney, Caltex House, and negotiated the first productivity agreement with the NSW building trades unions. Wins contract to build stage One (foundations) of the Sydney Opera House. Played major role in the large scale development of Australia's capital city, Canberra.

1960s

Civil & Civic acquired by Lend Lease (formed in 1958 with Civil & Civic the major shareholder) from Bredero's. Extends superannuation and a range of other employment benefits to blue-collar workers.

1970s

Played a key role in State and Federal government land tenure reforms, leading the push for the introduction of strata title in NSW. Introduced profit-sharing via employee share ownership.

1980s

Receives an Order of Australia for contributions to the construction industry, and employee and industrial relations. Retires as Group Chairman in 1988. The capitalised value of Lend Lease Corporation stands at \$1.4 billion with 6,000 employees. Employees and shareholders dedicate shares to establish the Dusseldorp Skills Forum. The Forum's charter is to promote the formation of skills and personal effectiveness, particularly in young people.

1990s

Chaired investment companies in the US and the UK. His self-described 'last project' in the UK involves the development of new corporate vehicles for the securitisation of property assets for an ageing population.



indigenous Australians. They don't have to, but it's a great example of caring capital at work.

Our core values are built on caring and sharing and are just as valuable to our future as they have been to our past. We are now a global company, recently established and largely through acquisitions; but the objective is quite clear – to carry on Lend Lease's traditions and become the most respected real estate organization in the world.

Shareholders have tended, with some justification, to be impatient with Australian Boards as they grapple with a global dimension. Few understand the demands that 'going global' place on Directors and management. However, in our case, both groups are international and there is no doubt in my mind that they will succeed.

In this respect, the Group has been very fortunate in securing Jill as my successor. Jill has broad international experience plus deep Australian roots. She, like Dick and I, has a strong social conscience as well as finely honed skills in the commercial arena. You can rest assured that under Jill's stewardship, the cultural values that have been at the core of our reputation will continue to be a beacon for successive generations to follow.

My final year as Chairman has been a busy one, although I can't



land bank, and a limited number of other projects.

In addition, I have agreed and will be honoured to chair an Institute which shareholders and employees will be asked to approve at the AGM. The Institute will seek ways and means of encouraging caring capital, building on the excellent reputation of the ACTU-Lend Lease Foundation

the board members, management, employees, shareholders, business partners and the community at large – who have ensured that my corporate life was never dull, and always inspiring. I look back with tremendous pride and look forward with great anticipation.

Dick handed Lend Lease to me in great shape and I hope future

“I look back with tremendous pride
and forward with great anticipation.”

remember one that wasn't! The decision to sell MLC was momentous and difficult, but the right one. And observing Bluewater perform so well in its first year shows we do know how to develop world-class facilities. I have agreed, after my retirement, to continue chairing Bluewater Valley, the adjacent

since it was established in 1981. It will be a global institute that Lend Lease, and other far-sighted companies will be free to use. You can read more about the Institute on page 46.

In signing off, I would like to say a heartfelt thank you to all those I have worked with and served during more than 35 years with Lend Lease –

generations will view the term of my guardianship with equal satisfaction.

For the future, I know that Jill, David and the whole Lend Lease team will continue to build on the good work of past generations. As usual there are many challenges. Meeting them has always been Lend Lease's strength.

CHAIRMAN ELECT Jill Ker Conway

For the last twenty-five years I have had major business interests. In 1976 I became a Trustee of the College Retirement Equities Fund, the equity investment arm of TIAA/CREF, one of the largest US pension funds. In 1978 I joined the Board of Merrill Lynch where I chaired the compensation committee and the nominating committee, and am now after 22 years the longest serving director. In the 1980's I joined the Boards of Colgate Palmolive and Nike Inc., both consumer products companies with global brands, and Arthur D Little, a global consulting company with a strong scientific and engineering research base. These have given me a knowledge of global business which I have found invaluable in working with Lend Lease Board and management on building a global enterprise.

As an historian (my other profession) and an Australian by birth, I see today's electronically networked world as one in which Australian enterprises can be freed from the tyranny of distance and become global players just as if they were based in London, New York or Tokyo. It has been a privilege to have the opportunity to return to my Australian roots as a Director of Lend Lease and it will be an even greater one to serve as Lend Lease's Chairman in a period in which the company is reinventing itself and playing its usual role of redefining the markets in which it operates.

Over the last eight years, when Lend Lease was building its northern hemisphere base, I've served as Chairman of Lend Lease US and of the company's Property Business Board. Both have given me a detailed knowledge of the US business, and now, since the sale of MLC, our single business stream.

The challenge ahead is to devise the business focus, the management structure, the recruitment, reward

“Our Story, Our Future.”

and retention schemes, and the Board oversight that will enable Lend Lease to continue its long record of innovation, entrepreneurship, and value creation for clients and shareholders.



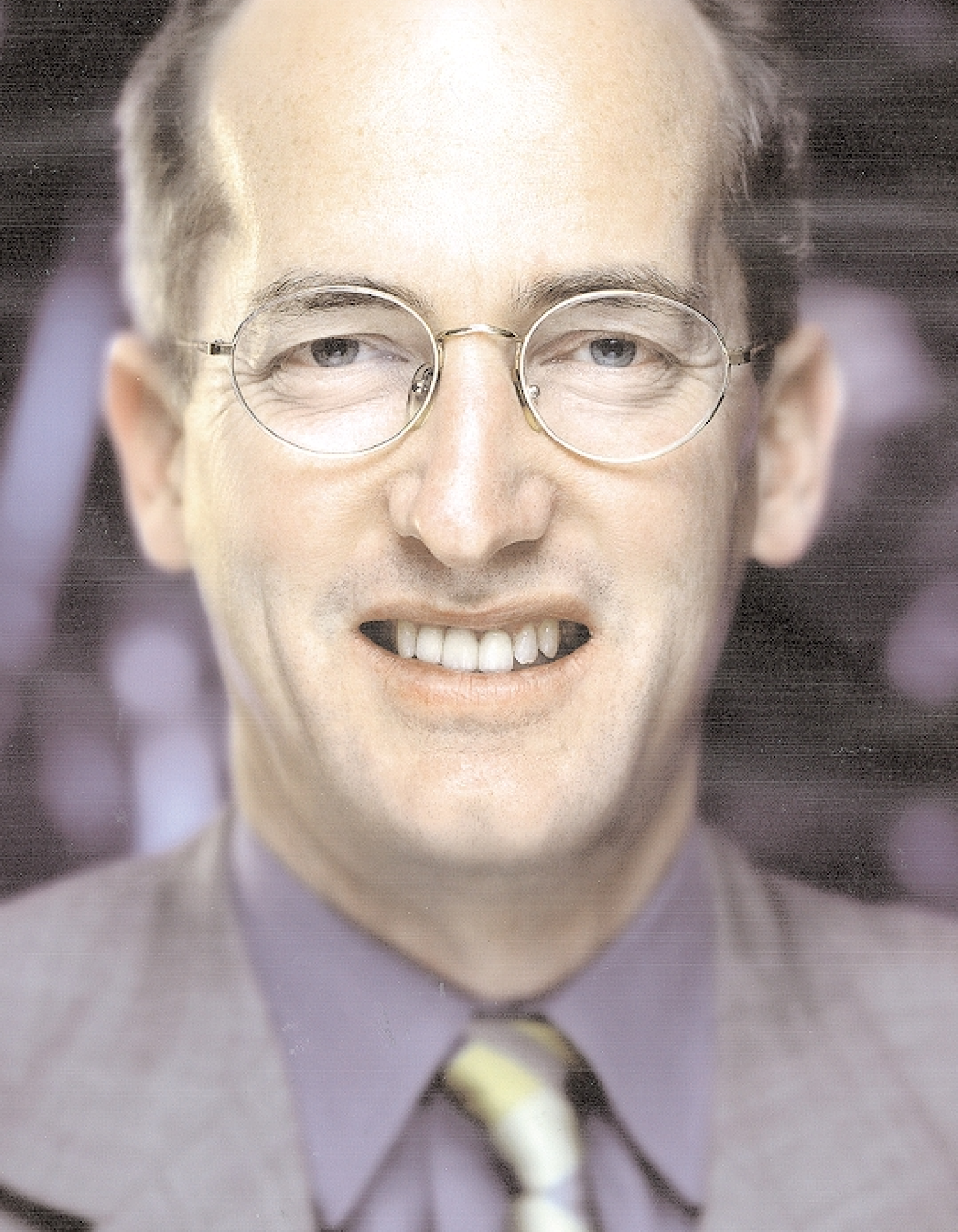
This report will describe for you many of the ways in which Lend Lease is reinventing itself as an electronically networked global enterprise, while using the power of education to develop the knowledge base of its vastly expanded group of employees.

It's a tall order to move from the face to face community in which our founder, Dick Dusseldorp, developed his beliefs about the relationship between employees, clients, shareholders and the communities in which we work – beliefs that have been key to the Lend Lease entrepreneurial spirit, because they have linked the growth of employee knowledge of the business and share

ownership to the provision of superior service to clients. But that is exactly what we must do to continue the company's long record of building shareholder wealth while delivering first class service to all stakeholders.

The Board will be working closely with management in the upcoming year in the development of a new kind of company for the 21st century which has its CEO and Chief Financial Officer in London, close to key market opportunities, its chairman in Boston, close to the new business platform being built in the United States, its head office in Sydney, close to our roots and our strong Australian shareholder base. We have our head of Human Resources based in London, our Chief Information Officer based in Boston, and a senior management committee drawn from every corner of the globe – and we all spend a great deal of time on airplanes. We are determined that the new organization will have the same investment in employee education, the same emphasis on employee ownership, the same entrepreneurial spirit and the same high standards of performance as its founders.

The process of building a global business outside Australia calls for a special effort to communicate progress to our shareholders, so you should see this report as a first step in telling the story of your company and its global future.



“What is **emerging**
is a series of clients
who **require** a
spectrum of real
estate services.”

CHIEF EXECUTIVE'S REPORT **David Higgins**



We have had some very significant and necessary changes this year.

We now have one core business, a global real estate business, and expect around 75% of our operating earnings to be derived outside Australia next year.

We have invested shareholder capital of approximately A\$1.6 billion over the last twelve months to acquire the operating businesses of Bovis, Boston Financial and five AMRESCO businesses to consolidate our real estate platform.

We completed the sale of the Financial Services businesses to National Australia Bank on 30 June 2000. The total after tax profit on the sale was A\$3.1 billion and the sale proceeds of A\$4.6 billion realised the significant value created over the last 15 years in MLC – a value well in excess of what MLC was worth in continued Lend Lease ownership.

In the year to 30 June 2000 we earned an after tax operating profit of A\$432 million, a 2.8% increase on the previous year. Provisions of A\$99.7 million after tax against property inventories and investments, primarily Fox Studios, adversely affected our operating result.

Real Estate Investments (REI) contributed A\$1516 million profit after tax. This included contributions from Boston Financial and the five AMRESCO businesses, the reversal of the provision raised in December 1998 on our investment in APIC, and net operating income from our 40% interest in Bluewater.

Funds under management in REI grew 74% to A\$816 billion mainly by acquisition but also through organic growth. In addition we now have a substantial loans servicing business (CapMark), with A\$93 billion of loans under servicing.

Bovis Lend Lease contributed A\$56.3 million, an increase of 54.2%, due to strong growth from the Australian business and the inclusion of Bovis' earnings since October 1999, offset in part by a loss in Asia. The increase reflected the combination of higher construction activity in Australia and a number of large projects completed or near to completion through the year.

The revenue stream from our project management business is now well diversified, with around 80% coming from outside Australia on a pro forma basis for the last year versus less than 10% the year before. As at 30 June 2000 the Backlog profit – the gross profit in committed contracts, where gross profit is before unallocated overhead costs and tax – stood at A\$482 million, which indicates that the business is in good shape.

The substantial decrease in profit from property development mainly reflected the provisions raised against the Fox Studios investment of A\$815 million after tax. Despite three of the four Fox Studios businesses performing well, the Backlog has performed poorly. We are determined to reverse this but it will take time. We are also refocusing the business model for development going forward based primarily on third party capital with Lend Lease shareholder capital being used mainly to secure potential opportunities.

One business focused on global real estate

The real estate market has two major classes of clients – investors (institutional and individual) who invest in real estate for the quality of its investment returns, and real estate users who invest in or occupy real estate in order to carry out their core business (which is not real estate).

Increasingly, the needs for these two classes of clients are starting to complement each other. Investors

are prepared to take more risk in the underlying assets. Occupiers, who traditionally owned the assets, are looking to outsource ownership and management to other organizations.

Real estate as an investment class is also evolving around the world at different rates. While the capital that funds these markets is increasingly global and mobile, different perceptions of risk and return expectations for real estate investment in each individual market means a global adviser must be able to raise capital in individual domestic markets.

This has seen a move from diversified multinational asset owning companies to country and sector specific tax efficient investment funds. We now have a range of core, enhanced and opportunistic funds, both regionally and globally. These funds cover real estate equity and debt in both public and private markets.

What is emerging is a series of clients who require a spectrum of services, often starting with consulting and advisory and progressing through to development, project management, finance and structuring. With this range of services come long term relationships and alliances, and greater security and predictability of revenue and profit.

As an earnings based, not an asset owning, company our earnings come from a series of services we provide to our clients – flagship funds such as General Property Trust, value enhancement funds, clients with assets such as BP Amoco and institutional investors.

Our business model is to secure a recurrent and growing revenue stream from a series of service offerings that deliver us an acceptable return. The key to growing and retaining this revenue, whether for a discretionary fund, a Bovis Lend Lease client or a major investor, is performance. Our performance depends on our specialist skills, decision-making, research capabilities, ability to implement and our cost structure.

Acquisitions

With the proceeds returned from the sale of MLC, cashflows generated in our operating businesses, cashflows from realisation of property inventories and the strong balance sheet capacity that the Group has, we have the capability to make significant acquisitions and continue to invest in our existing businesses. Any acquisitions will be consistent with the business model outlined and are more likely to be operating businesses rather than acquisitions of property assets. If property assets should be acquired as part of an acquisition, then in time they would be expected to be spun off into a property funds management vehicle rather than remain in continued Lend Lease ownership. In making acquisitions, we will not be hurried. If after a reasonable period of time we cannot find suitable acquisitions, then we would return the excess capital to shareholders.

Capital Structure

After the completion of the off-market buy-back which is taking place during September, the Group will have a more efficient capital structure with around 85-90 million fewer shares on issue. Return on equity should be enhanced going forward, and the Group's balance sheet is in a very strong position for us to raise further funds – either debt or equity – if that should be required.

Dividend Policy

With the release of our annual results, the Board highlighted a changed dividend policy for the future.

There are two intersecting trends which will affect Australian investors. The first is the need for Australian companies to expand offshore. We have made significant progress in doing that and expect that in the 2000/01 financial year 75% of our operating earnings will come from outside Australia. We believe this is a sensible strategy given that the Australian market is only 1% of the global market and given the trend of the developed world towards one

dominated by the provision of services. However, our earnings outside Australia do not qualify for franking credits and therefore cannot be delivered to investors tax effectively as franked dividends.

The second trend is the change in tax policies worldwide encouraging returns of capital. Thus the Australian Government's policy to tax capital gains on securities held by individuals for more than 12 months at only half marginal rates follows the policy in countries like the United States and the United Kingdom. When capital gains are taxed at a lower rate than incomes, investors assess the value of a stock to them in terms of its total return, that is the sum of capital appreciation and dividends. Under these circumstances value is created for the shareholder by how well management invests retained earnings and grows the stock value. The

In regard to operating profit for the current year, we indicated that, with the sale of the Financial Services business and the off-market buy-back, we would expect after tax operating profit to be lower in the current year than last year but over a reduced number of shares.

Outlook

We now have an executive management team that is newer and yet more diverse than ever before. It is a blend of experienced and new people, and working very well as a team. In relation to their performance incentives, there is a real alignment between executive remuneration and the interests of shareholders in terms of the share price. The best way I can introduce them to you is through the interviews that you will find through this report.

“One business focused on
global real estate.”

investor is then free to decide according to personal circumstances when they wish to draw down some of that capital by selling shares.

Consistent with this approach, we have determined from 2002 to pay the maximum franked dividend that we can and then return extra value to shareholders in other ways – for example, by buying back shares – which will enable investors to receive those returns in the most tax effective way. However for the transition year of 2000/01 the Board has indicated that we will maintain a payout ratio of around 50% of our profit. To achieve this, it is likely that some of the dividend will be unfranked.

We will also establish a share sale facility for those smaller shareholders who rely on regular cash returns from their shares.

With the outcome of the off-market buy-back still to be determined, and with the timetable for reinvestment in real estate operating businesses not yet clear, it is not practical at present to establish an earnings per share target.

However, our businesses – with the exception of Fox Studios – continue to perform soundly and we are optimistic about their growth potential over the longer term. Added to that is the extra value we believe we can create through the integrated nature of our real estate offering, giving us a unique platform in an asset class which has exciting global prospects.



Areas of Operation



Real Estate Operating Profits – after Tax

(A\$M)	2000	1999	
Real Estate Investments	151.6	77.9	+95%
Bovis Lend Lease	56.3	36.5	+54%
Property Development	11.3	127.9	-91%

Bovis Lend Lease Backlog – Gross Profit

	30.06.00 (A\$M)
Australia and Pacific	47
North America	181
Asia	23
Europe	231
TOTAL	482

Backlog profit is the gross profit expected to be earned on committed contracts.

REVENUE (A\$B) 7.8

Real estate investment and funds management

We are one of the largest managers in the world managing more than A\$81 billion for institutional, mutual fund and private clients. That money is invested in property funds, real estate securities, mortgages and commercial mortgage-backed securities. We also service some A\$93 billion of commercial real estate loans.

Project management and construction

We work with a blue chip global corporate client base, often on a fee for service basis. We have the ability to provide a total solution to a client's asset creation needs, from feasibility, planning and financing through to actual completion of construction and commissioning.

Property development

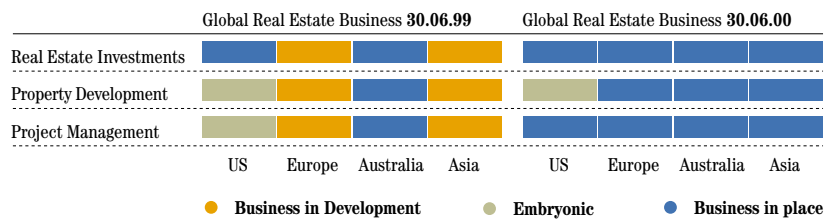
Services extend to commercial, retail, multi-family residential, and complex urban mixed-use projects with a strong retail focus, often with third party capital. A number of high profile projects have recently been completed or are in progress in every region of the world in which we operate.

- ARGENTINA
- AUSTRALIA
- AUSTRIA
- BRAZIL
- CANADA
- CHINA
- CZECH REPUBLIC
- FRANCE
- GERMANY
- GREECE
- HONG KONG
- HUNGARY
- INDIA
- INDONESIA
- IRELAND
- ISRAEL
- ITALY
- JAPAN
- KOREA
- KUWAIT
- MALAYSIA
- MEXICO
- NETHERLANDS
- NEW ZEALAND
- PHILIPPINES
- POLAND
- PORTUGAL
- ROMANIA
- RUSSIA
- SINGAPORE
- SLOVAKIA
- SOUTH AFRICA
- SPAIN
- SWITZERLAND
- TAIWAN
- THAILAND
- TURKEY
- UNITED ARAB EMIRATES
- UNITED KINGDOM
- UNITED STATES
- VENEZUELA
- VIETNAM



Real Estate Investments – Funds under Management

Local Currency Billions	30.06.00	30.06.99	
US (USD)	40.9	23.7	+73%
Australia (AUD)	10.0	8.7	+15%
Asia (USD)	0.5	0.2	+150%
Europe (GBP)	1.0	0.6	+67%
Loans under Servicing (USD)	55.8	7.2	+675%





PROMENADE II, ATLANTA



VENTURA, NEW YORK L to R: JULIE LURIE AND EILEEN MILLER

Real Estate Investment and Funds Management

Directing Global Capital Flows

Over the past three years, we have built a financial services company specializing in real estate and real estate related investments. We are now able to provide institutional as well as individual clients with real estate advisory services and products in all the investment quadrants – private/public and debt/equity – and in all property sectors. As a result, we are well-positioned to add value for our clients as market trends dictate by moving capital among property types, investment quadrants, and world regions.

Our Real Estate Investment operations have market leading positions in the United States and Australia. We are poised to expand our operations in Europe from our London base and in Asia where we look to expand our operations into Japan, Korea, and Thailand to take advantage of opportunities in recovering markets.

Consolidating the platform

Merger and acquisition activity dominated the year in the United States as we acquired businesses to solidify our investment management platform and create synergies across business lines.

Boston Financial Group

The purchase of The Boston Financial Group significantly increased our multi-family apartment advisory capabilities and added the Housing and Community Investing business, which enjoys a leading industry position in managing tax credit portfolios investing in affordable housing. Our research confirms that demand is high in the affordable housing sector, and will only increase over the next decade in the senior living sector.

There are four components to the multi-family business. One is investing in traditional multi-family apartment investment products for

OPPORTUNITIES IN THE REAL ESTATE DEBT BUSINESS



Doug Urquhart talks about the potential growth for the debt market and the progress of integration.

Why were Lend Lease interested in buying AMRESKO?

Lend Lease's interest was focused on the units in AMRESKO which touched the real estate debt market. Lend Lease is predominantly known for, and most of their products and services in the US are focused on, the real estate equity market. The AMRESKO acquisition allowed Lend Lease to broaden products, services and profile within the investment community. I think that was part of the strategic plan of Lend Lease to provide, as we say, the cradle-to-grave service products.

Where do you see potential growth areas in your businesses over the next two years?

Looking forward, I would say opportunities arise particularly with the international platforms that we have estab-

lished over the last two to three years, and becoming a part of the Lend Lease Group will only increase those opportunities.

We have had a number of interchanges of ideas and people coming through our offices throughout Asia, where Lend Lease is certainly active, and we think the combined expertise and knowledge base there will create some significant opportunities for us.

We will also move into other markets as they create similar opportunities and arbitrage in the non-performing real estate loan business. While the US economy has been robust for quite some time it is only a matter of time before there will be some opportunities for us in our countercyclical services – admittedly not to the degree that happened in the late 80s, but there will be some opportunities.

Where has integration added value from a client perspective?

There is real potential in consolidating some of our client base and sharing products and services. Both Lend Lease and AMRESKO have significant client bases so there's quite a process needed to assimilate all that. We need to focus on where there are common clients and where there are opportunities to provide better services to our clients.

What's being integrated?

Only one or two of our business units are somewhat duplicative of what was happening in Lend Lease, so the integration process has been most challenging in those areas.

One of the areas where there has been quite a bit of integration that has worked as the textbook would have it work is in the loan

servicing area. Quite frankly, there was loan servicing housed in several of the AMRESKO units and so the purchase by Lend Lease accelerated the need and affected the ability to consolidate that into the loan servicing operation in Atlanta.

Additionally, all of Lend Lease's loan servicing has been consolidated into Atlanta as well. What we have ended up with is one of the largest loan servicers in the country. And we have been able to leverage off the efficiencies of a large operation – better service for the customer as well as minimisation of the cost to deliver that service. I would say it's been the first integration success story.



through to the debt market provide opportunities to offer third-party services to the banks and governments that are the owners of the assets or to investors who wish to purchase those assets.

The purchase also included the largest commercial mortgage broker in the United States – Holliday Fenoglio Fowler – providing debt placements, structured finance, investment sales and loan services.

We renamed the commercial loan servicing company CapMark Services. The second largest in the US, it provides loan servicing to commercial mortgage backed securities issuers and traditional portfolio lenders. CapMark has US\$56 billion in its servicing portfolios.

Synergies between these businesses include economies of scale as we make better use of technology and expertise, reduced costs from consolidating loan servicing systems and additional new business potential through cross-selling of services to existing clients.

The acquisitions also diversify our business income – both Housing and Community Investing and CapMark Services should provide steady cash-flows through all market cycles. Affordable housing has always been in short supply in the United States, while loan servicing is an ongoing income generator in all market phases. The debt Asset Management business provides countercyclical income – mortgage workouts and

tax exempt institutions. The second is making equity investments in affordable housing – multi-family housing for people of moderate incomes. A third area is providing housing for senior living, providing apartments and services for elderly people. The fourth part of the business is a property management team to manage the apartments and support the investments.

AMRESKO

The acquisition of five AMRESKO businesses adds to our debt advisory capabilities and provides a leading team of Asset Management specialists for distressed debt investing not only in the United States, but in Asian markets as well as Canada and Mexico.

These businesses include asset management and loan resolution. Disruptions in economies that carry

DONNIE SKIDMORE



A NEW REAL ESTATE CEO IN THE US



Sheryl Pressler talks on the global appetite for real estate products and services.

As a new CEO, what do you bring to Lend Lease?

I bring to Lend Lease a client-focused perspective, which is one of our challenges. To make Lend Lease a global integrated real estate company we need to become much more client-focused than we have been. In today's market there are a lot of commodity products with a lot of information, and one of the ways we can differentiate ourselves is our focus on the customer and on value.

My key challenges are now to stabilise and integrate the businesses, grow assets under management and continue to attract additional capital. We need to improve our effectiveness and efficiencies and, lastly, we have got to start building for the future so we make this real estate platform what it can be.

What differentiates the Lend Lease real estate business in the US?

The US real estate market is huge and we are essentially dealing with institutional grade real estate or institutions that invest in real estate. How do we differentiate ourselves with respect to real estate is really threefold.

Number one, research.

We have an incredible research platform – from Lend Lease Rosen at the macro economic level to key individuals who have on the ground local knowledge of markets and opportunities. We build research into our decision making processes and procedures.

Secondly, we are able to add value by being local. We have 40 offices in five continents around the world. My experience is that people tend to buy whatever is in their backyard. If I had a real estate adviser that was located in New York they tended to buy only properties in New York. So I think it is a real advantage that we have an acquisition team in the field that is buying properties all over the globe.

And, then thirdly, we add value to our structure, our investment managers and our portfolio managers, but more specifically I guess our portfolio managers are really the client advocate within the company and they really represent the client, get to know the client, and then use our platform for the betterment of the client and their portfolio.

What convinces you there is a global appetite for real estate products and services?

When I look around the

world the stock markets are extremely volatile. I think when the markets get volatile money tends to shift into fixed income. After it sits in fixed income for a while it realises that it's giving up the opportunity for appreciation, so it moves into asset classes like real estate, which offer high current coupon income and also a chance for appreciation.

In addition to that, the demographics are favouring the shift into real estate as defined pension plans mature, as economies in the demographics shift. Specifically, in the developed markets you are going to have to put your money into an asset that gives you high current income and still offers an opportunity for appreciation.

Right now in the US the yield on stocks is a little over 1%, whereas we can buy real estate with a cash-on-cash return of about 9%. In addition, if you look at the real return on real estate today, it's a 6% real return. This is equivalent to about the premium you would have earned on US stocks over the last 79 years. This makes real estate extremely competitive as an asset class.

How does the real estate investment business make money?

You need to be client focused; you have to perform, perform, perform; you have to take care of your people; you have to retain people; you have to train and develop them. If you do that, you make money. So what we try to do is give our clients the products and services they want, to add value for those clients with respect to those products and services, and have the people to do it, and we will profit.

In the real estate business at Lend Lease Real Estate Investments there is a recurrent income stream from asset management fees we get from our properties. In the US there's a lot of emphasis on alignment of interests, which means we make money when our clients make money, and so in the US a lot of our fees come from incentive fees when a property is actually sold.

We are shifting some more of our focus to private equity funds where you get paid a fee on commitment, not necessarily investment. That brings in some more stable income as well.

asset takeovers naturally increase in down market cycles.

We look to consolidate the Boston Financial/AMRESKO acquisitions further and grow earnings off the strong platform built in the United States. Future acquisition opportunities will focus on strengthening the United States platform concept in Europe and Asia where it is not as fully evolved.

Generating capital flows

Our investment pipeline again generated more than US\$100 billion in potential transactions of which we completed US\$10.7 billion, including US\$3.8 billion in acquisitions. Our overall transaction volume makes us the market leader among investment advisors, but we also stand out for the sophisticated nature of many of our transactions such as One North Wacker and the Franklin Select acquisition, mentioned below. In addition, our Holliday Fenoglio Fowler mortgage brokerage unit, acquired in the AMRESKO transac-

JIM RYAN



tion, separately arranged more than US\$12 billion in mortgage and real estate sales transactions for various clients.

Also, especially notable in underscoring our cross border capabilities was the Lend Lease US Office Trust transaction where we raised investor capital through the Australian public markets to invest A\$524 million in a package of high quality, geographically diversified US office buildings. The Trust properties are jointly owned with Equity Office, one of the biggest



EXPANDING THE REAL ESTATE INVESTMENT GROUP GLOBALLY



Matthew Banks explains why real estate is a competitive product within the global capital market.

What do you see as your greatest challenges over the next year?

More and more capital is global. It is moving around the world at a rapid rate. What we are able to do – given we have put together a platform that is in all the major regions of the world – is to start to consider opportunities where we can be a conduit for capital to move from one part of the world to the other to be able to invest in real estate.

At the moment I am really focusing on our international platform outside the United States with regards to the real estate investment group. We have operations in Europe that revolve around real estate securities, a major distribution agreement planned with a large financial services organization in that part of the world. We have put our global fund team into London and we are looking at a few other aspects of the real estate investment areas well.

In terms of Asia, we

have been very successful with the fund that we have there, APIC, and we are going to continue to explore opportunities in that part of the world. I think probably the most challenging and exciting opportunity, is in north Asia, Japan and Korea in particular. We are looking at a couple of investment products that are going to exploit opportunities in that part of the world.

In the United States it has largely been an acquisition strategy that has enabled us to create a platform. From now on I see it being much more organic in terms of how that platform grows. In Europe and Asia you don't really have the same acquisition opportunities, there are not companies there like the Amrescor or the Boston Financials, so it will be a much more organic growth strategy.

I think what you find is that different parts of the world have different nuances and the markets are at different stages of development. So you are trying to understand where that development phase is at

and work out what is the best entry point. It might be picking up a small team out of another organization that can start to build. You might be putting resources in there from different parts of the world that bring intellectual capital into that market and it starts to be somewhat more innovative relative to that particular market.

What does it mean that Lend Lease is an integrated real estate company?

Being an integrated global real estate company means looking at how we are able to focus on our clients to deliver real estate solutions. The solutions will differ depending on the client.

The opportunity is there for us to look at who our key clients are around the world. They tend to be more global than not, and what Lend Lease can do is provide them with a myriad of solutions to real estate issues.

By their very nature corporate clients will have real estate, and

there is a trend more and more to consider how they are managing their balance sheets and how they might take real estate off their balance sheets to enable them to have their capital focused on their core businesses. So that is an opportunity where we can bring together our investment management skills along with our project management skills and development skills, to be able to consider how we might be able to help them in that regard. We are able to provide them that service in different parts of the world.

In many cases they need to continually upgrade their physical environments, whether that be manufacturing plants or offices. I think the opportunity is there to bring capital to do that as well as the underlying skills to be able to create these assets that they need to run their business. Our platform, both in the equity and the debt side as well as the development and the project management construction side, can

come together to provide solutions for those clients in regard to their real estate needs.

How does real estate work within the capital markets and why can it be a competitive product?

Securitisation of assets, and in terms of real estate it is both the debt and the equity side, is occurring in more mature and sophisticated markets such as the United States and Australia but also in parts of Europe and Asia. So real estate as an asset class is, if you like, growing up and as such has to become more sophisticated in terms of its financial structuring and cross-border investment.

If securitisation allows liquidity in daily pricing in a capital market sense, then real estate is able to compete with other asset types – fixed interest, bonds, stocks – so that gives it a frame work with regard to the capital markets.

As we have an ageing population the requirement to move from a savings mode to a spending mode is going to become important as people retire. Real estate sits somewhere between bonds and equities. It has a good income stream with the possibility for capital appreciation.

Real estate has to compete with all those

other investment opportunities, so innovation is important to continue to be able to add value to the asset class on behalf of the investors.

The Lend Lease US Office Trust was an example where we saw an opportunity where capital was being priced at one pricing point in Australia but product was being sold at a different pricing point in the United States. So we took capital from Australia to buy product in America, but in doing that you had to be somewhat more sophisticated than you would just working in one region. This kind of arbitrage opportunity is going to happen more and more in my opinion.

Another key product at the moment is our Global Fund, an equity fund that raises capital from investors around the world to invest in different regions when we see various opportunities. It tends to be opportunistic with returns above 20%. Likewise with the Distressed Debt Fund which we are about to launch in the next few weeks. We see an opportunity to take advantage of different markets that have distressed debt in various phases of recovery.



US publicly-traded real estate investment trusts (REITs). Results to June 2000 showed average occupancy of the property portfolio at 94.1% and a net operating result of US\$12.6 million, ahead of budget and prospectus assumptions.

Performance
Value Enhancement Fund I successfully completed the fund objectives of opportunistically investing in real estate and then liquidating its investments for substantial gains. Value Enhancement Fund I was established

in 1993, raising US\$256 million from pension investors and liquidated its last property in June 2000. The Fund returned investors an outstanding 30.9% (before fees) annualized return over its life.

During the year, we raised US\$400

million for Value Enhancement Fund IV (VEF IV), the fourth in the VEF series, and plan to launch VEF V by September 2000. The strong returns of VEF I and the excellent performance of the other funds in the series, have made these opportunistic funds stand-outs for investors looking for enhanced returns in the United States real estate markets.



JIM QUILLE

Prime Property Fund, our core US\$2 billion United States flagship fund, registered its fourth straight year of double-digit performance. This fund is primarily for investors seeking solid income returns with added appreciation from high-quality cash-flow office buildings, regional shopping centres, warehouses and apartments. The Fund again beat the real estate industry benchmark, the NCREIF Index.

The Lend Lease Rosen Total Return and Value Funds investing in

Real Estate Investment Trust (REIT) stock portfolios also beat the Wilshire REIT Index for one, three and five year periods ending 30 June 2000.

In Australia, General Property Trust's total return for the twelve months to 30 June 2000 was 18%, exceeding the Listed Property Trust Index of 12%.

New funds, new markets

The International Distressed Debt Fund is the first product launched out of the purchase of the AMRESCO

Performance of US REI Funds – Returns (% p.a)

Calendar	1999	1998	1997
Core Prime Property Fund	13.4	18.8	14.3
Value Enhancement Funds			
VEF I	70.6	24.3	36.3
VEF II	14.8	12.4	31.0
VEF III	15.6	–	–
NCREIF Property Index	11.4	16.1	13.7

LEND LEASE REI ANNOUNCEMENTS

05.06.00

General Property Trust acquisition of Darling Park approved

At an extraordinary general meeting of General Property Trust, resolutions to approve the acquisition of a 40% interest in the Darling Park complex were passed by more than 99% of unitholders. General Property Trust, together with AMP Office Trust and AMP Statutory Fund No 2, have acquired 80% of the Darling Park complex, independently valued at A\$877 million, in Australia's largest ever, single commercial property transaction. Nomura and Toyo Real Estate own the residual 20%.

08.06.00

Lend Lease launched US\$600 million International Distressed Debt Fund

Lend Lease Real Estate Investments launched a new fund for institutional investors and high net worth individuals that will invest in international distressed debt. Targeted to raise US\$600 million, the Lend Lease International Distressed Debt Fund invests in loans secured by real estate as well as commercial and industrial loans. The Fund will focus initially on the Asian markets, particularly Japan, Korea, and Thailand, and Lend Lease Corporation plans to invest up to US\$50 million in the Fund alongside its clients.

17.03.00

Lend Lease Completes Acquisition of AMRESCO Businesses for US\$258.7 million; Ranks as leading Commercial Mortgage Investment Manager and Loan Servicer

The acquisition was completed of AMRESCO Inc.'s five commercial mortgage businesses.

- The former AMRESCO Capital, a mortgage origination and lender representation division, became part of Lend Lease's debt advisory group to give the business a total of US\$16 billion in assets under management.
- AMRESCO Services, renamed CapMark Services, became one of the nation's largest commercial loan servicers with close to US\$56 billion in its

servicing portfolios, including Lend Lease's US\$7 billion servicing portfolio.

- Holliday Fenoglio Fowler, one of the country's largest commercial mortgage brokers, is now a wholly-owned Lend Lease subsidiary that operates independently under its existing management team. In 1999, Holliday Fenoglio completed about US\$12 billion in brokerage-related transactions, including arranging first lien mortgages, mezzanine capital and equity sales.
- The Asset Management (revolving non-performing and sub-performing loan and real estate portfolios for government agencies, institutional investors, banks, insurers and

private investors) and Real Estate Structured Finance (high-yield debt financing for real estate ventures unable to access traditional sources) businesses have been absorbed into Lend Lease as separate new divisions.

25.02.00

APIC Acquires Parkway Parade in Singapore for S\$480M

The Asia Pacific Investment Company entered into a conditional sale and purchase agreement to acquire Parkway Parade shopping centre in Singapore for S\$480M, from listed Singapore medical group, Parkway Holdings Ltd. APIC is a property investment company, established by the Lend Lease Group in 1996 to invest across the property

markets of Asia. The shareholders of APIC include major international investor groups, with Lend Lease acting as the company's advisor and holding a 17% stake.

APIC's Chairman, Dr Chua Yong Hai, said the agreement represented another step in APIC's strategy to acquire fundamentally good assets in growth markets, where there is 'value-add' potential as markets recover. APIC is ideally placed to leverage Lend Lease's international real estate development and retail property expertise to reposition Parkway.



JENNY NETZER

debt businesses. Using the expertise of the Dallas based debt Asset Management team and its offices in Japan, Korea and Thailand, the Fund will focus primarily in acquiring portfolios of problem real estate loans in the recovering Asian markets.

Lend Lease US Real Estate Securities is the first in a series of

REIT mutual funds established during the year to access the individual investor market. A European securities fund will be added soon as we establish a family of Lend Lease REIT funds. The European Securities Fund will be managed by Lend Lease Houlihan Rovers, our new Brussels based firm established to manage European real estate securities for institutional and individual investors. We established a Private Client Group to provide special real estate investment opportunities to high net worth individuals, including the new Skyline Fund.

We also launched the latest in a series of enhanced multi-family funds, Arch Street IV, which invests in apartments. The portfolio management for this Fund comes from our Boston-based multi-family operations. High home prices, increasing numbers of Generation X and empty nester babyboomers, and a tight

housing market are spurring strong returns for apartment properties in the US, especially in metropolitan areas on the East and West Coasts. We are looking to invest about US\$1 billion in apartments for various institutional clients for the 2000/2001, shifting some of our focus

GENE CONWAY



22.02.00
Lend Lease Forms European Real Estate Securities Management Firm - Lend Lease Houlihan Rovers

Lend Lease Real Estate Investments announced the formation of a joint venture to manage European real estate securities for institutional investors, high net worth individuals and retail investors.

The new Brussels-based company, called Lend Lease Houlihan Rovers, is a partnership between Lend Lease and two well-known real estate securities managers, W. Joseph Houlihan and Gerios Rovers.

The rapid growth of real estate in publicly-traded companies will accelerate across Europe, and demand for these stocks among both US and European investors will increase significantly. In Europe,

Lend Lease Houlihan Rovers will be an excellent complement to our established Lend Lease private equity real estate funds business that includes the Lend Lease Retail Partnership.

03.02.00
Construction Financing Secured for One North Wacker Development

The John Buck Company and Lend Lease Real Estate Investments Inc. secured construction financing for the development of the US\$300 million, 50-story Class A office development currently under construction at One North Wacker Drive in downtown Chicago. Financing is being provided by a consortium of banks including Bank One, Fleet Bank, and Guaranty Bank. The development attracted financing because of the project's superior loca-

tion, ability to attract credit-worthy tenants and prospects and its conservative capitalization plan.

01.12.99
New Lend Lease Fund Made First Acquisition

Lend Lease Real Estate Partners, the first in a series of private equity real estate funds to be launched and managed by Lend Lease in Australia, closed raising approximately A\$70 million and exchanging contracts to acquire a 9,900 square metre industrial complex in Lidcombe, Sydney. REP comprises subscriptions from eight major institutions and superannuation funds, and is to buy a five unit industrial complex at 31 Hill Road, Lidcombe for A\$6.45 million providing an initial yield of 10.3% (before acquisition costs). REP was created as a vehicle to deliver enhanced investment

returns from selective re-positioning opportunities outside the confines of tightly held institutional grade real estate assets.

30.11.99
Lend Lease US Office Trust Raising Closed Over-Subscribed

Allocations to institutional investors in the Lend Lease US Office Trust were clawed back as a result of strong retail investor subscription for the Initial Public Offer. Broker clients, Lend Lease shareholders and general public investors subscribed a total of over A\$135 million, which was more than Lend Lease's original estimates.

The Lend Lease US Office Trust portfolio comprises interests in seven prime office properties in six US cities. Fund and asset management for the Trust is carried out by Lend Lease in Australia and the US.

04.11.99
Lend Lease Completes Acquisition of Boston Financial Group

The acquisition of The Boston Financial Group, Limited Partnership for A\$138 million was completed with additional contingent payments of up to A\$31 million over the next three year period. Boston Financial's operations – including multi-family portfolio management, asset management, capital markets, development, low income housing tax-credit financing, residential property management, senior housing and property management – have been consolidated into Lend Lease Real Estate Investments.

03.06.99
Lend Lease Global Properties Enters Into Joint Venture With Tishman International Companies
Our Luxembourg-based

global real estate opportunity investment company announced the completion of its first investment, a joint venture with Hayes Park Investment Co. Limited, an affiliate of Tishman International Companies (TIC). The joint venture is redeveloping Hayes Park, a suburban London office campus near Heathrow with Global Properties investing £19 million in both debt and equity in the project.

This transaction was closed in less than four weeks, an excellent example of how Lend Lease's global network with more than 30 offices on five continents gives Global Properties an advantage in securing prime investments.



away from office where some markets have become pricey after a strong five-year rally.

The Housing and Community Investing group placed US\$319 million in tax credit investments during the year. The HCI group marries affordable housing developers with federal tax credits to corporate investors who can use those tax credits to help manage their balance sheets. With robust demand for affordable income housing units, the US Government's affordable housing tax credit

programs generate strong bipartisan political support.

For overall, funds under management (FUM) grew strongly through the year – mainly by acquisition but also through organic growth. Excluding the sell down of the Equitable General Account, the pre-existing US businesses grew funds under management by 9.2%. Our acquisition of Boston saw their FUM increase by 7.5% in eight months, and AMRESCO by 5.2% in three and a half months. Australia's growth of 15% was largely due to GPT

and the Lend Lease US Office Trust initiative. APIC saw funds under management in Asia grow by 200%.

In a joint venture with The John Buck Company, a local developer, we began construction of One North Wacker Drive, a 1.3 million square foot office building in Chicago. This is the largest office project in development in the US, is 60% pre-leased with completion not scheduled until summer 2001. The project is an investment for Value Enhancement Fund III.

Value Enhancement Fund III also

THE STRENGTH OF ALIGNED VALUES



Fred Pratt on the importance of managing client relationships.

Why was Boston Financial interested in being acquired by Lend Lease?

There were some very strategic reasons related to where our industry was headed and the resources that Boston Financial had. We really wanted to position the people in the company and our clients, whose money we were investing, where they had the best chance to succeed in the future.

People will ask me 'Well, didn't the money that you were paid have a lot to do with why you were acquired?' And in the end of course the answer is yes, but in terms of the screens that we applied in looking at Lend Lease money was actually one of the last things we looked at.

Personally I was very interested, and our board

was very interested, in how the values of Lend Lease matched up against the values of Boston Financial. We were a highly valued blue ribbon company and we were not going to take what we had spent 30 years building and join it up with somebody who had significantly different values or values that we didn't believe in. The second screen was whether the people we were meeting at Lend Lease lived their values, because it is very easy to articulate values, it is a lot harder to live them. During any negotiations there are times when the values of both parties become very evident. What we found was that the people that we dealt with at Lend Lease were fair, they were willing to be creative, they weren't locked into one way

of thinking about doing things – which really allowed us to put together a transaction which I think was more beneficial to both sides than if those things weren't true.

Ultimately, I felt that there was a strong enough potential bond between the two companies that we decided to go ahead with the acquisition.

How is the integration process progressing?

Since Boston Financial was acquired in November 1999 we have worked very hard on trying to integrate our businesses and our people into Lend Lease. The Boston office, which was Boston Financial, now has a number of different activities there, which really didn't exist before. For example, the marketing group within

Lend Lease Real Estate Investments in the United States now has a major piece of their group located in the Boston office as well. So the Boston office is not a stand-alone business as it was when we were Boston Financial.

I found that there are some very interesting things that occurred during the integration and I will just give you an example of one of them.

One of the things we prided ourselves at Boston Financial was having a lot of initiative, not waiting around to be told what to do but just going out and doing it. What I noticed after the acquisition was that our senior people, including me, were asking the question when issues came up, 'What does Lend Lease want us to do?'

It becomes obvious that one of the things that Lend Lease got when they bought us was our brains and we had to just start doing what we thought was the right thing and we just have to stop short of doing something that will really put Lend Lease at risk.

The senior people began to do that and it is a lesson that I learned about integrating an acquired business, that for the people who are acquired it is natural to think, 'Well they paid money for us, what do they want us to do?' The truth is what they want us to do is to continue to be smart and run our businesses the best we can.

What we have tried to do in the integration is really to look at what is it that Lend Lease does well and what is it that Boston Financial did well and try to pick the best of both and put them together.

How does Boston Financial organise itself so that client relationships are managed effectively?
Within Boston Financial

we always really cared about our clients and wanted to know what our clients thought about us so that we could reorient our business to do better. One of the major points that continually came back to us from our clients was they liked that we delivered on our promises. This really became the Boston Financial tag line: *We deliver on our promises.*

If you look at the track record of the investments in the affordable housing area, which we call Housing and Community Investing, you will see that we have consistently met or exceeded the expectations that we created for those investments. This is a business that we have been in since 1987 so we already have a 13 year history of delivering every single time.

Our clients know that if there is a problem that we are going to really work our tails off to make the problems better and that is consistent throughout all of our activities, which are now part of Lend Lease.



completed a complex \$131.5 million transaction, buying all the assets of Franklin Select Realty Trust, a public REIT, and taking them private. The transaction took advantage of the lacklustre REIT markets with REIT shares trading at significant discounts to net asset values. The eight office and R&D properties in the deal are located in Northern and Southern California.

The US\$395 million Lend Lease Global Properties SICAF, which formed in January 1999, acquired a 50% interest in Arrabida Shopping Centre, a 610,000 square foot, multi-level mall in Porto, Portugal. Lend Lease acquired the remaining 50% interest in the shopping center. During the year Global Properties also acquired five floors in Lippo Towers, a prominent Hong Kong office building.

Lend Lease's Asia Pacific Investment Company (APIC) purchased Parkway Parade shopping center in Singapore for US\$279 million. The 484,200-square-foot shopping center is one of Singapore's premier retail destinations but needs to be repositioned, and raises APIC's assets to close to A\$1 billion.

Now working with a strategic partner

The Bovis, Boston Financial and

AMRESKO acquisitions provide important organizational synergies for our businesses and clients. Large corporate clients have requirements in relation to their pension plans or investments where they are looking for products that meet their risk profile. We are able to provide that service now in many parts of the world.

Boston Financial filled an important gap in Lend Lease Real Estate Investments' property sector capabilities, providing considerable apartment investment expertise to balance with the company's existing strong capabilities in office, retail, warehouse and hotels. The AMRESKO units broaden the services we can provide debt advisory clients from loan servicing to asset management, while in turn broadening the potential client base of the newly acquired CapMark and Asset Management groups.

All three acquisitions added to our research capabilities, which we are merging into a unique unit offering clients integrated portfolio strategies, transactional market analysis, macro economic outlooks, and trend forecasting.

Bovis Lend Lease provides our Real Estate Investments business with additional on-the-ground market

ONE NORTH WACKER, CHICAGO



knowledge regarding building and development trends across property sectors. The company's substantial building and design expertise is available to help analyze and assess property investments for engineering, environmental and operational issues. In turn, Lend Lease Real Estate Investments' capital advisory group is available to help Bovis clients structure financings for projects or develop corporate real estate strategies.

This now gives us the opportunity to provide solutions for clients in relation to their real estate needs – we can bring capital together with the underlying skills required to create the asset.

<http://www.lendleaserei.com>

<http://www.llusot.com.au>

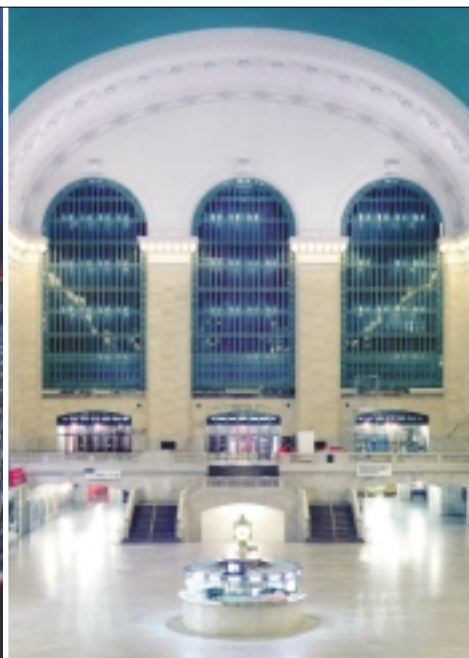
<http://www.gpt.com.au>

RAY D'ARZENNE





THE ADELPHIA COLISEUM, NASHVILLE



GRAND CENTRAL TERMINAL, NEW YORK

Bovis Lend Lease

A strategic partner that delivers

Bovis Lend Lease, the construction and project management arm of Lend Lease, is a global service provider to clients with physical asset, facility and property needs. We offer a broad range of services from consultancy, feasibility studies, planning, design management and construction management to design/construct and total project and program delivery.

This offering involves being able to provide a variety of services to prominent multinational corporations. Bovis Lend Lease has the ability to provide a total SOLUTION to a client's asset creation needs, from feasibility, planning and financing through to actual completion of construction and commissioning.

Bovis Lend Lease has over 90 offices in 39 countries and today has over 6,800 highly professional and committed staff.



SIR FRANK LAMPL

We've been busy...

Bovis Lend Lease was created by the acquisition of Bovis by Lend Lease in 1999. This brought together the global presence and client service orientation of Bovis and the strong design and construct skills of Lend Lease Projects.

There were a number of objectives in successfully integrating the Bovis acquisition.

A prime consideration was Bovis' geographic coverage and its complementary fit with the existing Lend Lease Projects business. Bovis was strong in the UK and the US, with Lend Lease Projects strong in Asia/Pacific. There was little overlap with a broad geographical spread and an enhanced range of services. Bovis was a fee business predominantly and the Lend Lease Projects business was a construction or lump sum business.

The combined business now provides an excellent platform around the world. It gives us a solid infrastructure, both for the Bovis Lend Lease business and the broader Lend Lease Group. The scale of Bovis Lend Lease's operation gives us unparalleled access to and control of a global supply chain. As a result we are a founding member of the eBusiness initiative AECventure (see page 38 for full report).

Bovis Lend Lease has worked for almost half the Fortune 500 companies

around the world which constitutes a significant client base. Access to that client base and its many long term relationships yields a solid deal flow. It also generates integrated real estate opportunities in which other Lend Lease businesses can participate.

Importantly, Bovis also brought to Lend Lease a pool of talented people. As we are a people business, that's very important. It's that pool of talent that will help take us forward.

Finally, it gave us our complete real estate set. We had a global funds management business, a significant development capability and now with the integration of Bovis, we have a global project management and construction capability.

healthcare and Government buildings with an increasing focus on education).

- Our BOT success in Asia (with a focus primarily on water treatment).
- Our military housing operation in the United States managed by Lend Lease Actus.
- Our Development company in Australia has worked with Bovis Lend Lease and the property funds on projects such as Darling Park.
- The Bluewater project in the UK where we took a development position first. Bovis Lend Lease built the project, and as more retail projects were completed they were

UK and USA provide a great platform.

We shall continue to focus on:

- Providing excellence in value added services for clients.
- Increasing technical specialisation in high growth global markets. Sectors that will be particularly important to us in the future include microelectronics, pharmaceuticals and telecommunications.
- Expanding our geographic coverage to better serve today's global clients.
- Strengthening our knowledge management platform to enable our people and clients to benefit from the scale of our business.

The second element is focusing on our less developed regions – South America, Asia, and Continental Europe. With the economies in Europe performing quite strongly and our global customer base investing strongly, there is a great opportunity to reinforce our global presence. We aim to turn Europe into a fourth major plank of our business, with Asia about a year or so behind that. In South America the key is to build the infrastructure out so four or five years on we are ready to take advantage of the economies, the customers and the cycles in that region.

A third element is growing our client alliances. We have clients such as BP Amoco and Coca-Cola with whom we work as a truly strategic alliance partner. We are looking to work with other clients at a similar level. It's a key element of our business and extremely important to us.



PHARMACEUTICAL PLANTS, SINGAPORE

LtoR: MARTIN P LI, BARRY MANN, MATTHEW SIN JL AND JIM DAVIS

Part of the integrated real estate offering

What makes Bovis Lend Lease unique is its fully integrated real estate offering. Being part of the Lend Lease Group gives Bovis Lend Lease access to additional asset creation skills and capital sources to complement its expertise in project and construction management.

This differs from any competing offering by adding a critical dimension. It is truly added value for a client to be able to procure, from a relationship minded service-oriented organization, all the services necessary for the process of asset creation anywhere in the world.

Examples of this offering are:

- Private finance initiatives (PFI) projects in the UK (primarily in

pooled together in a fund.

All of these activities rely on a fully integrated offering as each type of assignment requires the application of skills in project feasibility, project finance, design management and actual project construction and commissioning.

Looking forward, the prospects for applying integrated real estate approaches are numerous. The Bovis and REI deal flows and our various development positions provide many opportunities to take integrated positions.

Taking the business forward

Having completed the integration process, it is important to define exactly how we're going to expand and enhance the company. Firstly, the established businesses in Australia, the

TRUMP WORLD TOWER, NEW YORK



A strategic partner

An increasing percentage of our business is with repeat clients. The majority of Bovis Lend Lease's work is won on credentials and reputation rather than on price. That position reflects our ability to deliver very cost-effective project management services and overall asset creation solutions on a global basis with the speed and quality that sophisticated clients demand.

We have formed lasting relationships with many clients. Our strategy is to have key individuals focus on our customers – investing the time and effort to learn about their businesses. It is important that we understand what that customer needs, how to deal with that customer and how we can add value. It is for that reason that John McCloy, the account manager for our biggest customer, BP Amoco, has

recently joined the board of Bovis Lend Lease. You will see more of that in the business because to build our alliances it is important to organise ourselves that way.

Clients include BP Amoco, Coca-Cola, AT&T, Time Warner, Bank of America, HSBC, United Airlines, Lucent Technologies, Qantas Airlines, Cisco, Marks & Spencer and Safeway.

These and many of our other clients will dominate their industries, increase in size through consolidation and offer outstanding prospects for long-term mutually beneficial relationships.

THE VALUE OF A GLOBAL BRAND



Luther Cochrane stresses the importance of adding value to a customer's business.

People say that most acquisitions never realise the value as anticipated. What were the values anticipated?

People do say that quite often mergers and acquisitions don't succeed. This hasn't been the case here. In this instance there wasn't a lot of overlap. The businesses were very complementary, both geographically and in the skill set. So it was easy for us to add the businesses together to get 'one plus one equals three', and that has been successfully done over the last six months.

The other thing that has really helped is the strength of the American and the UK economies. They have kept powering on which has really supported the Bovis Lend Lease order book. It has left us in a quite a strong position at the end of the last six months.

How important is this new Bovis Lend Lease brand?

One of the most important intangible assets we have is our brand. You can't underestimate that because in the end, a brand stands for what we are. That's what people will see, and they'll think about what we stand for. That's why when you change a brand, as we did when we brought the Bovis and Lend Lease Projects brands together to create Bovis Lend Lease, there is all the emotion around it.

It is now what we need to continue to build in the market place and grow to love. It will be what our clients, when they see it, actually understand. It is amazing how wherever you go, you see the Bovis Lend Lease brand.

You talk about the importance of your customers.

Without our customers, we don't have a business. When you work with a customer it's important not to just look at the customer as a sale. You actually have to ask how you can add value to their business. That means you've got to decide what you're doing, look at the customers' enterprise and try to work out if what you're doing is adding to that enterprise. There might be a smarter way for you to change or modify the building they have, or to change their asset some way which means they don't have to spend a lot of money, and we've got real examples of having done that.

A good example of that is when we've actually at times gone to work with customers and come up with solutions which have meant they haven't

had to build a building. That is not necessarily the right thing if you're just looking at our profit bottom line but it was the right thing for that customer. It's very important to keep thinking that way because in the end, that is the way we need to conduct ourselves if we want to be trusted by these customers.

Take for example our BP Amoco alliance. When BP Amoco checked with our clients, they were hearing comments that people from the Bovis Lend Lease business who were working for the clients sometimes felt more loyal to the client than they did to Bovis Lend Lease. It's very important to put yourself in your customer's shoes.

BP Amoco

Bovis Lend Lease is to manage BP Amoco's retail outlet building program across 15 countries over the next five years. It involves the construction of over 1300 new outlets in Europe, USA, Japan and Venezuela. This contract extends the original contract of April 1997 to manage a major expansion of retail outlets in Europe. Building on the success achieved in Europe over the past three years, we will now manage the construction of 500 new retail outlets across 40 US states, and around 750 new outlets in Europe during the term of the contract. Bovis Lend Lease will also manage on-going maintenance on new and existing stations in Europe, Japan and Venezuela.

We work with BP Amoco in a true commercial partnership, deriving our profits exclusively from the savings we generate in the course of construction. Those savings are then reinvested in the building program by BP Amoco to create additional retail outlets and further work for the alliance. It provides a tremendous incentive to us, and benefits BP Amoco and its customers as a larger number of service stations are upgraded in a shorter period.

Private Finance Initiatives

Both PFI and BOT (Build, Operate, Transfer) are mechanisms for the private sector to fund and build infrastructure, civic amenities such as schools and hospitals and new government offices.



BOVIS LEND LEASE ANNOUNCEMENTS

17.07.00

Vodafone Airtouch Awards £80 Million World Headquarters Project to Bovis Lend Lease

Bovis Lend Lease has been awarded an £80 million contract to provide construction services to Vodafone for its new 51,600 square metre Group World Headquarters at Newbury, Berkshire. Enablement works started on the 37-acre former Newbury Showground site north of Newbury, in May. The headquarters will comprise seven independent buildings, which will be linked to each other by tension fabric canopies. Occupation of the first buildings is scheduled during 2002.

01.06.00

Bovis Lend Lease acquires Project Consultants Incorporated expanding Global capabilities in the Microelectronics Industry

The Lend Lease Group announced today that its subsidiary, Bovis Lend Lease has acquired Project Consultants Incorporated for under

US\$10 million.

Project Consultants Incorporated based in Santa Clara, California, provides design, project and construction management, and tool hook up services to the microelectronics industry.

The merged businesses will combine the resources of both groups into a business unit focused on the microelectronics industry and in particular the design and construction of semiconductor manufacturing facilities. Announcing the acquisition, Ross Johnston, Group Director of Global Markets said, "This expands our global reach in providing high level consultancy services to the microelectronics market.

We embarked on this strategic market focus some 18 months ago with the acquisition of Crystal Group, a Netherlands-based international consulting organization with extensive expertise in the complete turnkey design and construction of production facilities for semiconductors and optoelectronic devices. Since that time we have established a clear market

position in providing cost effective facility solutions with turnkey responsibility."

08.05.00

Summer Start for HM Treasury PFI Project

Bovis Lend Lease through its participation in Exchequer Partnership plc, a consortium comprising Bovis Lend Lease Holdings Ltd, Stanhope plc and Chesterton International plc, has secured funding for a Private Finance Initiative project to refurbish and redevelop HM Treasury accommodation in London's Great George Street.

The work will be carried out in two phases, with 46,500 square metres of the building to be refurbished in readiness for occupation by HM Treasury in August 2002, on a 35 year lease. The second phase, covering a similar area, will proceed when an occupier has been confirmed.

This represents the third Private Finance Initiative project Bovis Lend Lease has undertaken in the UK, the two previous being in the healthcare sector.

20.04.00

Shenzhen Exhibition and Convention Centre to be Project Managed by Bovis Lend Lease

Bovis Lend Lease has been awarded the project management services for a new convention and exhibition facility in Shenzhen, China. Designed by Helmut Jahn, this will be one of the largest exhibition and convention centres in Asia, as

well as the focus of the new downtown area for Shenzhen.

The project is on Shenzhen Bay, with a total building area of approximately 250,000m². The project consists of 160,000m² exhibition and conference facilities, 28,100m² central road and open squares and 63,000m² underground parking and plant rooms. The construction value is nearly US\$240 million, and completion is set for February 2003.

BLL, teaming with Shenzhen Nan Shan Construction Supervision Company, our local partner, won the project in an open bid.

The project will be a base of operations for Bovis Lend Lease in Southern China for the next three years as we expand our business into the active Shenzhen-Guangzhou metropolitan area.

10.02.00

Bovis Lend Lease Awarded Revitalization Project For The National Institutes Of Health

The Washington, D.C. office of Bovis Lend Lease has been selected to provide Programming/Design Construction planning services for a revitalization program at NIH, one of the world's leading biomedical research centres in Bethesda, Maryland. The team was awarded a US\$35 million, three year base contract. With additional term options, the contract has the potential to total up to 10 years on site.

Bovis Lend Lease is responsible for all preconstruction services,

logistics planning, as well as construction quality management services. The project will encompass the complete renovation of the main building on the Bethesda campus of NIH, while it remains operational. The two million square feet of renovation is scheduled to begin in 2003.

Additionally, Bovis Lend Lease Inc. provided Construction Quality Management services on two other projects at NIH, as well as General Contracting services on a parking restoration.

25.01.00

Lend Lease to manage BP Amoco's Retail Outlet Building Programme

Bovis Lend Lease is to manage BP Amoco's retail outlet building programme across 15 countries over the next five years. The programme will involve the construction of over 1300 new outlets in Europe, USA, Japan and Venezuela.

The contract with BP Amoco, the largest in the 115 year history of Bovis, was signed in London in January by Bovis Lend Lease Chairman Sir Frank Lampl and Ross Pillari, BP Amoco's Group Vice President for Downstream Business.

It extends by a further five years the three year contract awarded to Bovis in April 1997 to manage a major expansion programme of new BP Amoco retail outlets in Europe. The new contract also covers the USA, Japan and Venezuela. In the USA, Bovis Lend Lease will manage the construction

of 500 new retail outlets in 40 states over the next five years.

In Europe, the building programme will number around 750 new outlets over the term of the contract and the contract also includes an on-going maintenance program on new and existing stations.

The new contract maintains the terms of the original agreement whereby Bovis Lend Lease derives its profits exclusively from the savings it generates in the course of construction. Those savings are then reinvested in the building programme by BP Amoco to create additional retail outlets and further work for the alliance.



15.12.99

Bovis Lend Lease manages Parramatta-Chatswood Rail Link

Bovis Lend Lease has been awarded the project construction procurement manager role for the Parramatta Rail Link in Sydney. This A\$1.4 billion project is the key element in the New South Wales Government's ten year transport development program and its post-Olympic capital works strategy.

The project comprises 26km of twin track, 19km of which are underground, and 12 stations (seven existing, five new). The new link

continues on next page...

WORCESTER HOSPITAL, WORCESTER LES PRICE



ANNOUNCEMENTS continued...

will run from Westmead through Parramatta and Marsfield to Chatswood.

Our role involves establishing the program, costs and contract packaging, and then managing tendering and award of the various construction packages over the next 18 months, with potential to extend to construction management over the following four to five years.

20.09.99

Lend Lease Projects and Actus establish Joint Venture

Lend Lease Projects, Inc. formed a joint venture with US – based Actus Corporation. Actus has a 20 year history and strong market position in the design and construction of military housing in the US.

The joint venture will be called Lend Lease

Actus LLC and will design, construct and manage the development of military housing projects for the United States Department of Defense. Under the terms of the joint venture Actus will contribute its operating business and Lend Lease Projects will own 75% of the new company.



(left to right)
**John Spanswick,
Bob Johnston,
Bill Moss and
Ross Johnston**

John Spanswick, MD Europe, Bob Johnston, MD Asia-Pacific, Bill Moss, CEO Americas and Ross Johnston, President Global Markets, represent the four Bovis Lend Lease business areas. The leadership team is supported on the Bovis

Lend Lease Board by the global marketing, alliance, safety and finance roles which means global resources can be rapidly deployed on any local project or client need.



A key factor in winning these contracts is our ability to put together the right mix of services – construction, funding, funds management and facilities management – often as part of a consortium. Our income derives from building

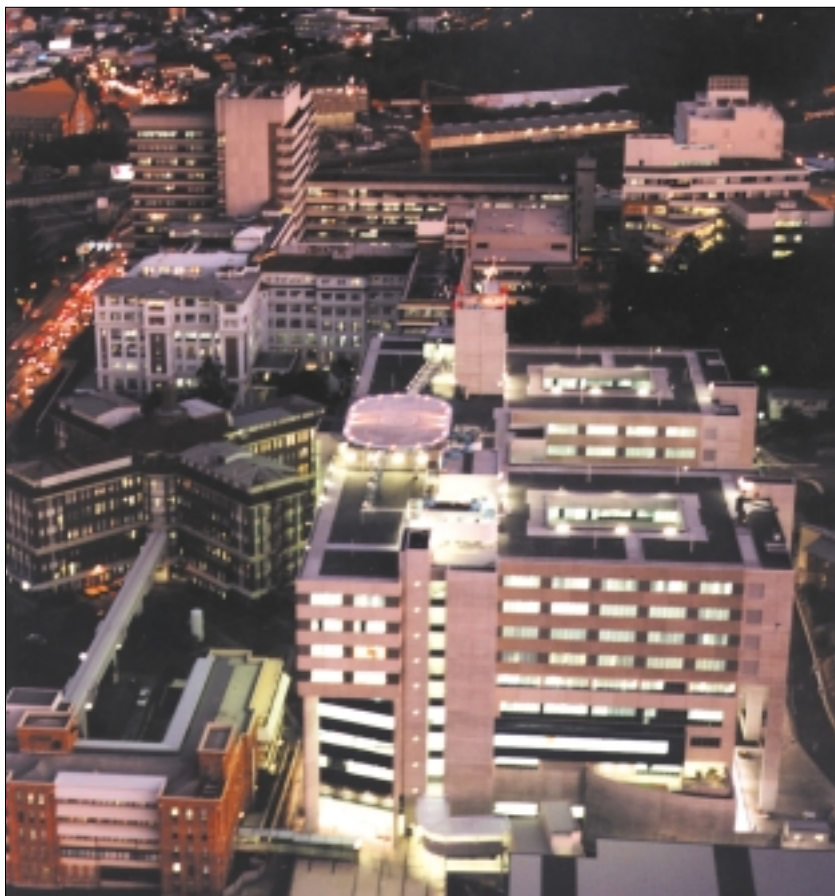
the facility, from further redevelopment during the life of the agreement, from facilities management fees, from equity returns and from our share of the rental paid by the public authority over the term of the concession. We are also creating added value by

establishing new businesses through the consortia formed to manage these PFI schemes.

Through our participation in Exchequer Partnership plc, a consortium comprising Bovis Lend Lease Holdings Ltd, Stanhope plc and Chesterton International plc, we have recently secured funding for a Private Finance Initiative project to refurbish and redevelop HM Treasury accommodation in London's Great George Street. This represents the third, and to date, the biggest Private Finance Initiative project Bovis Lend Lease has undertaken in the UK, the two others being in the healthcare sector.

PFI schemes generally require small equity investment outlays together with non-recourse finance – able to be arranged due to the long lease and high quality of the tenant. Hence, there is the potential to generate premium returns over the life of the on-going leasehold. In the project for HM Treasury, Bovis Lend Lease will generate maintenance fees over the 35 year lease period in addition to being paid for the construction of the £118 million first phase.

Similar BOT schemes have also been undertaken in Asia/Pacific. Construction was completed in 1998 on our joint venture with Thames Water to design, finance, build and

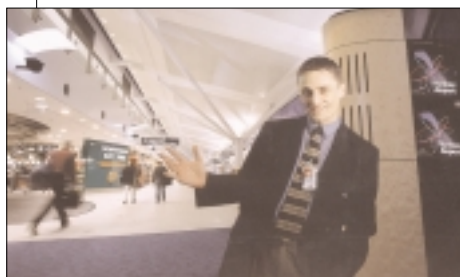


ROYAL BRISBANE HOSPITAL, BRISBANE

operate a 400,000m³/day water treatment plant in Shanghai, China as a 23 year concession. A second BOT project for a water treatment plant and delivery pipelines is underway in Ho Chi Minh City, Vietnam.

Lend Lease Actus

Lend Lease Actus manages major military community development projects in the United States through the typical 50 year duration of privatisation contracts. With exper-



SYDNEY AIRPORT DANIEL LABBAD

tise in master planning, design, ecologically sustainable development, construction, project finance, and property operations and management we have been involved to date in more than 60 projects with a combined value of more than US\$1.5 billion. The most recent project, Fort Hood Military Housing LP, is a joint venture with Trammell Crow Residential valued at over US\$4 billion over 50 years.

We will work with the Army to forge a Community Development and Management Plan for the Fort Hood residential community under the Army's new Residential Communities Initiative, designed to provide soldiers and their families with quality housing faster than traditional military construction programs. We receive the soldiers' housing allowances as 'rent', arrange the financing, and manage the design, renovation, build and operation of the family housing on a major Army post.

<http://www.bovislendlease.com>

MAKING THE SUPPLY CHAIN MORE EFFICIENT



Ross Taylor outlines how Bovis Lend Lease will contribute to the integrated real estate strategy.

Over the last six months we've been very busy in getting the integration completed and to the stage it is now. We brought the businesses together, lost no customers, continued to sell well. Changed the brand, business systems integrated, management team selected and working together and best practice reviews done and implemented. We had an overlap in the Asia/Pacific region. We had to make sure those two businesses were brought together. We then rolled out a new brand around the world and you can see our signs all around the world in all sorts of places. It will surprise you when you go travelling.

We had to establish consistent systems that let us manage the business as one company. This included changing the financial year reporting for Bovis to line it up with the reporting we do in Lend Lease.

We've done a lot of work together as a management team working for Bovis Lend Lease. That's worked really well and we've got a lot of excitement and energy at the senior management level now. On top of that we've done a full best practice

review of our business, looking at the US compared to the UK compared to Australia, and worked out what we think is best practice.

And most importantly we've also set the strategic plan for where the business is going, the components, what we are going to do and how we're going to implement it.

You talk about now accessing a global supply chain. What are the opportunities?

One of the key advantages we saw when we merged the Lend Lease Projects business and Bovis together to form Bovis Lend Lease was the eBusiness opportunity. We manage on behalf of our clients some A\$35 billion dollars per year of their spend. The opportunity is there to establish an eBusiness or an eCommerce portal. We are really a portal for their spend now and by putting that spend through an 'e' portal we can establish the winning portal.

It means we change the way we work with our supply chain. We get efficiencies through it, and not only do we benefit from owning or having a participation in the portal, we will also benefit by actually becoming more efficient

and more effective in doing our clients' business.

This is probably one of the most significant opportunities for the Bovis Lend Lease business.

What role does BLL play in the global real estate strategy?

Integrated real estate is something that Lend Lease has been doing for a long time, especially in the Asia/Pacific region. Examples of that are where Bovis Lend Lease works with the funds and all the retail work. It is where the development company works with Bovis Lend Lease and the funds on the Darling Park type work, Aurora Place and various other projects. And there are many, many examples.

Another good example is the Bluewater project in the UK where we went in and took a development position first. Bovis Lend Lease built the project and as we did more retail projects, we put them together and put them in a fund. A great example of integrated project or an integrated business opportunity. Looking forward the opportunities to apply integrated real estate approaches are just so numerous, the issue for us is really one of focus. What you see out of the

Bovis deal flow and out of the REI deal flow, and from the development positions, are so many opportunities to go in and take integrated positions that we really need to focus down on the ones that are going to be important to Lend Lease.

Recent examples of this are the military housing privatisation work we're doing in the US, the Treasury building we just won in the UK, the further proposals we've put in for private finance initiatives for the UK government on their hospitals, and there's a number of corporate opportunities we're working on now where we're looking at how they structure the balance sheets and what we can do about the assets on those balance sheets.

Where these links occur and where we take integrated opportunities, we'll put the full skills of the Group to bear on them but they'll probably only ever represent about 5% to 10% of the work we do but will represent significantly more of the profit you will find coming from the Lend Lease Group.





TRESAGUAS, MADRID L to R: JOSE MANUEL MARTIN AND PEDRO COLLADO

Property Development

Building Communities

Bluewater has achieved over £655 million in sales within its first year, a figure targeted for its third year of trade. With this success we have been able to move beyond demonstrating our unique skills in development, to exhibiting the value that can be created through an integrated property model applying our expertise in property and asset management.

Our development model going forward is to use primarily third party capital, in partnership with shareholder funds used to secure

potential opportunities. Our development activities will selectively include those complex projects that require our integrated property development and property fund management skills, without tying up significant amounts of Group capital.

Linking property and asset management

Our European business has focused on development with a specialist skill in retail.

We established investment vehicles in the UK in 1998 to give UK institutional

investors such as Equitable Life, Barclays Property Investment, Norwich Union and Shell Pensions Trust, the opportunity to invest in large prime retail assets targeted to achieve superior returns.

In June 1999 the Lend Lease Retail Partnership acquired a 25% interest in Bluewater's asset value (£1.12 billion) and 100% of Touchwood, the town centre development in Solihull, West Midlands, scheduled for completion in September 2001. The Partnership's total return to investors this year was 19%.

Bluewater's first quarter sales growth for the second year of trade is currently in excess of 25% over last year. This will provide a solid base to continue to maximise future returns.

Overgate was launched in March this year. This redevelopment of a west-end of the town into a retail destination has created a new anchor for the city centre of Dundee, Scotland's fourth largest city. Overgate also marked the successful launch of the Lend Lease Overgate Investment Partnership. This limited partnership comprises a group of six investors who have committed a total of £137 million to acquire 70% of Overgate. This sale was effected at a break even result, however as Dundee has been particularly hit by a weakening in the letting market we thought it prudent to make provision of £4 million before tax.

Eighteen months after Bluewater's opening, we have continued to evolve our development business by identifying major retail focussed opportunities where our integrated approach to development can be applied. Our project office base has



David Hutton explains the importance of strategic alliances and joint ventures.

What are the development opportunities for the real estate business in Europe?

Our ongoing opportunities in Europe could be summarised by looking at three areas. First of all, in terms of the geographies we're working in, most of our focus has gone into the UK. We've opened offices in southern Europe but we're still yet to enter the market such as France or Germany, eastern or northern Europe, so we still have significant opportunity to expand through the geographies.

The second area is looking at multiple sectors. Instead of just focusing on retail we're starting to focus on urban regeneration and mixed use type projects. For example, the retail project we're currently undertaking in Norwich includes residential as well as retail.

The final area of growth is starting to work closer with Real

Estate Investments (REI) and Bovis Lend Lease. Bovis Lend Lease is well-established across Europe and REI is just entering Europe, so the opportunities on a broader Lend Lease scale is to look at how all three companies can really work together and maximise the opportunities for key clients.

How important are strategic alliances and joint ventures in achieving your growth strategy?

Joint ventures and partnerships are a key part of our business. Perhaps most important is our focus on clients. That requires a core brand, consistency of values and understanding the value we can create for those key clients. Over the last five or six years in the UK we've worked closely with key investors, key retailers and, equally as importantly, key communities. For example we now have 22 investors in

Bluewater and have taken some of those relationships and raised additional capital for our projects in Dundee and in Solihull.

Our first major anchor store of Bluewater, the John Lewis Partnership, is working with us at Solihull as the key anchor for our centre. On our new project at Norwich, House of Fraser, again a key tenant of Bluewater, has signed to take a major lease. The relationships with retailers is key in terms of growing our retail and our retail development business.

In terms of communities, our focus on partnerships is really focused on employment and skilling. At Bluewater we started working with North Kent College and rolled out an employment recruitment and training programme. Again we have applied that at all our new projects in Scotland, in the West Midlands, Solihull and now at Norwich.

What role does Development play in Lend Lease's global real estate strategy?

The future of Development in our global strategy is as one of the three core businesses. While Bovis Lend Lease and REI are global in their project management, construction and investment expertise, our Development business really has a local focus with global linkages. Therefore we can be a catalyst for bringing those different groups together and for growing our business overall.

I see a very bright future for Development. I think it will come down to the key managers being able to manage risk, our key client relationships and how we start to take them not only to new opportunities within the UK but also to new opportunities across the continent. It's the skills that are in the Development business that are important.



AURORA PLACE, SYDNEY JOHN SALLIER

also expanded from London to incorporate offices in Madrid and Milan, and smaller offices in Scotland, Greece and Portugal.

The purchase of the Larry Smith Group in March 1998 provided us with a strong presence in Southern Europe. This has expanded to include Lend Lease Espana and the initiation

of our first continental development. Located approximately 15 minutes from the centre of Madrid, TresAguas will be the first scheme in Spain to fully integrate leisure and retail. Construction has commenced and it is currently proposed to open in September 2002.

A strong pipeline of work has now been established, representing a portfolio of assets and developments with an end forecast value of some £2 billion in total. Examples include the redevelopment of the Nestle factory site in Norwich, Norfolk, where planning consent is currently under consideration. More recently we have entered into a number of fee based master planning and developer roles on behalf of major property investors. Examples include an agreement with the Universities Superannuation Scheme, the UK's third largest pension fund, to redevelop a site within the city centre of Leeds as well as a master planning role on Milton Keynes on behalf of Prudential and Hermes.

These activities will not only expand our development activities but also our relationships, and generate an annuity stream.

The UK retail and property business is now secured by a growing portfolio of fee based assets, development and project management activities. An increased focus on key clients and the offering of the integrated property services alongside Bovis Lend Lease and our Real Estate Investment business, supported by our geographic expansion into Southern Europe, will underpin the ongoing growth of our retail property platform.

Building communities around the world

In Australia we are re-positioning our business to focus on staged, long term, mixed-use urban development projects. These projects, staged over a number of years, require less up-front capital, have the capital investment spread over a longer period but cycle it through faster. We have a number of residential and mixed residential and commercial projects that fit this approach.

Profits were impacted this year by a provision of A\$81.5 million for Fox Studios. Three of the four businesses – retail, studios and office space – are performing well, however the

performance of the Backlot has been disappointing. A number of initiatives are being taken to improve performance, including some remixing and reworking of the offering.

The past year has seen us progress or complete a number of major projects under development, such as Darling Park, Aurora Place, the Olympic Village, and Jacksons Landing. Darling Park is an example of our integrated real estate model at work. With the sell down of our interest for around A\$252 million (in cash and scrip) to General Property Trust and AMP's Statutory Fund No. 2, we have taken the project from development to project management and construction through to property funds management for the eventual owners.

We expect to sell our other major CBD project, Aurora Place, over the next twelve months. Leasing of the office space is nearly complete, and the residential component has been successful, with all 62 of the apartments sold at an average price of A\$2.1 million.

Jacksons Landing on the Pyrmont Peninsula in Sydney is a long term mixed residential and commercial project. Sales have been ahead of schedule in the first residents moving in, in May 2000. We have leased 70% of the first commercial building.

We have also developed a highly successful land management model in residential development that minimizes capital investment, creates a brand value in planned communities and has received wide acclaim for the reputation established on estates such as Twin Waters, Newington and North Lakes.

The North Lakes township in South East Queensland will be developed over 15 to 20 years. It will include 8,500 land lots, a major town centre, business park, 18 hole golf course and provide a range of community support services. Twin Waters, also in SE Queensland, is performing well, with some 375 of its 1,000 land lots sold for a total of A\$42 million since Lend Lease Development acquired the land

JACKSONS LANDING, SYDNEY L to R: RON CUTLER AND JOHN CARFI



in 1996. The remainder of the project will be developed over the next four years with the total development value expected to be some A\$200 million.

A decision on the rezoning of the 1,500 hectare St Marys development site in Western Sydney is expected in the next few months. The project will bring benefits to the local community as well as the Western Sydney Region, generating over 9,000 jobs. We expect it to be a consistent income generator over time.

The Newington/Olympic Village is on schedule and properties in the first phase of this ten year project are selling well. Handover of the Village to the Olympic Co-ordination Authority commenced on 1 May 2000. Some 500 dwellings of the 1,110 dwellings in the entire development, including the Olympic Village, have been sold, with a further 930 dwellings planned over the next six years. The sale of the shopping centre and industrial lots is also progressing.

Across the world, a number of development projects including the San Francisco Pier and the Amsterdam-North district master plan, are now increasingly mixed projects involving residential and retail. In our US business, HCI is the market leader in the multi-family credit market, servicing over 120 developers.

LEND LEASE DEVELOPMENT ANNOUNCEMENTS

20.06.00

Jacksons Landing achieves A\$50 million sale

Sydney's largest inner-city commercial and residential development, Jacksons Landing, achieved a A\$51.8 million sale of its first major commercial development to the National Australia Bank Group Superannuation Fund. The National Super Fund purchased the 13,500 sqm building, pre-leased earlier this year to Nokia, via a land and development agreement structure, at a price reflecting an 8.25% initial yield after acquisition costs.

18.04.00

Lend Lease Europe announces Greek Joint Venture

Lend Lease has entered into an agreement with Elliniki Technodomiki A. E. to establish a 50/50 joint venture real estate development services company in Greece. The new company

will be called REDS S.A. and will bring together the local knowledge of ET and the development and project skills of Lend Lease. REDS will provide development services including development management, leasing and asset management to third party clients. REDS will not directly invest in projects but will identify development opportunities in which ET and LLE may wish to invest.

27.01.00

Lend Lease launches 20,000 square metre Office Village at Homebush Bay

A new concept 20,000 square metre business village, 'The Quad', will be a catalyst for a new commercial office precinct centred on Olympic Park railway station at Homebush Bay, Sydney. We have commenced development of the first of four 5000 square metre buildings clustered

around an open air café and garden circle on the company's last remaining three hectare site at Australia Centre, 300 metres from the Olympic Park railway station. The Quad, with a development value of more than A\$70 million on completion, will be a cornerstone for a core office precinct at Homebush Bay.

12.01.00

Lend Lease Partnership chosen for San Francisco Cruise Terminal, Pier Project

The San Francisco Port Commission selected San Francisco Cruise Terminal, LLC to enter into exclusive negotiations for the development of the Bryant Street Pier and the James R. Herman International Cruise Terminal at Piers 30-32. The Bryant Street Pier project is the equivalent of four downtown city blocks and will be situated on the waterfront along San Francisco's

famed Embarcadero. Development includes the James R. Herman International Cruise Terminal, a Town Center and Lagoon, 156,000 square feet of retail space, including neighbourhood – serving retail, 300,000 square feet of commercial space, which will be embraced and managed under The World Trade Center banner, a fashionable hotel with extended-stay residences, an independent cinema, a public day-use marina and a jazz club.

24.11.00

USS and Lend Lease Join Forces in Major Leeds Development

The Universities Superannuation Scheme (USS) and the Lend Lease Group have formed a development partnership to prepare the redevelopment/ refurbishment plans for the Trinity and Burton Arcades in central Leeds. The present

shopping area, comprising one level of 85,000 sq. ft, will be increased to 240,000 sq. ft. by the major new development scheme. There will be improved linking of Briggate and Commercial Street to Tops Estates' Shopping Plaza. Total development cost is estimated at £150m and USS will provide all equity required to complete the project.

05.07.99

Purchase of Shopping Centre in Porto, Portugal

Lend Lease acquired the Arrabida Shopping Centre in Porto, Portugal for a total amount of A\$139.7 million. Lend Lease intends financing circa 50% through non recourse debt. At the same time as completing the acquisition Lend Lease Europe also signed a shareholders agreement with Lend Lease Global Properties, SICAF confirming their

commitment to jointly own (on a 50/50 basis) the Arrabida shopping centre. Each partner will provide equity of approximately A\$37.5 million.

02.07.99

Lend Lease Group Announces Retail Property Development Project in Spain

Lend Lease entered into a binding contract to purchase 50% of a Spanish company, Paseo Comercial Carlos III, which will develop a retail project in south west Madrid. The purchase price for Lend Lease's interest is approximately £10 million. The project will consist of approximately 46,000 square metres of net lettable retail space, with an additional 14,000 square metres of leisure and catering on an adjacent site.



Bovis is market leader in multi-family construction, 'Arch Street' is our series of leading multi-family funds.

We will focus on these opportunities to see if a similar fully integrated model to parallel the shopping centre strategy could be developed in this sector.

Development opportunities for the real estate business in Asia

Our skill base in the retail asset class – integrating design, construction, project management, retail planning, leasing, marketing and centre operations – also has significant potential in Asia. We believe that we have a strong basis on which to establish a serious franchise in this sector.

With businesses growing strongly

in Asia and indicators such as Singapore retail increasing by 27% this year, we are seeing significant underlying growth in demand. Underpinning our strategy will be the creation of an investment vehicle for the portfolio of assets that we're developing, redeveloping and acquiring.

Our approach is evident in Taiwan where we have a commission to provide services for the development of the retail component of the Taipei Financial Centre. This 101 storey office building has a 45,000 square metre retail component at its base. We are providing services to the development syndicate, including project management, design, retail planning, leasing, development

management, marketing, and asset management. This is done on a fee basis at no risk to Lend Lease. It will allow us to establish a business in the Taiwanese environment and then progressively, as we become more experienced in that environment, seek opportunities for an integrated real estate service offering to this and other Asian markets.



CHAPELFIELD, NORFOLK

LtoR: SIMON HORSLEY AND ANDREW CAWDREN

eCommerce

Global Marketplace with new Dynamics

Transforming our businesses

Our business technology vision is to transform Lend Lease into an eBusiness. Occurring at many levels it will impact how we communicate with our customers, how we interface with other businesses and finally, it means automating our own internal processes. We will be implementing new business models that could be disruptive to our existing businesses.

Disruptive technologies

Disruptive technologies bring to the market very different value propositions. They can be products or services that under-perform established products, have features that a few fringe (and new) customers value, generally promise lower margins not greater profits and are typically cheaper, simpler, smaller, faster, and frequently, more convenient to use. Over time they can disintermediate established products. On the other hand sustaining technologies improve the performance of established products and services.

In dealing with the challenges facing us in each of these areas, we have identified important strategic lessons:

1. We must proactively position our technology and organizational processes to compete in the new economy.
2. Traditional back office systems become strategic when they are turned outward to face the customer.
3. Customers' expectations are leading the market and they expect market-leading companies to enhance their service with internet technologies.

4. Intellectual capital based organizations are increasingly becoming our competitors in the high value-add arena.

Our strategy

Our eBusiness and eCommerce initiatives fall into four areas:

1. Business to business transactions – these are transactions across the value chain, such as procurement across the internet or customer data transfer.
2. Business to consumer transactions – using the internet for information delivery, buying and marketing.
3. New eCommerce models of business that provide marketplaces, supplier aggregators and industry portals.
4. Refining and improving all our internal processes such as communications across the Hive, customer relationship management and our paperless support functions such as HR and Finance.

eBusiness and eCommerce are often used interchangeably. We use eBusiness to refer to all types of internet interaction. We use eCommerce to refer exclusively to the execution of buy/sell transactions.

Our vision of transforming Lend Lease into an eBusiness has started to take form. For example, Peoplesoft, the HR payroll system, will ultimately transform how we interact and interface with the entire HR function. Our intranet – the Hive – and the global integrated network have clearly transformed Lend Lease as far as communications and information are concerned. *i* know, the name of a new knowledge-based system, promises to transform how we look at knowledge

management throughout Lend Lease.

To do this we have had to take a global, integrated view rather than a narrower view of the problem.

It's been important to get the basics right. We have created a world-class technology staff both in the IT and in the eCommerce arenas. We are creating a very efficient and effective IT platform. We are busy consolidating infrastructure, developing the Hive and looking at strategic applications such as customer relationship management.

“Our business technology vision is to transform Lend Lease into an eBusiness.”

Incubator businesses

We are making significant investments in the eCommerce area. The strategy is twofold. Firstly, we are incubating our own disruptive businesses aimed at disintermediating some of the ways we currently do business. Our construction eBusiness, AECventure, is a good example of this and so is our investment in CoolSavings. We are developing new technologies that enhance our existing businesses, for example, Internet-enabled products and services. Secondly, we are introducing new IT platforms that will allow us to react more flexibly to these new technologies and to efficiently automate our internal processes.

Disintermediation

This is the elimination of any kind of intermediary resulting in direct contact between primary producers

and consumers. For example, a consumer buying a car direct from the manufacturer disintermediates the dealer.

Restructuring the supply chain

Lend Lease is currently forming a venture that is aimed at becoming an electronic marketplace for the construction industry. In addition to a marketplace, it will also provide technology capable of transforming the whole construction industry – with worldwide expenditures of US\$3 trillion annually. This venture, when finalized, will become a global eCommerce consortium company called AECventure.

The business model of AECventure is as an eCommerce marketplace and a supplier of technologies for the value chain. It will take contractor orders and bring them to suppliers for a more efficient supply chain. This way the customer, the subcontractor and contractor, will be able to buy items more efficiently than they could buy them otherwise. AECventure will get a percentage of that transaction which is the revenue generating model.

In addition, AECventure will supply various technologies such as collaboration tools and project management systems. A contractor or subcontractor who uses the site to do aspects of their business such as collaboration or project management will be encouraged to put their material and other purchases through the eCommerce marketplace.

This will help the architecture, engineering and construction industry, an industry which is very fragmented and not very technology enabled, to both develop a more efficient supply chain and become proactive at technology introduction.

Changing behaviours

To succeed in this new marketplace, we need to change our behaviours and skills.

We have to learn to use eBusiness tools to make ourselves more efficient.



Albert Aiello explains the new business model and its implications for Lend Lease.

How does the eCommerce business model differ from the traditional business model?

The eCommerce business model is one of market share and brand, bringing more and more customers to the market place. Initially it does not focus on profitability but rather on gaining customer loyalty, customer visits and, over time, translates that into profitability. Recently the market has put more pressure on eBusinesses to become profitable quicker.

eCommerce aims at providing more information and eliminating the inefficiencies in any business transaction. That's essentially its value proposition.

The gains in eCommerce will come from two areas – revenues and profits.

Revenues will result from the introduction of new business models to reach market segments that we can't easily reach. Cost savings and ultimately profits will result from the elimination of inefficiencies in the transaction process.

Where do you see Lend Lease in five years time with regard to the web?

I think the eBusiness internet transformation at Lend Lease will change Lend Lease tremendously. What it will do is push out into the internet world the tasks and processes that we do routinely. What we do internally will be more value added, more creative kinds of jobs and tasks. The internet will make us more effective, more efficient, but also focus our capabilities on

value added.

The Internet is one of the most persuasive forces of change that we have going on in the world today. I think it is equivalent to the industrial revolution in the 1800s, and we saw how that changed the world over the next 100 years. The internet has the same power and the same significance.

What do you understand by the term 'the new economy'? How can we make sure our businesses make money in the new economy?

I view the new economy as one that embraces a business model of growth, change and profitability. Increasingly all businesses are having their margins reduced to zero. New economy businesses are those

which realise that and look for the value proposition beyond the products that they currently deliver.

So I look at an existing business and ask, "How would you make money if all your products were marginalised to a zero margin? How would you embellish those services? How would you provide value to your customers if a building had a zero margin or if a loan that we were providing had a zero margin? What services would you provide? How would you add value to the customer's business?" This is the kind of thinking that we have to do in order to continue to make money in the long term.



In using these tools we have to move knowledge around our businesses.

The businesses that lead and win in the future will be the ones that can move their knowledge most effectively around the world. We need behaviours and tools that let us use knowledge around the world. We need to use the electronic platforms we have more effectively, and we need the skills and the business that are going to support that.

Our key challenge is to mould the

people in our business to support and achieve that. This will require a focus on behaviours as the first step to knowledge. Success is not just building the world's best data base or the world's best web based system – if we don't deal with the behaviours, no-one will use the tools.

<http://www.lendlease.com>

<http://www.aecventure.com>



Intellectual Capital

Knowledge, People, Culture

Lend Lease is its people

This statement has represented us well over the years. It has been tested and challenged, by our people as well as the external market. It has always addressed for Lend Lease what is now called intellectual capital.

We define intellectual capital as our knowledge, expertise and management skill that can be converted into value for shareholders, clients and communities. This definition encompasses our innovations, ideas, general know-how, systems, processes and publications.

We have always recognised that

these kinds of intangibles have an impact on our share price and our business success. In the new economy intellectual capital is contributing more and more to a company's total value and to sustainable earnings. With knowledge perceived to be the primary wealth-creating resource, it is imperative that we develop and utilise our intellectual capital to create and enhance value for our shareholders and provide benefits for our customers.

Technology underpins our initiatives to multiply the return on our intellectual capital. We have made a strategic investment in

building a global IT platform. It maximises our investment in people, our culture and our knowledge.

The value of Lend Lease's intellectual capital has significantly increased over the past five years.

We will continue to build it if we can:

- Oversee the successful integration of the recent acquisitions into a global integrated real estate business.
- Continue to facilitate the enhancement of intellectual capital.
- Maintain our 'Employer of Choice' positioning.

- Maintain an effective communication forum that enables employees to feel a part of the whole organization.
- Continue investment in technology that enhances the innovation capabilities within the group.
- Utilise the Lend Lease brand effectively.
- Manage the implementation of a global client relationship model.

Culture

The culture of an organization can be described as the way in which it operates and the climate employees and business partners work in. Lend Lease prides itself on creating a culture that is entrepreneurial, embraces challenge, is innovative and empowers our people to aim higher and strive to set new standards.

Lend Lease’s culture has evolved from the initiatives of our founder, Dick Dusseldorp, and is articulated by our core values and beliefs. Lend Lease Foundation plays a key role in nurturing the culture by assisting in the wellbeing and personal growth of employees as well as promoting a balance between work, family and the community. More importantly, the Lend Lease Foundation sponsored Springboard conferences assist in the transmission of the culture across business units and around the world.

Springboard

Springboard is an experiential course that provides our employees the opportunity to meet with their peers from around the Lend Lease world – hear about the issues they face in their businesses and work through some solutions together. The Springboard program provides an opportunity for employees who will be involved in the future success of Lend Lease to hone their strategic thinking skills, with a focus on innovation and creativity.

A company’s culture also characterises the core values which are fundamental in the continuation of daily business.



Lend Lease’s core values communicated to our employees include:

- Continually striving to exceed expectations;
- Challenging conventional wisdom to create better solutions;
- Respecting the needs and aspirations of all with whom we, as individuals or as an organization have a relationship; and
- Treating integrity as non-negotiable.

Within the current financial year we have undertaken three acquisitions – Bovis, Boston Financial and the five AMRESKO businesses. Significant best practice reviews have been part of the integration process, and have helped us focus on the key drivers of our business strategy, and on our shared future.

The Hive

The Hive, our intranet, provides us with a global daily information network, and allows us to communicate with our new employees very soon after acquisition. This global technology has enabled employees to redesign and streamline business processes, and provide feedback on a range of issues and programs.



People

The recruitment process is the first phase of building our human capital. It provides the opportunity for us to seek individuals with the skills we require to develop our business, build relationships with customers and business partners and deliver value to our shareholders.

We aim to attract talented individuals by promoting ourselves as being an employer of choice with a strong set of values, providing individuals with the opportunity to work within an innovative and dynamic environment. Our reputation is as a company that is highly disciplined on the one hand and highly creative on the other.

Group recruitment policies need to have global application, guided by

our planned leadership needs in ten years’ time, reflecting anticipated changes in skill needs, work behaviours, location, gender and ethnic balance, and matched to a significant intake of lateral hires bringing with them the cultures and practices of their vocations.

Peoplesoft

Peoplesoft, a global human resource management system, is being implemented Group-wide. It will help managers and employees assess individual competencies, identify training and development needs, map career developments and plans and provide a more structured action-orientated approach to performance reviews.

The key benefit it provides is the development tool to identify what skill base exists within Lend Lease and the identification of where there are training needs. We can tap into this skill base to pull together individuals anywhere in the world with the skill sets required to meet our customers’ needs.

Training and Development

In an increasingly competitive and constantly changing global environment, our people’s skills need to be developed and expanded to respond to the challenge of anticipating and meeting our customers’ needs and to maintain and improve our market position.



This is achieved through the delivery of leading edge, personalised training and development programs, which are aligned to the current business strategy and anticipate the future needs of the business.

We acknowledge that our employees are our greatest asset. To support this there are several initiatives currently underway to invest in these assets to further the growth of Lend Lease as an organization.

Ed.Venture

A key component of our training and development strategy is to deliver training to our people through the Hive. Our site will provide access to the latest classroom courses, learning materials and learning-on-line to our people, wherever they are in the world.

Learning-on-line enables individuals to learn at their own pace, at a time and a place that suits them. A single version of the material ensures consistency of content and quality. This enables us to deliver the same training at every location across the world to support our globalisation and business integration programme.



Global Learning Initiatives

As we consolidate our position as a global company, we recognise the need to balance the delivery of globally consistent training programs with the need to respond locally to the specific requirements of individuals and their customers.

The different companies that now make up Lend Lease all had programs that contained elements of excellence. Our challenge over the next 12 months is to incorporate the very best from each to support our new business.



- The ability to locate and interact with experts, both internal and external.
- The ability to access the relationships of employees with our key customers and partners.

Rewarding knowledge sharing between employees, and implementing disciplined business processes, will support successful knowledge management.

Having the right kind of knowledge translates into the ability to provide clients with added value. By preserving the knowledge edge, a company lays the foundation for long-term associations with clients which ultimately culminates in repeat business and profit generation.

Knowledge

We believe that the knowledge our people have about the real estate business and our clients is a unique source of competitive advantage and should be managed. We are identifying what we know, recognising who has expertise and investing in our centres of excellence. It must be supported by an IT system that allows every employee to access all relevant knowledge and expertise from anywhere in the world.

Using the knowledge management system gives employees:

- The ability to access valuable documents whether 'best practice' examples, lessons learned or research reports and library materials from external sources.

i know

A knowledge management system called 'i know' has been rolled out for Lend Lease Europe. The objective is to provide a business tool that supports the identification, storage, and access of valuable knowledge and expertise in Lend Lease; in other words, to leverage our human capital effectively. A key component is its ability to connect people.



As part of the implementation of i know in Lend Lease Europe, formal roles and processes are being implemented to ensure that the knowledge resources being collected are appropriate, of sufficient quality and relevant over time. A knowledge



DAVID ROSS, CEO, ASIA/PACIFIC SEE PAGE 54

“ We define intellectual capital as our knowledge, expertise and management skill that can be converted into value for shareholders, clients and communities.”

ATTRACTING, DEVELOPING AND RETAINING TALENTED PEOPLE



David Findley sets out the important role Human Resources plays in creating a globally integrated organization.

The last 12 months has seen Lend Lease double its size through a number of acquisitions. What are the implications for our people?

As a result of last year's acquisitions and MLC sale, nearly 80% of our people have been with Lend Lease for less than one year. From a people perspective, we are creating a new company, so for many staff, this is time of significant change and for some, one of uncertainty.

So, all staff now need to understand the breadth of Lend Lease's business and its potential – from Bovis Lend Lease in China and Ireland to the former

AMRESCO distressed debt business opportunity in Japan. Our people have to gain a renewed sense of the opportunities presented by Lend Lease's ambition and how they can play their part. This remains a key task for all our managers.

Many acquisitions fail because companies do not capture the good practices from their new businesses; the task is take the best from our people in Boston Financial, AMRESCO, Bovis and Lend Lease to create the new value proposition for our global customers. Employee involvement through activities such as Global Update, State of Play, Briefing Groups and

Springboard has played a major part in the last year in starting the Bovis and REI integrations, and enabling staff to build new networks across the business, but there is much more to do.

For our people, there are already greater career opportunities from the wider geographic and business profile of Lend Lease. Of course, we are not going to see people at every level moving across the world, but for those with talent, ambition and mobility then it's a bigger world of career opportunity.

How can we ensure that we attract, develop and retain the talent we need to deliver the Lend Lease vision and business plan?

Lend Lease has had an enviable reputation in Australia as a quality employer and is well known in its sectors in other regions. As the 'war for talent' intensifies, we must look at both attraction and retention with renewed vigour.

We already have active recruitment programs but these will need to be developed, for example, by building stronger relationships with universities and business schools where we can attract the best. More and more, employees are looking for early

responsibility and continued growth opportunities – not at a career path mapped out for the next 20 years. Our different businesses already provide stretching challenges and great opportunities for staff to develop – so, for example, an analyst in our investment business can have the chance to work on a major retail development project such as Bluewater. The growth in our business will enable us to offer more opportunities on projects in critical new business areas, give staff in emerging markets for Lend Lease the chance to lead and enable Lend Lease to develop quality leaders for the future.

I've been impressed coming into the company with some of the opportunities that already exist for people to grow and develop their skills. For example, Lend Lease Foundation is already making a big impact through such activities as Springboard and Uniting Europe. In addition, AMRESCO, Boston Financial and REI-US all have good training programs already and Bovis has a self-development programme that I think is excellent. We're breaking new ground with initiatives like Lend Lease University and our e-learning project called

Ed.Venture. The enthusiasm and the energy for development and change in Lend Lease people I've met is outstanding. We have to build on that.

Retention of our talent and development of leaders will remain a top priority for the company in the next few years. We are reviewing our approach to international career development, placing a greater emphasis on the development of international leaders as well as looking at how we move towards resourcing critical posts with nationals in new markets rather than just relying on the use of expatriates. The company has recently instituted a review of leadership succession to ensure that we have exposure to the breadth and depth of talent in the newly acquired companies as well as to retain the key skills in our existing businesses.

We are also looking to unify the various compensation and benefits systems. This will ensure that our remuneration remains competitive in our various business sectors and globally, using our existing share and wealth-building plans to provide incentives for success.

What is the HR vision that you see as critical for enabling the business to deliver?

There are three themes in the Human Resources vision:

First, Human Resources has an important role to play in the creation of a more globally integrated organization, helping

to design the right structure, make clear accountabilities and get effective communication systems in place, so we have everybody marching in the same direction.

Second, we must have really world-class people processes in place. Although we have some excellent things happening in the businesses, we don't have global consistency or alignment yet. So we have to upgrade the performance management processes, the reward and recognition processes and how we recruit and retain people.

Third, Lend Lease is now in a global market for talent and good people are in short supply, so that means we must attract the talent and develop individuals, assessing their potential and giving them stretching opportunities.

When we do those three things together and align them to the business strategy, then Human Resources is really contributing to the business and helping to create a truly integrated real estate company.

manager role has been established to manage these processes. The *i know* system will also be used to quickly identify, access and utilise the valuable documents, expertise and relationships of new acquisitions, thereby accelerating the integration program.

Over time, the *i know* knowledge management system will evolve to other parts of the business, facilitating the connection of knowledge and expertise across business units and geographies resulting in true global knowledge-sharing capabilities.

<http://www.lendlease.com>





STUART HORNERY ON SITE, BLUEWATER

Stuart Hornery

This year will see the retirement of our Chairman, Stuart Hornery, after 36 years with the company, the last 12 as Chairman.

Stuart became Managing Director in 1978 and has led the company for more than half its existence. His distinguished career has received many public acknowledgments, including the Order of Australia and ABM magazine, Business Man of the Year in 1994.

If you had backed Stuart on his appointment as Managing Director with a \$1,000 investment in Lend Lease, your stake was worth A\$78,000 after reinvestment of dividends at 30 June 2000. This represents a 22% per annum return, and gave an accumulated value five times that of the same investment in the All Ords Index.

Just as importantly, this outstanding performance has been achieved with-

out the significant fluctuations that beset the cycles common in the property industry. Stuart became renowned at the company's annual general meetings for his statement – "We are budgeting for an increase in profit next year". It was a promise that was delivered every year.

Throughout his leadership, Stuart talked of his concept of wealth – but wealth of a different kind – embracing concepts like justice, equity and social democracy and quality of life issues.

Whilst the development of Lend Lease over the last 20 years has been consistent with the foundation set of beliefs laid by Dick Dusseldorp, Stuart's legacy can be seen in many features of Lend Lease which make up its unique culture and have built its reputation, both within Australia and internationally.

At the employee global update in 1996, it was Stuart who best summed up the essence of this culture:

"We have a culture that 'Dares to be Different'. It is that daring which has created for us a reputation for success. Out of reputation comes continuity, and out of both, profit. We have seldom been an organization that puts it the other way round... The people who underpin this culture are what I might call the rebels who deliver; there are individuals who don't recognise boundaries or rules; people who know they're entitled to speak, empowered to speak, and what's more, expected to speak; they're people who change the game all the time, never accepting the given, always challenging the accepted."

Stuart has always championed the cause of the employee, both in sharing in the wealth created and in creating the opportunity for personal development. A strong believer in employee ownership, he drove the establishment of the various Employee Share Funds and the Foundation, which has given employees a major stake in Lend Lease. The Foundation's philosophy emphasises

the personal and professional potential within each person for growth and development. It encourages self-help, and mutual help by members of the Lend Lease family, including support for many community projects in which employees or their families are involved. But most importantly, it is controlled by the employees.

Lend Lease has always been a 'young' company and Stuart established the Youth Council, and encouraged the formation of its successor, Springboard. These initiatives have acted as a focus for young employees, ensuring that the needs of young people throughout the group are communicated and understood.

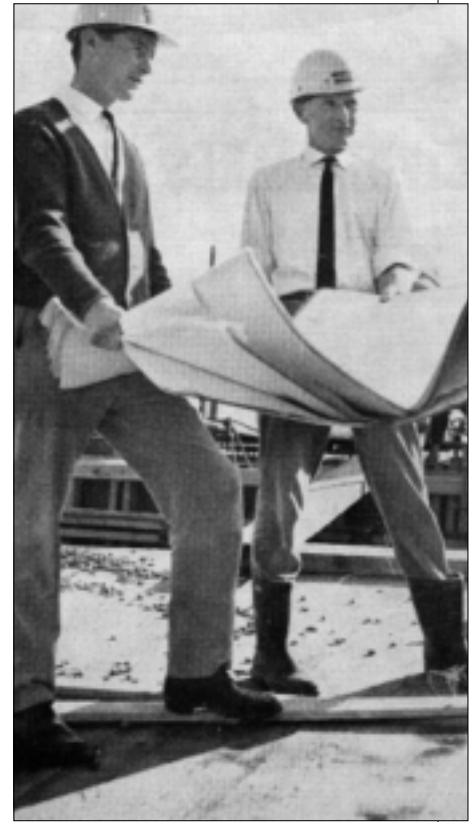
Stuart's commitment to the community of interest approach led to his establishment of a number of external initiatives, including the ACTU-Lend Lease Foundation 'to encourage young people to acquire skills'. Under his continuing

guidance, it has provided group training through the establishment of 140 organizations which have helped more than 250,000 young Australians to develop skills to get a job. The huge impact of these schemes was totally disproportionate to the amount of money contributed, and was another example of the ability to leverage good ideas and the enthusiasm of a small group of people to create a unique programme which has now been introduced in areas outside Australia, including Indonesia and the UK.

Today, Stuart also chairs the Australian National Training Authority as an extension of his commitment to the skilling and development of the next generations.

A passion for urban design has always been part of Stuart's agenda, ensuring that the company in its major projects pushed the limits to meet and exceed the needs of users and the community. His personal

BANKSTOWN SQUARE, SYDNEY (LOR: STUART HORNERY, SITE ENGINEER AND PAT JONES, GENERAL FOREMAN)



“Throughout his leadership, Stuart spoke to us of his concept of wealth – but wealth of a different kind – embracing concepts like justice, equity and social democracy and quality of life issues.”

involvement ensured projects such as Bluewater and Darling Park became leading examples of how developments can create civic space and add to the quality of life of shoppers, tenants and communities.

With the establishment of the Hornery Institute and its promotion of the ACTU-Lend Lease Foundation, Stuart has the opportunity to continue to develop this social wealth and to do so in a way which is interactive with the community but continuing to push conventional limits.

In a profile of Stuart Hornery prepared on his appointment as Managing Director, he was asked:

‘What do you see in the future for Lend Lease?’ His response was:

“Over the next 10 years we will progressively become a leading international organization. We will remain entrepreneurial in spirit and will be a significant force in creating better living and working environments.”

As the company embarks on its next stage, his vision has been achieved in a way which only a far-sighted and unconventional leader who did not accept limits could imagine 22 years earlier.

Richard Longes



The Hornery Institute

On 2 November 2000 Stuart Hornery retires as Chairman of Lend Lease Corporation. The Board and employees of Lend Lease invite shareholders to join them in establishing a new foundation to honour Stuart's 36 years of service to the Group. To be known as the Hornery Institute it will bring together Stuart's two great passions – vocational education and training and improving the built environment.



BLUEWATER, KENT

Lend Lease is a company known for its willingness to look to tomorrow. This has been particularly evident over the recent past as the Group transforms from a regional to a global entity. As part of this transformation Lend Lease is extending its reputation and emphasis for caring to the communities in which we now operate.

It is a normal expectation that Lend Lease meets that responsibility through its businesses and their core values. But sometimes the Group perceives needs outside the scope of its usual business activities, and as a consequence has established independent foundations or vehicles to focus on those needs.

Examples include the ACTU-Lend Lease Foundation, one of many community success stories initiated by Lend Lease over the years. It was established in 1981 with the single

aim of skilling young people for work. It did so by establishing a network of Group Training Companies throughout Australia. Today, there are 140 Group Training Companies, employing over 40,000 apprentices and trainees.

The Dusseldorp Skills Forum, established on Dick Dusseldorp's retirement in 1988, also focuses on skilling, with particular emphasis on innovation and excellence. Shareholders will recall Dick's presentation to the 1998 AGM on the Forum's ten year record.

The Bluewater Foundation was established to sit alongside the Regional Shopping Centre project as an investment in the future of that community in the South-East of England.

The success of these independent foundations has been driven by the strong support of the communities they serve, the enthusiastic support of management, employees and shareholders of Lend Lease, and the leadership and interest shown by Dick Dusseldorp and Stuart Hornery in the field of vocational education.

After he retired from Lend Lease, Dick continued his work with young people in retailing and other vocations, through the Dusseldorp Skills Forum and other community organizations. In addition to initiating the ACTU-Lend Lease Foundation, Stuart has continued his passion for vocational education and training through the Australian National Training Authority, which he chairs.

Both men had another passion, an abiding commitment to improving the built environment, and to ensuring that whatever we did added to the community we were serving.

Within the Lend Lease environment alone, numerous examples of this passion exist, the most recent being the much praised Bluewater Regional

Shopping Centre in the UK. But others include residential developments at Campbelltown in the '60s, '70s and '80s, MLC Centre in Sydney and Campus MLC, also in Sydney, which has been recognised as providing global leadership in working environments.

Going Forward

The Group is now among the world's largest global real estate investors and manages tens of billions of dollars worth of investments on behalf of its global clients. It is not just invested in bricks and mortar. It is also invested in communities, because people's lives, buildings, and environments are inseparable.

As a leader Lend Lease, alongside other industry participants, will be expected to play an increasing part in the relationship of communities and their environments. There is a need not just for business acumen but community partnerships and environmental leadership on a global scale.

For these reasons, we believe the time is right to launch a new independent foundation, a global community partner, whose education, research and other projects will look for solutions to improve the lives of communities and the environments in which they live.

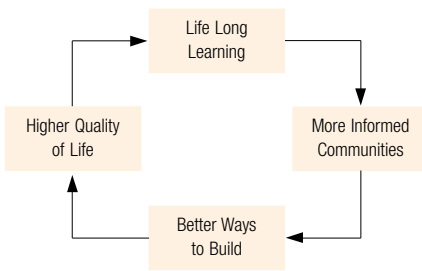
The Hornery Institute

The Board of Lend Lease is therefore recommending the establishment of an Institute, to be known as the Hornery Institute. Happily, its establishment would coincide with Stuart's retirement and he has agreed to chair the new body, to be incorporated as an independent, non-profit company, subject to shareholders' approval of the resolution set out in the Notice

of Meeting for the 2000 Annual General Meeting. Employees' global representatives have also welcomed and supported the establishment of the Institute.

The Institute will focus on the relationships between communities and their environments, seeking innovative ways to make communities more effective and to reduce their impacts upon the environment.

Diagrammatically, the links between communities and their environments could be described as a virtuous circle in which each part leads to the next:



While community learning will have a big place in the Institute's agenda, it will be a 'doing' organization as well as an educational one.

The Institute will take over responsibility for the ACTU-Lend Lease Foundation, continuing its programs, as well as developing learning communities.

Lend Lease and its employees have agreed to be founding partners. Organizations (including Lend Lease) will be free to use the Institute. Employees in the industry, including Lend Lease employees, will have the opportunity to contribute.

Funding

Subject to approval by shareholders and employee representatives, funding will come from income on \$A20m worth of Lend Lease shares – in equal one-off grants from employees and shareholders. The Institute will hold the capital, allocating income on it to its operations and projects. Third party funding will be sought by the Institute as it develops.

Projects

In addition to continuing the current work of the ACTU-Lend Lease Foundation the Institute will seek to involve itself in urban projects where there are opportunities for community development and environmental improvement. Two projects of this nature have been selected for the Institute's initial program. In keeping with a truly global aspiration, one is in Australia and the other in the UK.

The Australian project is North Lakes, a developing residential and working community of 20,000 in South-East Queensland. Working with the partners, employers, the community and Queensland authorities, the Institute will build on the knowledge and experience of the ACTU-Lend Lease Foundation to deliver lifelong learning opportunities into the North Lakes community and the developing region of 200,000 people around it.

The Institute will also encourage good environmental practices by developers in North Lakes.

The other is in what we refer to as 'Bluewater Valley'. Following the opening of Bluewater last year, the Bluewater syndicate, of which Lend Lease is a member, has begun the development of the 2,000 acres of nearby land in the Bluewater Valley. This will also be a large urban community that will regenerate its environment and be integrated into the old established boroughs it adjoins.

The Institute will contribute the leadership, knowledge, educational tools and partnerships to facilitate integration. It will also link old and new communities in a common interest in the environments in which they live and work. This will be done through practical projects designed to show how new technologies and practices can reduce negative environmental practices.

Potential synergies exist between these two projects. Both have community and environmental learning opportunities in abundance. Both have prospects of excellence.



NORTH LAKES, BRISBANE
LtoR: GUY GIBSON, ARTHUR ILIAS AND KATE MELROSE

Other projects, particularly in Asia and the US will be added as the Institute progresses.

For 40 odd years, Stuart Horner y and Dick Dusseldorp before him have practised their belief that employees, shareholders and the wider community should all benefit from the success generated by Lend Lease. The Horner y Institute will serve communities in Australia and elsewhere by developing their motivation and capability to create better places to live and work.

STUART HORNER Y ON SITE. BLUEWATER



Stuart Hornery

Chairman (Non-Executive)



Jill Ker Conway

Deputy Chairman (Non-Executive)



David Higgins

Chief Executive Officer (Executive)



If you can instil in your people passion for their work and inspire them to be bold and never settle for anything less than the best idea, then you will succeed at whatever you do. This is the Lend Lease Way.

The Board's challenge is to work with the executive team to build a new organization with all the entrepreneurial drive, social responsibility and creativity that has made Lend Lease such a high performance company in the past. We all enjoy challenge, though we don't underestimate the focus and commitment which will be necessary to achieve the goal.

A successful executive team is much more than individual skills or drive. It is about trust, respect and relationships. We have made considerable progress over the last 12 months in putting in place a new team to lead Lend Lease forward over the next five years.

Board of

Lend Lease is in a unique position to be able to provide truly global coverage for multinational organizations to handle their worldwide requirements with a single partner who understands their organization and can offer fully integrated property services in most multinational and multicultural environments.

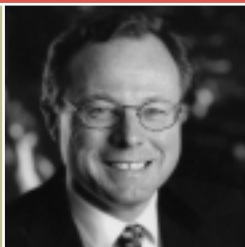
A year of goodbyes, to our founder Dick, our Chairman Stuart and our colleagues, the MLC employees. At the same time the company has renewed itself for the next stage in its global future.

Lend Lease thrives on pioneering challenge. Our current test is to become an integrated global real estate company that truly performs for all stakeholders. I believe we have the focus, the energy, and the savvy to succeed.



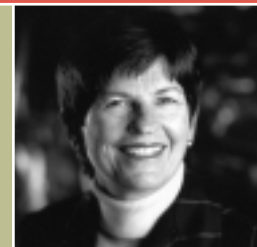
Rudi Mueller

(Non-Executive)



Richard Longes

(Non-Executive)



Diane Grady

(Non-Executive)

Robert Tsenin
(Executive)



Albert Aiello
(Executive)



Evan Cameron
(Non-Executive)



We have built a unique real estate services platform. We now have the opportunity to create a truly world class company that can provide clients with excellent execution whether it be in investment management, project and construction management and development and also offer clients the benefits of an integrated service offering.

Once again Lend Lease is leading the way in becoming a Global Integrated Property Services company. The next two years will be critical as we execute to achieve this vision. Technology and eCommerce will play an important part in this transition.

Now we are concentrating on our core businesses on a worldwide basis. The tasks are huge but so are the opportunities. Our people will love the challenge.

Directors

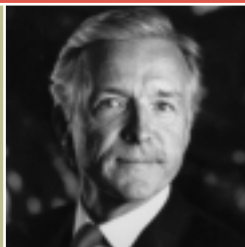
Lend Lease has assembled a series of key assets: sophisticated real estate investment, construction and management; a demonstrated capacity for property development; and a superior human talent base with a high ethical component. Now we go forward to combine these assets and to build new strategies upon them – on a global scale.

The key to our future success will be delivering outstanding, seamless service to companies around the world. They have the right to demand the best and the Lend Lease way of going about things with energy, creativity and integrity gives us the best chance of ensuring that their wishes are met.

To grow and remain profitable in a fast changing, competitive business environment, Lend Lease must constantly reinvent itself and make difficult decisions. The willingness to hire and pay the best managers while retaining its unique management culture and core values, and selling MLC so that it can focus on becoming a leading integrated property service provider globally are good examples.



Peter Goldmark
(Non-Executive)



Gordon Edington
(Non-Executive)



Yong Hai Chua
(Non-Executive)

Community Day

Community Day was established to provide Lend Lease people with the opportunity to give back to the communities in which we operate. The day allows employees to participate in community activities where we can personally make a difference, rather than just providing 'arm's length' financial support. At the same time, the experience helps to create a strong team spirit for all involved and should be fun.

Here's how a number of Lend Lease employees describe what Community Day 1999 meant to them.

EUROPE – Decorating the Bridge Court Resource Centre for the Disabled, Dartford, Kent

"Our task was to decorate the large dining room at the Bridge Court Resource Centre. The late delivery of equipment due to a false fire alarm at Bluewater caused a mild panic on the first morning of the project. The scale of the task suddenly seemed very daunting. However, by the afternoon the cavalry had arrived and it was all hands on deck with amazing activity and high spirits. The project speeded along with renewed enthusiasm

and the centre users watched the progress and transformation with fascination. The goal was to finish the project in time for a fund-raising event in the dining room on the Friday evening. We achieved this goal in plenty of time, much to everyone's relief. Additional help on the last morning from other volunteers, some from another project, meant the dining room was gleaming and ready for action."

PACIFIC – Improving surroundings at Wairoa Special School, Sydney NSW

"Community Day has a particularly poignant meaning for me, because I have a special child, and because of his specialness, I have a greater awareness of how much we 'neuro-typicals' need to help our fellow human beings who don't enjoy the same opportunities as we do.

I was lucky enough to get a terrific group from all over Lend Lease who volunteered their time and energy to work at Wairoa Special School. This is a school for children with a range of severe disabilities. The school receives very little Government funding, therefore their grounds and buildings are in a state of disrepair. In one day we achieved an enormous amount and this can only be done when people really decide to get behind something and make it happen. In fact we had to get very motivated and very creative because most of the tools and equipment we were promised on the day never turned up. I am sure the day at Wairoa was an eye opener for all of us. Before I had a child with special needs, I had no idea of

the difficulties they face, along with their carers and parents. These people do it very tough, and when you think that theirs is a lifelong disability, with very little hope of improvement, then what we do is very small indeed."

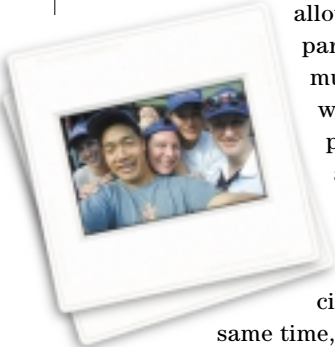
ASIA – Redecorating the Chen Su Lan Methodist Children's Home, Singapore

"Our Community Project at Chen Su Lan Methodist Children's Home was carried out from July to September, spanning a period of 12 weeks. It involved backbreaking and brow-sweating work such as water-proofing, painting, placing new metal grids over drains and awnings to a walkway to shelter kids from the scorching sun and the rambling rain. Over 40 employees cheerfully put their heart and soul into three meaningful months. Interacting with the kids made us all feel how lucky we are."

And the Community Day tradition continues in 2000. Here's how a group in the Boston office plan to spend their day.

UNITED STATES – Supporting the efforts of The Friends of Boston Homeless, Boston, MA

"At its Long Island Shelter in Quincy, Massachusetts, The Friends of Boston Homeless gives 1,050 of Boston's 'hidden homeless' a clean, warm and safe place to sleep every night. On Community Day 2000, a group of volunteers will travel to the Shelter campus with paint brushes and rollers in hand to refurbish and paint the library and activity rooms of the 70-bed transitional living quarters that provide housing for people who have made the journey back to sobriety."



Corporate Governance

INTRODUCTION

This year has seen a significant re-structuring of our governance processes, primarily in response to:

- acquisitions of Bovis, Boston Financial and the five AMRESKO businesses and the need to integrate these businesses into our global governance framework
- sale of our Australian and Asian financial services businesses, including MLC.

While these changes increase the global dimension of our Company they also create new challenges for us to maintain our high level of commitment to sound governance practices. Some of these practices have been simplified, such as the replacement of Global Business Boards with a Senior Executive Committee, while others have been enhanced, particularly in the areas of IT and safety. Our aim is to provide maximum focus on matters that are material to our businesses and our stakeholders. We will continually re-assess and, if necessary, change our governance processes.

THE BOARD

The primary focus of the Lend Lease Board is the long term health and prosperity of the Group. It is responsible for ensuring that the Group maintains the confidence placed in it by its stakeholders. This is reflected in the way we continuously evaluate how we manage our reputation and risks, create shareholder value and address our obligations as a responsible corporate citizen.

The Board accomplishes this by:

- setting the strategic direction for the Group and ensuring adherence,
- appointing and monitoring the performance of the Managing Director

- overseeing development, reward and succession planning for the Managing Director and senior management,
- ensuring that appropriate risk management and people management systems are in place and being followed,
- ensuring that our Core Values are embraced in all aspects of the Group's activities.

Board Members

The composition of the Board embraces diversity – by skills, experience, age and gender. The Directors' Report on pages 91 to 104 sets out the age, qualifications and experience of each Director. When seeking new Directors, a specific brief is prepared and an international recruitment firm commissioned to identify and present appropriate candidates. Appointments to the Board are made only with the unanimous approval of all Directors.

There are currently 12 Directors, nine of whom are Non-Executive. All have international experience. Five Non-Executive Directors reside outside Australia, in the USA, the UK, France and Singapore. Our Managing Director, David Higgins, has relocated to London and our Information Technology Director, Albert Aiello, resides in the US but both spend a considerable portion of their time in Australia. Our Finance Director, Robert Tsenin, spends a significant proportion of his time in the Northern Hemisphere.

Directors regularly communicate with each other and with management and have direct access to on-line management information systems.

The Board reviews its own performance regularly. The performance of each Director seeking re-election, which is at least once in every three

years, is reviewed by the full Board.

In addition to the time required for their main Board duties, each Non-Executive Director has a significant involvement in the Group's activities. This ensures that Directors have a detailed understanding of our businesses and a personal knowledge of our people.

There is no policy limiting the time a Director may serve on the Board but, under Australian law, Directors must retire at the Annual General Meeting following their 72nd birthday.

“Our governance must reflect the reality that we are now a global company, not an Australian one with offshore operations.”

Stuart Hornery

Chairman and Managing Director

Lend Lease believes it is preferable to have a Non-Executive Chairman. The Chairman and Managing Director are appointed by unanimous decision of the Board.

David Higgins was re-appointed Managing Director in 2000 for a second term of five years. The Non-

Executive Directors regularly evaluate his performance on specific criteria such as the Group's financial performance, achievement of long and short term strategic objectives, the development of senior management on a global basis and promotion of our Core Values. David's compensation is linked to his performance, the details of which are outlined in the Directors' Report.

Changes to the Board

Stuart Hornery will retire at this year's Annual General Meeting, having served on the Board since 1977. Stuart joined the Company in 1964 and was appointed Managing Director in 1978, Executive Chairman in 1988 and has been Non-Executive Chairman since 1994. A tribute to Stuart is contained on pages 44 and 45 of this report.

Jill Conway was appointed Chairman Elect and Richard Longes appointed Deputy Chairman in January 2000. Jill has been a Director since 1992, was appointed Deputy Chairman in 1998 and will assume the role of Chairman on the retirement of Stuart. Richard has been a Director since 1986 and is a Member of the Board and Personnel and Organization Committees. He is also a Chairman or Director of a number of Lend Lease associated companies including the General Property Trust.

David Clarke and Peter Willcox retired as Directors in May 2000. Following the sale of the financial services businesses, David wished to pursue his career in the financial services industry. In the past seven years David has led the complete transformation of MLC from a life insurance company to a cost efficient funds manager. Peter was appointed Chairman Elect in 1998 but decided during the year that his personal commitments would not allow him to take over as Chairman. Peter decided to retire from the Board following his successful handover to Jill Conway, as incoming Chairman. During his six years as a Director, Peter, at various times served on all Board Committees

and was a Director or Member of a number of Lend Lease subsidiary companies and business boards.

Gordon Edington and Peter Goldmark were appointed to the Board in December 1999. Gordon brings to Lend Lease his extensive UK and international experience in the property sector. Peter has broad experience as a Chief Executive Officer and senior executive in the private and public sectors in the United States and internationally. In accordance with the Company's Constitution, both Gordon and Peter will submit themselves for re-election at this year's Annual General Meeting.

As foreshadowed in last year's Annual Report, Don Sanders and Bill Webster retired as Directors at the 1999 Annual General Meeting. The Group has benefited greatly from Don's and Bill's outstanding contributions.

Independent Advice

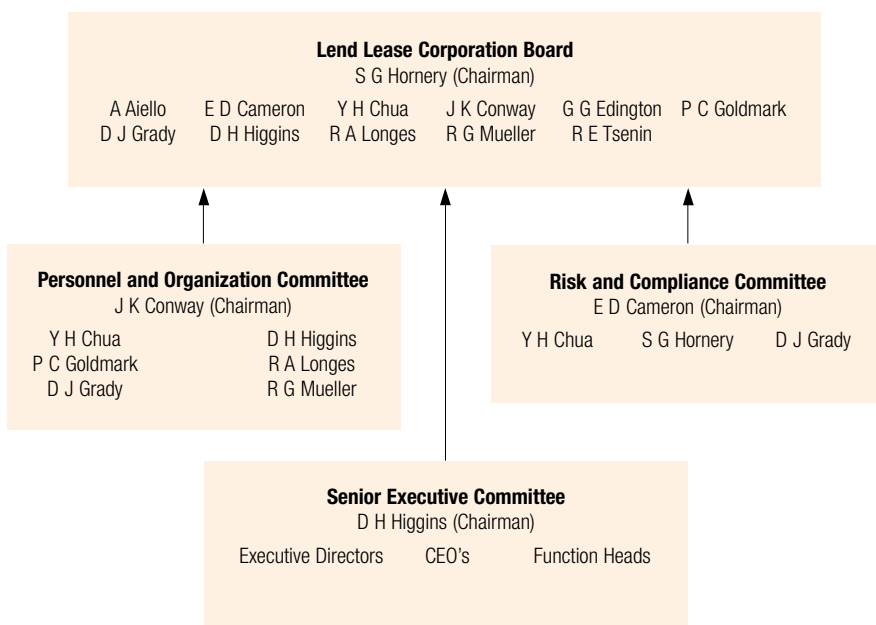
Lend Lease has well established procedures to allow Non-Executive Directors to call on external independent professional advice when required. A Director would usually seek the advice of the Chairman, Managing Director or Company Secretary before obtaining external advice.

Directors' Shareholdings

The Board has a policy that Directors may not buy or sell Lend Lease shares at any time other than during the six weeks following the announcement of the half yearly and yearly results, and only then if they would not be in breach of insider trading laws.

Under the Company's Constitution, each Director is required to hold a minimum of 1,000 fully paid Lend Lease shares. To align more closely the interests of shareholders and Directors, the Board has established a policy that Non-Executive Directors should increase this minimum holding to 2,000. Following the December 1998 bonus share issue, this effectively increases a Non-Executive Director's minimum holding to 4,000 shares.

To enable Directors to acquire these additional shares without breaching insider trading laws, a share acquisition plan was approved by shareholders at the 1997 Annual General Meeting. This plan allows Directors to acquire up to 1,000 shares (increased from 500 after the bonus issue) in any six month period in lieu of receiving Directors' fees to the equivalent value. Subscriptions are made at the same price, at the same time and otherwise on the same



terms as the Share Purchase Plan available to all Australian and New Zealand resident shareholders and only while that Plan is operative. A Director is restricted from selling these shares until the earlier of ten years or the retirement of the Director. This plan will be resubmitted for shareholders' approval at this year's Annual General Meeting.

GOVERNANCE STRUCTURE

Following the sale of the financial services businesses and the acquisition of Bovis, Boston Financial Group and the five AMRESKO businesses the Board has changed the governance structure to enable greater focus to be applied to integrating and growing the Group's global real estate businesses. Global business boards have been replaced by a Senior Executive Committee and the role of the Finance Committee will now be undertaken by the full Board.

COMMITTEES OF THE BOARD

Committees of the Board meet prior to each quarterly Board meeting and at other times as required.

Board Committee

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

Personnel and Organization Committee

The Personnel and Organization Committee assists the Board in ensuring that appropriate policies are in place for people management and compensation across all our businesses worldwide. The Committee focuses on the importance of human capital to the Group's strategic and business planning.

The role of this Committee is to:

- review and, where appropriate, recommend to the Board (or Board Committee) for approval:
- compensation programs and performance targets for Executive Directors and performance against those targets,
- succession planning for the Board, Managing Director and key executives,
- employee share ownership, superannuation and pension plans.

review and, where appropriate, approve:

- strategy and principles for people management,
- career development, skills development and continuing education programs,
- global policies for employee compensation and fringe benefits,
- international assignee policies,
- Lend Lease Foundation's business plan,
- performance targets for executive management and performance against those targets,
- operation of long and short term executive incentive programs.

Risk and Compliance Committee

This Committee assists the Board by reviewing the effectiveness of risk management and compliance systems in all our businesses worldwide. These systems provide assurance that business risks are identified and managed effectively, assets are protected against financial loss, legal and regulatory obligations are met, and proper accounting and auditing practices are maintained.

The main responsibilities of this Committee are to:

- review actual or potential risk exposures which are material to the Group,
- assess the effectiveness of the Group's global risk management and compliance systems,
- review the Group's safety performance globally,
- review and recommend to the Board for approval half yearly and yearly consolidated financial statements,
- review reports submitted by external auditors,
- review legislative and regulatory changes that may have a significant impact on the Group.

The Committee focuses on issues which are material to the Group having regard to their actual or potential consequences. The monitoring of risks with less significant consequences remains an important responsibility of business unit CEOs and boards. Business unit CEOs attend Committee meetings on a regular basis to discuss their business unit risks.

The Committee receives reports from business unit CEOs, external auditors, external specialists, insurance brokers, legal and tax advisers, and the Corporate Risk Management Group. The Committee comprises Non-Executive Directors, one of whom is appointed Chairman.

The Committee reviews the adequacy of existing arrangements with external auditors. It ensures that they have the necessary qualifications and skills and that the scope and quality of their audit is appropriate. The auditors are provided with a new letter of engagement each year.

Attendance at Meetings by Directors

Attendance by Directors at Board and Committee meetings scheduled during the year is detailed in the Directors' Report on page 94.

SENIOR EXECUTIVE COMMITTEE

The Senior Executive Committee is chaired by the Managing Director and comprises Executive Directors, Business Units CEOs and heads of functions. There are currently 13 members. The Committee's primary responsibility is leading the integration and growth of Lend Lease's global real estate business. It has a formal charter which includes clearly defined responsibilities and delegated authorities. Its responsibilities cover strategy, client service, investments, review of performance of businesses, setting of budgets, succession planning and developing future executives. The first major strategic area the Committee will focus on is developing a more client focused and performance driven organization. The Committee will meet formally six times a year and will report, through the Managing Director, to each quarterly Board meeting.

ASIA/PACIFIC

David Ross has replaced David Clarke as CEO Asia/Pacific. He was previously the CEO of the General Property Trust. As CEO Asia/Pacific, David is the senior Lend Lease executive in Australasia and has accountability for general corporate matters, including client and government relations and co-ordination of business and employee matters in the region.

DOMICILITY

Following the sale of our financial services businesses, the majority of employees, earnings and assets are now outside Australia. However, the Board has decided that a change of domicile would not be appropriate at this stage, as our Australian

residency and listing offer significant advantages.

COMMUNICATION WITH SHAREHOLDERS

The Lend Lease Board is very much aware of the importance of ensuring that all shareholders have the ability to be informed about news regarding our Group and, as part of our overall dedication to good corporate governance, a policy is in place to ensure we fulfil our obligations to the broader market. We believe that the internet provides the most practical channel for instant dissemination of information for a global Group such as ours.

Lend Lease is committed to providing our shareholders with comprehensive information about the Group and its activities. We place copies of annual reports, financial statements, presentations, announcements and questions and answers on the Company web site and recommend that our shareholders monitor our web site regularly. Our web site address is www.lendlease.com. We can be contacted by email via the Company web site.



<http://www.lendlease.com>

Material is placed promptly on our web site. Announcements can generally be found on our site within an hour of receipt by the Australian Stock Exchange ('material information') and there are regular updates of information not sufficient enough of itself for a Stock Exchange announcement ('mosaic information').

GLOBAL RISK MANAGEMENT

Amidst significant global growth and cultural expansion, Lend Lease requires a comprehensive approach to risk management that promotes broad strategic thinking and analysis.

The starting point for our risk management program is an enterprise wide risk management strategy. To ensure we fulfil this strategy, our

risk management program arms our people with the tools and capabilities to identify and overcome barriers that may prevent the Company from achieving its objectives.

Material risks identified at Board and business unit level are monitored and reviewed on a quarterly basis. This includes identifying emerging risks and developing group-wide risk management strategies.

Risk management is a part of everyone's job. Appropriately skilled internal and external resources monitor and report on the management of risks.

During the current year our program has focused on:

- the development and rollout of a global crisis management framework including testing, via 'real-life' crisis scenarios, management's ability to tactically and strategically manage a crisis,
- the evaluation of global best practices to improve safety training programs and systems,
- ensuring the risks associated with significant projects such as preparing for the introduction of the Goods and Services Tax are identified and managed,
- understanding and managing the change in the Group's risk profile following the acquisition and disposition of businesses,
- review and simplification of our global and regional insurance programs.

Businesses acquired by Lend Lease in the past 12 months, including Bovis, Boston Financial and the five AMRESCO businesses, each have well established risk management systems in place.

Code of Conduct

The Code of Conduct was adopted by the Board in 1992 and it is available to all employees and Directors via the Lend Lease intranet site. A copy of the Code of Conduct is included on the

Company's web site and will also be sent to shareholders on request. The Code of Conduct reflects our Core Values and assists our employees to do things the Lend Lease way. All employees new to Lend Lease participate in our global orientation programme, which fosters our distinctive culture and commitment to Core Values.

Conflicts of Interest

The Lend Lease Board is well aware of the effect conflicts of interest can have on businesses and has implemented a range of procedures at Group and business unit levels to ensure that we comply with the law and aim for the highest ethical standards in identifying, resolving or managing conflicts of interest.

We believe that no Director has any relationship with Lend Lease that could be perceived in any way as compromising the independence and integrity of the Board.

ENVIRONMENT, HEALTH AND SAFETY

As Lend Lease becomes a global real estate funds management and services business so its influence and risk in relation to environment, health and safety grows. Lend Lease has recognised this and has increased its focus in environment, health and safety over the last 12 months.

Our goal is to achieve leadership in sustainable development and the protection of the health and safety of our employees, contractors, general public and the communities with which we interact.

Lend Lease has currently over 90 professionals directly employed in the management of environment, health and safety issues within its global businesses. In addition, each Lend Lease business operates an integrated environment, health and safety management system incorporating Board reporting, auditing and global standards.

Unfortunately, despite this vigilance there have been three

fatalities on construction sites under our control, in the USA, Thailand and Poland. There have been no significant environmental incidents within any of the Lend Lease businesses.

The management of environment, health and safety within Lend Lease continues to be one of our major priorities. All employees, assisted by professionals, are expected to take responsibility for environment, health and safety performance.

The following represents some of our achievements during 1999/2000:

- Our design and construction business continues to outperform the general industry in relation to safety. A common measure of safety performance is the accident frequency rate (represents the number of injuries and illnesses per 200,000 hours of total hours worked per annum). In all regions our accident frequency rate is below the industry average, in many cases under half (eg in UK the industry average is 1.21, Lend Lease's is 0.56).
- 1999/2000 saw the completion of the Sydney Olympic Athletes' Village, part of the Newington residential development at Homebush in Sydney. Newington's environment credentials include being the largest solar powered suburb in the world, reduced use of PVC, much improved waste reduction during construction and extensive use of recycled water. Lend Lease has received endorsement from Greenpeace Australia for its environmental initiative at Newington.
"This solar infrastructure is one of Australia's most impressive contributions to the reduction of CO² emissions and to setting an example for future home design with environmental solutions" and, "Lend Lease has provided a great example of what a company can do when it takes up a challenge like the Environmental Guidelines and turns it into a business opportunity."

- Lend Lease has won numerous awards for its health and safety performance. Two of the most prestigious were in the UK, from the Royal Society for the Prevention of Accidents '2000 Training Award' for outstanding achievements in health and safety training and the Contract Journal Construction Confederation 'Silver Helmet', presented annually to the company making the most significant contribution to the improvement of safety in the UK.

- In April 2000 Lend Lease started its North Lakes residential development in Queensland. Following on from the success of our Twin Waters development (winner of the Urban Development Institute of Australia's national award for Environmental Excellence) the North Lakes development incorporates the sustainable development principles of re-establishment of native habitats and the construction of artificial wetlands and lakes.

- On World Environment Day, June 14, Lend Lease was awarded the Australian Prime Minister's Environmental Award for urban environmental leadership. The award was sponsored by the United Nations Environmental Program and was presented for achievements on the Homebush Hotel, Newington residential and Cronulla sewage projects.

THREDBO CORONIAL INQUEST

The findings of the Coronial inquest into the 1997 Thredbo landslide were handed down in June 2000. Due to our past but long term association with Thredbo as an operator and developer, we feel that we share in the responsibility to assist the families of the victims to move on from this tragedy. While the Coroner did not determine liability, Lend Lease has offered to contribute to payment of compensation to these families.

AUSTRALIAN TAX REFORM – GOODS AND SERVICES TAX

The Goods and Services Tax (GST) commenced operation in Australia on 1 July 2000. As a consequence of specific and extensive programs undertaken in the 12 months to June 2000 by each of the business units, the Group will be compliant with all aspects of the new tax.

The specific programs included review and upgrade of IT Systems, review of contracts, liaison and communication with customers and suppliers and education of staff. The programs were undertaken in close consultation with taxation, legal and IT advisers.

Further, Lend Lease has provided the Australian Consumer and Competition Commission (ACCC) with a Public Compliance Commitment (PCC) which states that Australian Group companies will comply with the ACCC's price exploitation guidelines. The ACCC's voluntary guidelines were introduced to complement the requirements of the Trade Practices Act in relation to GST. Lend Lease is committed to passing on to its customers any savings arising as result of the introduction of the new tax system.

IT ISSUES

Risks

New initiatives in the eBusiness world hold great excitement and business opportunity. eBusiness also presents a number of new challenges and risks for our business. As Lend Lease pursues these exciting new eBusiness opportunities (outlined on pages 38 and 39) we continue to employ sound corporate governance practices to protect our business and reputation.

Under Albert Aiello, our Information Technology Director, we have established an operation to address eBusiness opportunities. Its goals are to:

- strategise quickly by generating and considering good, non-traditional ideas based on often limited information,
- act decisively to execute investment and termination decisions for each project, and
- organise effectively to place authority at the right level and develop business skills that generate, lead or support new initiatives in an ambiguous environment.

Our existing global risk management system provides for the eBusiness operation a systemic method of identifying and managing material risks.

Year 2000

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

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

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

GST

Our GST Systems compliance programs completed on time and within budget. The IT systems were analysed for impact and either upgraded or modified to ensure GST compliance. Significant testing has been completed on all the systems and we are continuing to monitor the systems to ensure their accuracy.

AUSTRALIAN POLITICAL DONATIONS

The Board considers that donations to major political parties in Australia support the democratic process which is necessary to preserve the modern society in which Lend Lease carries out much of its business. Donations during 1999/2000 were:

Federal

Australian Labor Party	\$42,000
Liberal Party of Australia	\$62,500
National Party of Australia	\$10,000

State

Australian Labor Party	\$62,200
Liberal Party of Australia	\$30,095

Other smaller amounts for the cost of Lend Lease representatives attending political conferences and dinners were also paid.

Lend Lease

C O N C I S E F I N A N C I A L R E P O R T 3 0 . 0 6 . 2 0 0 0

(1) Management Discussion and Analysis of Financial Condition and Results of Operations and the Directors' Report will form part of this Concise Financial Report as they appear in the Consolidated Financial Report.

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.

A copy of Lend Lease Corporation Limited Consolidated Financial Report 30 June 2000, including the Independent Auditors' Report, is available to all shareholders, and will be sent to shareholders without charge upon request.

The Consolidated Financial Report 30 June 2000 can be requested by telephone (612) 9236 6065 and by internet.

<http://www.lendlease.com.au>

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Management Discussion and Analysis of Financial Condition and Result 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 2000, and should be read in conjunction with those Financial Statements.

OVERVIEW

KEY FACTORS

Following the sale of the Financial Services businesses, Lend Lease is a diversified real estate services group with operations in Australia, North and South America, Europe, Asia and New Zealand. Some of the key factors influencing the business are the state of investment and real estate markets, the level of construction activity, global economic conditions, interest rates, taxation and regulatory legislation. However, because the Group's operations consist of diversified services to a broad range of clients with wide geographic spread, no one factor, in management's opinion, determines the Group's financial condition or the profitability of its operations.

HIGHLIGHTS

- Sale of Financial Services businesses for \$4.6 billion, resulting in an extraordinary profit of \$3.1 billion after tax.
- Acquisition of real estate businesses totalling \$1.6 billion.
- Operating profit after tax up 2.8% to \$432.2 million, before extraordinary profit, but after provisions against property inventories and investments of \$99.7 million after tax.
- Proposed capital return to shareholders via off-market share buy back (subject to shareholder approval).

SALE OF FINANCIAL SERVICES BUSINESSES

Lend Lease completed the sale of the Financial Services businesses to National Australia Bank Limited (NAB) on 30 June 2000. The proceeds from the sale was cash of \$4,596.7 million which realised a profit after tax of \$3,112.3 million. In addition a fully franked dividend of \$50.0 million was paid by MLC Limited prior to completion. This dividend does not form part of the Financial Services result, as the full profit earned by the Financial Services businesses are consolidated into the Lend Lease Group result. The profit from the sale has been treated as an extraordinary profit and is stated net of \$35.9 million after tax of costs to be incurred by Lend Lease as a direct consequence of the sale.

REAL ESTATE ACQUISITIONS

	Initial Acquisition Payments \$m	Deferred Contingent Payments \$m	Restructure Provisions \$m	Other Acquisition Costs \$m	Total Acquisition Costs \$m
Bovis	730.8		14.1	21.3	766.2
Boston Financial	217.0	59.3	23.3	5.0	304.6
Lend Lease Mortgage Investment ⁽¹⁾	372.2	58.4	45.8	5.0	481.4
Project Consultants Inc	3.7	3.7		0.1	7.5
Total acquisitions during the year included in Financial Statements⁽²⁾	1,323.7	121.4	83.2	31.4	1,559.7

(1) Represents the five businesses acquired from AMRESKO, Inc.

(2) Stated in A\$ at year end rates of exchange.

In addition, acquisitions of Financial Services businesses totalling \$314.1 million were made during the year (CEF Life \$250.0 million; Godfrey Pembroke \$40.0 million; and Advance Assurance \$24.1 million). These acquisitions were subsequently sold as part of the Financial Services businesses.

Management Discussion and Analysis of Financial Condition and Result of Operations continued

OVERVIEW continued**REAL ESTATE ACQUISITIONS** continued

The real estate acquisitions result in a significant amortisation charge against earnings as follows:

	Management Agreements Amount \$m	Goodwill Amount \$m	Amortisation Charge June 2000 ⁽¹⁾⁽²⁾ \$m	Annual Amortisation Charge ⁽¹⁾⁽²⁾ \$m
Bovis		716.7	23.4	35.8
Boston Financial	207.6	32.1	3.6	5.9
Lend Lease Mortgage Investment	243.4	211.7	3.6	15.5
Project Consultants Inc		6.0		0.3
Total	451.0	966.5	30.6	57.5

(1) Charges for the year ended 30 June 2000 are less than the Annual Amortisation Charge because these businesses were purchased part-way through the year.

(2) Goodwill is amortised over 20 years; Management Agreements are amortised over 50 years. Charges are stated before any tax benefit that may be applicable.

OPERATING PERFORMANCE

		Reported June 2000	Adjusted June 2000 ⁽¹⁾	June 1999	Increase % ⁽²⁾
Operating revenue	\$m	12,996.8	9,597.6	4,118.8	133.0%
EBITDA	\$m	983.8	794.1	628.9	26.3%
Operating profit before tax	\$m	756.2	590.2	516.1	14.4%
Operating profit after tax	\$m	432.2	432.6	420.4	2.9%
Extraordinary profit on sale of Financial Services	\$m	3,112.3	1,602.2		
Total profit after tax	\$m	3,544.5	2,034.8	420.4	
Earnings per share, excluding extraordinary item	\$	0.847	0.848	0.826	2.7%
Total earnings per share	\$	6.95	3.99	0.826	
Return on equity, excluding extraordinary item		19.7%	11.7%	12.1%	

(1) The Company's statutory accounts include the consolidated profits of the Statutory Funds of MLC Limited and MLC Lifetime Company Limited for the year ended 30 June 2000 as required by Australian Accounting Standard AASB1038 Life Insurance Business. However, the Directors believe that a more relevant comparison of operating performance results is achieved by presenting the figures for June 2000 on a consistent basis to June 1999. This is the basis adopted in the above table (adjusted column). See also the Alternative Financial Statement on page 88.

(2) Increase relates to the adjusted June 2000 results as compared to June 1999.

The 133.0% increase in operating revenue and 26.3% increase in EBITDA in June 2000 mainly reflect the acquisitions of Bovis and Boston Financial.

Reported return on equity (ROE) for the year to 30 June 2000 was 19.7% compared to 12.1% reported for the corresponding period. The June 2000 ROE has been calculated by excluding the extraordinary profit from the net profit and after adjusting net assets. The increase in the reported ROE was principally due to the \$1.5 billion reduction in net assets as a result of consolidating the Statutory Funds of MLC and MLC Lifetime (refer to Financial Services section on page 79). If the Statutory Funds were not consolidated, ROE for the year to 30 June 2000 would be 11.7%.

The final dividend of 32.0 cents per share will be paid on 14 September 2000 (31.0 cents per share 16 September 1999). The dividend payout ratio is 75.6% (June 1999 72.0%).

Management Discussion and Analysis of Financial Condition and Result of Operations continued

OVERVIEW continued

SEGMENT RESULTS

The main contributors to the operating profit after tax (excluding sale of Financial Services businesses) were Real Estate with \$219.2 million (50.7% of total), Financial Services with \$230.6 million (53.4% of total) and Investments with \$136.5 million (31.6% of total). These were partly offset by amortisation, financing costs and Group Services costs.

Total assets increased by \$3.6 billion (49.3%) to \$10.9 billion at 30 June 2000. The principal contributors to the increase were the sale of the Financial Services businesses and the acquisitions of Bovis, Boston Financial and Lend Lease Mortgage Investment, offset by a reduction in Property Development assets.

The following table provides an overview of certain components of the June 2000 result. Each segment is reviewed in detail below. It should be noted that the segment results of the operating businesses exclude financing costs such as interest and hedging (which are included in Group Financing) and amortisation charges.

BUSINESS SEGMENT SUMMARY

	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax		Segment Assets	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m	2000 \$m	1999 \$m	2000 \$m	1999 \$m
Real Estate								
Real Estate Investments	752.1	552.8	231.4	103.1	151.6	77.9	2,733.1	1,344.8
Property Development	1,299.9	1,064.6	22.8	196.1	11.3	127.9	2,049.2	2,797.5
Project & Construction Management	6,512.3	1,401.9	101.2	53.5	56.3	36.5	2,755.6	378.5
Real Estate Services		320.3		17.6		11.4		
Total Real Estate	8,564.3	3,339.6	355.4	370.3	219.2	253.7	7,537.9	4,520.8
Financial Services								
Statutory Funds	3,585.6	176.1	362.8	176.1	196.4	176.1		
Financial Services – other	477.3	429.8	62.6	43.3	34.2	24.4		2,323.0
Total Financial Services	4,062.9	605.9	425.4	219.4	230.6	200.5		2,323.0
Investments								
IT+T Investments	87.0	25.5	59.6	10.2	38.1	9.2	96.9	94.1
Equity Investments	218.6	77.3	134.4	51.5	98.4	50.8	93.7	176.3
Corporate								
Group Services	19.5	30.1	(82.5)	(70.5)	(50.3)	(48.7)		
Amortisation			(55.7)	(14.6)	(55.7)	(14.6)		
Group Financing	44.5	40.4	(80.4)	(50.2)	(48.1)	(30.5)	3,213.4	177.0
Total Operating	12,996.8	4,118.8	756.2	516.1	432.2	420.4	10,941.9	7,291.2
Extraordinary Item					3,112.3			
Total Net Profit					3,544.5	420.4		

REAL ESTATE

The Group's real estate business encompasses three major business activities: Lend Lease Real Estate Investments (REI), Lend Lease Property Development and Bovis Lend Lease (Project and Construction Management).

REAL ESTATE INVESTMENTS (REI)

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

As foreshadowed at 30 June 1999, the Capital Services business unit has been included within the REI business segment since 1 July 1999. The principal activities of Capital Services are as developer, owner, operator and fund manager of infrastructure assets; and investor in UK real estate development businesses.

Lend Lease acquired the Boston Financial Group Limited Partnership (Boston Financial) on 3 November 1999 for USD130.2 million (\$217.0 million), with additional contingent payments of up to USD35.6 million (\$59.3 million) over a three year period subsequent to the acquisition. The operating results for Boston Financial for the eight months since acquisition have been included in Lend Lease's result.

Management Discussion and Analysis of Financial Condition and Result of Operations continued

REAL ESTATE continued**REAL ESTATE INVESTMENTS (REI)** continued

Lend Lease also acquired five of AMRESKO Inc's commercial mortgage businesses (Lend Lease Mortgage Investment) on 17 March 2000 for USD223.3 million (\$372.2 million), with additional contingent payments of up to USD35.0 million (\$58.4 million) over a three year period subsequent to the acquisition. The operating results for Lend Lease Mortgage Investment for the three and a half months since acquisition have been included in Lend Lease's result.

Further details of the acquisitions are set out later in this section.

RESULTS

	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax		Segment Assets	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m	2000 \$m	1999 \$m	2000 \$m	1999 \$m
REI								
Australia & Pacific	83.2	68.4	22.6	15.0	14.2	8.0	163.8	108.9
North America	523.8	402.4	141.4	76.1	88.9	61.7	2,210.4	999.0
Asia	6.0	2.2	7.5	(7.0)	4.3	(5.5)	144.3	50.7
Europe	77.0	23.3	46.6	8.1	29.8	5.7	109.3	100.8
Total REI	690.0	496.3	218.1	92.2	137.2	69.9	2,627.8	1,259.4
CAPITAL SERVICES								
Australia & Pacific	13.6	12.6	5.7	1.9	8.8	1.1	40.8	18.5
Asia							9.3	8.3
Europe	48.5	43.9	7.6	9.0	5.6	6.9	55.2	58.6
Total Capital Services	62.1	56.5	13.3	10.9	14.4	8.0	105.3	85.4
Total	752.1	552.8	231.4	103.1	151.6	77.9	2,733.1	1,344.8
% of Total Group	5.8%	13.4%	30.6%	19.9%	35.1%	18.5%	24.9%	18.4%

REI

The June 2000 profit after tax for REI was \$137.2 million, an increase of 96.3% from June 1999. The result included Boston Financial and Lend Lease Mortgage Investment since acquisition, the reversal of the provision raised in December 1998 on Lend Lease's investment in APIC and net operating income from the Group's 40% interest in Bluewater for the year. The REI results are analysed by region below.

AUSTRALIA & PACIFIC**Revenue**

	Year to June 2000		Year to June 1999	
	\$m	%	\$m	%
Asset management fees	40.5	48.7%	38.3	56.0%
Transaction revenue	6.0	7.2%	5.0	7.3%
Leasing and development management fees	12.9	15.5%	11.8	17.3%
Retail property management fees	13.3	16.0%	12.4	18.1%
Investment income	4.5	5.4%	0.9	1.3%
Sale of investments	6.0	7.2%		
Total	83.2	100.0%	68.4	100.0%

Fee revenue from asset management for the Australia and Pacific business for the year ended 30 June 2000 increased by 5.7% to \$40.5 million, mainly due to an increase in funds under management of 12.9%.

Transaction revenue for the year ended June 2000 was \$6.0 million (June 1999 \$5.0 million), which reflected increased fees earned by the Project Finance division.

Leasing and development management fees increased by 9.3% to \$12.9 million in June 2000, which reflected an increase in operational leasing fees from the retail centres managed.

Retail property management fees increased by 7.3% to \$13.3 million in June 2000, which reflected fees on the first full year from the Melbourne Central retail centre (acquired by GPT).

Management Discussion and Analysis of Financial Condition and Result of Operations continued

REAL ESTATE continued**REAL ESTATE INVESTMENTS (REI)** continued**AUSTRALIA & PACIFIC** continued**Revenue** continued

The increase in investment income by \$3.6 million to \$4.5 million mainly reflected the inclusion of distributions of \$2.5 million from the APPF Retail Units (relating to Greensborough Shopping Centre).

The sale of investments of \$6.0 million in June 2000 mainly related to the sale of GPT units which had been held in lieu of receiving management fees.

Profit After Tax

	Year to June 2000 \$m	Year to June 1999 \$m
Profit before tax of underlying fee based business	17.7	13.8
Investment income before tax	4.5	2.0
Profit before tax on sale of investments	0.4	
Less: Provisions raised:		
GPT Units		(0.8)
Total profit before tax for year	22.6	15.0
Income tax expense	(8.4)	(7.0)
Profit after tax	14.2	8.0

The underlying fee based profit before tax of the Australia and Pacific business increased by 28.3% from \$13.8 million in June 1999 to \$17.7 million in June 2000, mainly reflecting the increased revenues in June 2000.

NORTH AMERICA**Revenue**

	Year to June 2000						Year to June 1999		
	Pre-Existing REI ⁽¹⁾ USDm	Boston Financial ⁽²⁾ USDm	LL Mortgage Investment ⁽³⁾ USDm	Total USDm	A\$m	%	USDm	A\$m	%
Transaction Fees	91.4	30.8	16.3	138.5	221.9	42.4%	104.9	168.3	41.8%
Annuity Fees									
Asset management fees	105.2	12.0	21.5	138.7	222.3	42.4%	107.9	173.0	43.0%
Property and facilities management fees		7.3		7.3	11.7	2.2%			
Total annuity fees	105.2	19.3	21.5	146.0	234.0	44.6%	107.9	173.0	43.0%
Investment Revenue									
Investment income	14.4	1.5	0.6	16.5	26.4	5.1%	12.5	20.0	5.0%
Sale of investments	25.9			25.9	41.5	7.9%	25.6	41.1	10.2%
Total revenue	236.9	51.6	38.4	326.9	523.8	100.0%	250.9	402.4	100.0%

(1) Pre-Existing business consists of ERE and Yarmouth. The results at June 2000 are directly comparable to those at June 1999.

(2) Acquired 3 November 1999.

(3) Acquired 17 March 2000.

The North American REI business has three main sources of revenue:

- Transaction Fees – earned from managing the acquisition, disposition and financing of clients' real estate equity and debt portfolios, including incentive fees.
- Annuity Fees – chiefly earned from managing the real estate equity and debt portfolios of clients.
- Investment Revenue – income and capital returns from REI's portfolio of co-investments.

Management Discussion and Analysis of Financial Condition and Result of Operations continued

REAL ESTATE continued**REAL ESTATE INVESTMENTS (REI)** continued**NORTH AMERICA** continued**Transaction Fees**

Transaction fees for the year were as follows:

	Pre-Existing 2000 USDm	Boston Financial 2000 USDm	LL Mortgage Investment 2000 USDm	Total 2000 USDm	Total 1999 USDm
Acquisition fees	16.6	23.3		39.9	12.2
Disposition fees	18.2			18.2	38.1
Origination fees	8.1		15.8	23.9	12.7
Incentive fees	42.5			42.5	38.6
Other fees	6.0	7.5	0.5	14.0	3.3
Total transaction fees	91.4	30.8	16.3	138.5	104.9

Transaction fees for the Pre-Existing business was down from USD104.9 million in June 1999 to USD91.4 million at June 2000. This is due primarily to lower disposition fees, down USD19.9 million from USD38.1 million to USD18.2 million. This reduction is chiefly as a result of lower fees from The Equitable General Account, which has implemented an orderly disposition of a significant proportion of their real estate portfolio over the last three years. REI has managed this disposition program. The program is close to its conclusion. The disposition history has been:

- June 1998 – USD 700 million
- June 1999 – USD 1,662 million
- June 2000 – USD 755 million

This year's lower transaction fees reflect the lower disposition volume.

June 2000 acquisition fees for the Pre-Existing business increased USD4.4 million, reflecting a record USD3.8 billion acquisition volume, primarily in the separate and advisory account businesses.

In addition to the separate and advisory account businesses, the acquisition volume was driven by the successful launch of the fourth in the series of the Value Enhancement Funds. This fund was a major initiative for fiscal year 2000 and closed in March 2000 with USD400 million in equity commitments.

June 2000 incentive fees at USD42.5 million are the largest in the history of REI and reflect the liquidation of Value Enhancement Fund I and Yarmouth Capital Partners Fund I. This level of incentive fees is not likely to be repeated in 2001.

Origination fees for the Pre-Existing debt business were down for 2000 primarily due to an increase in interest rates and general market conditions, which reduced new originations and re-financings.

The Boston Financial revenues are for the eight months ended 30 June 2000. Transaction fees from the Boston Financial business related primarily to multi-family and tax-credit assisted property transactions. The majority of these fees are earned in the December quarter, when the Housing and Community Investing (HCI) business traditionally completes a significant schedule of transactions prior to the US tax year end of 31 December.

The Lend Lease Mortgage Investment revenue relates to the three and a half months since the acquisition. The Lend Lease Mortgage Investment transaction fees mainly relate to mortgage origination fees for the Government Sponsored Entities – Fannie Mae & Freddie Mac – and the Holliday Fenoglio Fowler commercial mortgage brokerage business.

Annuity Fees

Annuity fees for the year were as follows:

	Pre-Existing 2000 USDm	Boston Financial 2000 USDm	LL Mortgage Investment 2000 USDm	Total 2000 USDm	Total 1999 USDm
Asset management fees	92.1	12.0		104.1	92.2
Property management fees		7.3		7.3	0.7
Mortgaging servicing fees	13.1		21.5	34.6	15.0
Total annuity fees	105.2	19.3	21.5	146.0	107.9

Management Discussion and Analysis of Financial Condition and Result of Operations continued

REAL ESTATE continued**REAL ESTATE INVESTMENTS (REI)** continued**NORTH AMERICA** continued**Annuity Fees** continued

Asset management fees in the Pre-Existing REI business were flat for 2000. The General Account disposition program reduced asset management fees. The increase in assets under management from new initiatives and existing separate and advisory accounts was not fully reflected in asset management fees in the June 2000 results, as the majority of this increase occurred towards the end of the fiscal year. The positive impact of the growth on asset management fees will therefore not be completely realised until 2001.

Excluding The Equitable General Account, funds under management of the Pre-Existing business at 30 June 2000 increased by 9.2% over June 1999, which is demonstrated in the following table. The table also shows that the funds under management for the acquired Boston Financial and Lend Lease Mortgage Investment businesses had also increased since the date of acquisition.

Funds under Management

	Pre-Existing General Act 2000 USD\$b	Pre-Existing Other REI 2000 USD\$b	Boston Financial 2000 USD\$b	LL Mortgage Investment 2000 USD\$b	Total 2000 USD\$b	Total 1999 USD\$b
FUM at beginning of year	8.4	15.3			23.7	24.4
FUM acquired			8.0	7.7	15.7	
Additions ⁽¹⁾	0.6	3.9	0.7	0.5	5.7	4.3
Reductions	(1.5)	(2.5)	(0.1)	(0.1)	(4.2)	(5.0)
FUM at end of year (30 June 2000)	7.5	16.7	8.6	8.1	40.9	23.7
Increase/(decrease)	(10.7%)	9.2%	7.5% ⁽²⁾	5.2% ⁽²⁾	3.8% ⁽³⁾	

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

(2) Percentage increase since date of acquisition.

(3) Percentage increase calculated including the FUM acquired in the opening FUM.

Asset management fees in the Boston Financial business primarily related to revenue earned from management of client portfolios of multi-family (apartment) investments, including a significant portfolio of tax-credit assisted properties. Property management fees were generated by the apartment management business, which manages a large portfolio of multi-family assets across the US.

Mortgage servicing fees are primarily driven by the former AMRESKO mortgage servicing business.

Loans Under Servicing (LUS)

	Pre-Existing REI 2000 USD\$b	LL Mortgage Investment 2000 USD\$b	Total 2000 USD\$b	Total 1999 USD\$b
LUS at beginning of year	7.2		7.2	6.8
LUS acquired		48.8	48.8	
Additions	0.5	0.5	1.0	1.1
Reductions	(1.0)	(0.2)	(1.2)	(0.7)
LUS at end of year	6.7	49.1	55.8	7.2

Mortgage servicing fees from the Pre-Existing business were USD1.9 million lower this year reflecting run-offs in the servicing portfolio. The two servicing businesses have now been combined under the Capmark Services banner.

Investment Revenue

US investment income for the year to June 2000 was USD16.5 million (June 1999 USD12.5 million) which reflected increased returns from the portfolio of investments, including the 50% ownership interest in the King of Prussia Shopping Centre and co-investments in managed funds. Sale of investments during the year to June 2000 represented the sale of the interest in the Vestar Long Beach joint venture.

Management Discussion and Analysis of Financial Condition and Result of Operations continued

REAL ESTATE continued**REAL ESTATE INVESTMENTS (REI)** continued**NORTH AMERICA** continued**Profit After Tax**

	Year to June 2000					Year to June 1999	
	Pre-Existing REI USDm	Boston Financial USDm	LL Mortgage Investment USDm	Total USDm	A\$m	USDm	A\$m
Profit/(loss) before tax of underlying fee based business	38.6	18.2	3.1	59.9	96.1	40.3	63.8
Investment income before tax	14.4	1.5	0.6	16.5	26.4	14.1	22.4
Equity accounted profits	2.2			2.2	3.5		
Profit/(loss) before tax on sale of investments	9.6			9.6	15.4	1.6	2.6
Less: Provisions raised:							
Chastain Capital Corporation investment						(7.9)	(12.7)
Total profit before tax for year	64.8	19.7	3.7	88.2	141.4	48.1	76.1
Income tax expense	(24.2)	(8.2)	(0.3)	(32.7)	(52.5)	(9.0)	(14.4)
Profit after tax	40.6	11.5	3.4	55.5	88.9	39.1	61.7

The underlying profitability of the Pre-Existing REI US business declined from USD40.3 million in June 1999 to USD38.6 million in June 2000. This decline was due to a reduction in transaction fees of USD13.5 million, primarily as a result of the slowdown of The Equitable General Account disposition program. The June 2000 profit was derived after capitalising USD15.9 million of costs incurred on Project Enterprise as a result of a change in accounting policy by the Group. Project Enterprise is designed to build a platform for the long term growth and development of the REI business by transforming business processes through the use of enhanced and integrated IT solutions. Costs incurred since 31 December 1999 of \$26.5 million (USD15.9 million) on Project Enterprise have been capitalised and will be amortised over a 5 year period from the completion of the project.

Boston Financial profit of USD19.7 million (\$31.6 million) related to the eight months of ownership up to 30 June 2000. The major contributor to this result was the HCI business which delivers the bulk of the profits in the December quarter when tax driven transactions are completed in advance of the US tax year end of 31 December.

The Lend Lease Mortgage Investment businesses contributed a profit before tax of USD3.7 million, which related to the three and a half months to June 2000. This partial year result is not indicative of an annualised profit amount for these businesses, as the mortgage brokerage business is seasonal in nature in that transaction volumes typically increase in the last quarter of the calendar year. In addition, mortgage loan originations and commercial mortgage-backed securitisation issues were down 25% to 30% from that expected, due to an increase in interest rates and general market concerns, which have generally decreased new loans and refinancings. It is anticipated that borrowers will come back into the market when US interest rates have stabilised.

The Lend Lease Mortgage Investment business also generates a net interest income in addition to its fees. The net interest income of USD1.4 million before tax (USD0.8 million after tax) generated for the three and a half months to 30 June 2000 is included in the results for Group Treasury.

Segment Assets

The increase in segment assets in North America is mainly due to the acquisition of the Boston Financial Group and Lend Lease Mortgage Investment (refer below).

ASIA**Revenue**

Revenue in Asia of \$6.0 million for June 2000 was higher than the June 1999 revenue of \$2.2 million due to higher funds under management in Asia Pacific Investment Company (APIC).

Profit After Tax

The profit after tax of \$4.3 million in Asia for June 2000 included a \$4.2 million after tax reversal of the provision of \$7.8 million before tax (\$5.0 million after tax) raised against Lend Lease's investment in APIC at 31 December 1998 as a result of the Asian economic crisis. The reversal was due to the recovery in value of some investments held by APIC and left a remaining provision of \$1.2 million before tax (\$0.8 million after tax) at 30 June 2000.

Segment Assets

The segment assets in Asia mainly relates to the USD49.3 million (\$82.2 million) investment in APIC and the acquired Lend Lease Mortgage Investment businesses located in Japan, Korea and Thailand.

Management Discussion and Analysis of Financial Condition and Result of Operations continued

REAL ESTATE continued**REAL ESTATE INVESTMENTS (REI)** continued**EUROPE****Revenue**

	Year to June 2000			Year to June 1999		
	GBPm	A\$m	%	GBPm	A\$m	%
Funds under management fees	2.6	6.7	8.7%	2.4	6.3	27.0%
Retail property management fees	4.3	11.1	14.4%	1.7	4.5	19.3%
Investment income	23.0	59.2	76.9%	4.8	12.5	53.7%
	29.9	77.0	100.0%	8.9	23.3	100.0%

The funds under management fees in Europe of GBP2.6 million in June 2000 mainly related to fees earned from the management of the Lend Lease Retail Partnership and Bluewater asset management fees. The retail property management fees in June 2000 of GBP4.3 million related to fees earned by the Larry Smith Group of GBP2.9 million (June 1999 GBP1.7 million) and fees earned for the property management of Bluewater of GBP1.4 million. European investment income in June 2000 of GBP23.0 million related to the net operating income of Bluewater, derived from Lend Lease's remaining 40% ownership interest in Bluewater (GBP20.6 million), the net operating income of Overgate, Dundee since opening in March 2000 (GBP1.7 million) and earnings from Lend Lease's investment in the Lend Lease Retail Partnership (GBP0.7 million).

On 1 July 2000 Prudential completed the acquisition of a further 10% interest of Bluewater, leaving Lend Lease with a 30% share of the net operating income of Bluewater. All rent free periods granted to the initial tenants in Bluewater had expired at 30 June 2000. The net operating income of Bluewater is largely comprised of a base rent and therefore is not dependent upon sales turnover rent. There are some tenants that are subject to a turnover rent "top-up". The majority of rent reviews for Bluewater's tenants will occur during the year ending 30 June 2004.

Profit After Tax

	Year to June 2000		Year to June 1999	
	GBPm	A\$m	GBPm	A\$m
Profit/(loss) before tax of underlying fee based business	(3.7)	(9.4)	(1.8)	(4.8)
Investment income before tax ⁽¹⁾	22.0	56.0	4.8	12.9
Total profit before tax for year	18.3	46.6	3.0	8.1
Income tax expense	(6.6)	(16.8)	(0.9)	(2.4)
Profit after tax	11.7	29.8	2.1	5.7

(1) Investment income in June 2000 reduced by the allocation of a management fee equivalent to that charged to other Bluewater owners.

The loss before tax of the underlying European fee-based business of GBP3.7 million for June 2000 (June 1999 GBP1.8 million) reflects a loss before tax by the Larry Smith business of GBP1.4 million (June 1999 GBP0.7 million loss), a loss before tax of GBP0.7 million by the Funds Management, Asset Management and Property Management businesses and setup costs for a European REI business of GBP1.6 million after tax. The loss in the Larry Smith business related to increased IT investment expenditure to support the expansion of the European business into Continental Europe. The loss by the Funds Management business was caused by start-up costs of a business unit to manage Bluewater and other retail assets.

CAPITAL SERVICES**Australia & Pacific**

The Australian revenue of \$13.6 million in June 2000 included \$11.5 million for the sale of half of Lend Lease's one third interest in the Prospect Water Partnership. The revenue of \$12.6 million in June 1999 reflected the inclusion of \$9.9 million for the sale of the Tower and Appin Power Partnership in December 1998.

The June 2000 profit after tax of \$8.8 million mainly consisted of a \$6.0 million after tax profit for the part sale of the interest in the Prospect Water Partnership as well as \$5.2 million profit after tax on the reversal of a deferred tax liability extinguished on the sale of Prospect. The June 1999 profit after tax included \$5.2 million after tax for the sale of Tower and Appin Power Partnership.

Asia

The segment assets in Asia related to the investment in the Lend Lease Asia Water Trust on which no income has been earned.

Management Discussion and Analysis of Financial Condition and Result of Operations continued

REAL ESTATE continued

REAL ESTATE INVESTMENTS (REI) continued

CAPITAL SERVICES continued

Europe

The European revenue of \$48.5 million in June 2000 mainly related to the sale of Lend Lease's interest in the Fareham Shopping Centre Partnership for \$26.7 million and guarantee fees earned from loans guaranteed for Chelverton. The June 1999 revenue of \$43.9 million mainly related to guarantee fees of \$26.7 million and the sale of the NHP Partnership of \$13.1 million. The profit after tax of \$5.6 million in June 2000 included the sale of Fareham for a profit after tax of \$5.2 million and provisions raised in respect of the remaining investments and loan guarantees.

BOSTON FINANCIAL ACQUISITION

Boston Financial was a privately owned institutional funds management and real estate services company, and is one of the largest apartment (multi-family) investment managers in the US. Its operations include multi-family portfolio management, asset management, development, tax-credit assisted property securitisation and financing, residential property management and senior housing investment and operations management.

Boston Financial had funds under management of USD8.6 billion at 30 June 2000, a 7.5% increase since acquisition of this business in November 1999. This growth has primarily been driven by over USD700 million of acquisitions in the HCI business (formerly Investment Tax Credit).

HCI is the major profit driver of the former Boston Financial business, contributing over 90% of that entity's profit to June 2000. HCI is a leader in the US tax credit business and aggregates, syndicates and then manages multi-family investment funds which enjoy significant tax advantages due to their investment in low-income (tax credit supported) projects.

This tax supported housing policy enjoys bi-partisan political support in the US. This is expected to be an area of growth for Lend Lease, with advanced plans by the US Government to expand the size and scope of tax credit support for multi-family housing.

Due to the US tax year ending on 31 December, this business unit traditionally completes most transactions in the December quarter and consequently derives the bulk of its profit contribution in that quarter.

The Boston Financial acquisition also brings a strong institutional multi-family (acquisition, asset management and property management) expertise to the Lend Lease group with major initiatives currently in process to expand this part of the business. The acquisition also provides an entry-point into the Senior Living market, which is projecting significant growth given an ageing population.

ACQUISITION OF CERTAIN AMRESCO BUSINESSES

AMRESCO is a diversified financial services company headquartered in Dallas, Texas, specialising in commercial and residential real estate lending, asset management and commercial finance. Lend Lease did not buy the AMRESCO holding company or any of its commercial finance, residential mortgage lending or home equity lending businesses, nor did Lend Lease assume any of AMRESCO's corporate liabilities.

The five AMRESCO business lines purchased by Lend Lease were:

- **AMRESCO Capital Limited Partnership:** Originates loans for Government Sponsored programs, eg. Fannie Mae, Freddie Mac, as well as for institutional clients. The Government Sponsored Entities will operate under the name Lend Lease Mortgage Capital. The institutional client business has been combined with the existing REI Debt Advisory business.
- **Holliday Fenoglio Fowler (HFF):** Provides financial brokerage services for commercial real estate owners, including the arrangement of first-lien mortgages and mezzanine capital. HFF is the leader in US commercial loan transactions and will retain its name and operate as an independent, wholly owned business of Lend Lease.
- **Real Estate Structured Finance:** Arranges high-yield debt financing for real estate ventures unable to access traditional lending sources. This group has been combined with the High Yield debt group in the existing REI business.
- **AMRESCO Services:** Administers USD49.1 billion in servicing volume for Commercial Mortgage-Backed Securities (CMBS) issuers and owners of whole loan portfolios (including HFF's servicing business which handles USD9.0 billion of loans). This business is being integrated with Lend Lease's current commercial mortgage servicing business which currently administers USD6.7 billion of mortgage loans. All mortgage servicing is combined and operates under one umbrella as Capmark Services.
- **Asset Management:** Acquires, administers and resolves non-performing and sub-performing loan and real estate portfolios for governmental agencies, institutional investors, banks, insurance companies and private investors. This unit has recently expanded operations to Japan, Thailand, Mexico and Canada with plans to begin operations shortly in South Korea. The group will operate globally as Lend Lease Asset Management.

Management Discussion and Analysis of Financial Condition and Result of Operations continued

REAL ESTATE continued

REAL ESTATE INVESTMENTS (REI) continued

ACQUISITION OF CERTAIN AMRESKO BUSINESSES continued

The acquisition of the AMRESKO commercial mortgage businesses further strengthened Lend Lease's global real estate investment management platform. The acquired businesses are now referred to as Lend Lease Mortgage Investment and is one of the market leaders in the US institutional real estate debt market, which is approximately four times larger than the institutional real estate equity market. The acquisition has also significantly expanded Lend Lease's real estate debt-related products and services in the areas of loan origination, lender representation, loan servicing and asset management/resolution.

At 30 June 2000 the acquired Lend Lease Mortgage Investment businesses had USD8.1 billion of funds under management and USD49.1 billion of loan servicing assets compared to USD7.7 billion and USD48.8 billion respectively at acquisition.

The acquired businesses provides annuity income from mortgages under servicing by Capmark Services, counter-cyclical income from Lend Lease Asset Management's asset resolution business and special servicing of non-performing loans in securitised mortgage pools.

Holliday Fenoglio Fowler, as the largest debt intermediary in the US with over USD12.0 billion in transaction volume in calendar 1999, increases LLREI's pipeline of real estate transactions, both debt and equity.

Lend Lease Mortgage Capital is licensed to originate loans for Fannie Mae and Freddie Mac and provides access to the growing US multi-family sector. In addition Fannie Mae and Freddie Mac's government mandate to provide loans for affordable housing results in synergies with Lend Lease's HCI business.

REAL ESTATE INVESTMENTS FUNDS UNDER MANAGEMENT

Real Estate Investments funds under management (REI FUM) at 30 June 2000 were \$81.6 billion, compared to \$46.9 billion at 30 June 1999.

Funds Under Management

	North America	Aust & Pacific	Asia	Europe	Total	Total
	2000	2000	2000	2000	2000	1999
	A\$b	A\$b	A\$b	A\$b	A\$b	A\$b
FUM at beginning of year	36.5	8.7	0.3	1.4	46.9	47.5
Exchange gain/(loss)	3.0				3.0	(3.1)
Additions ⁽¹⁾	9.5	1.8	0.6	1.2	13.1	9.3
Reductions	(7.0)	(0.5)			(7.5)	(8.6)
Acquisition of Boston Financial	13.3				13.3	
Acquisition of LL Mortgage Investment	12.8				12.8	
Property Securities ⁽²⁾						1.8
FUM at end of year (30 June 2000)	68.1	10.0	0.9	2.6	81.6	46.9
	USD40.9		USD0.5	GBP1.0		

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

(2) Previously included in Financial Services FUM. Now included in REI FUM as business was not sold as part of the Financial Services businesses.

The US REI FUM totalled \$68.1 billion representing approximately 83.5% of the total REI FUM.

The increase in funds under management in Europe relates to the 20% of Bluewater sold to Prudential and Hermes in July 1999 which is managed by Lend Lease.

The increase in funds under management in Australia of \$1.3 billion is mainly due to the acquisition of assets by the various Australian real estate funds managed by Lend Lease, the launch of Real Estate Partners and the Lend Lease US Office Trust (refer to section on "Significant Events" on the next page).

Management Discussion and Analysis of Financial Condition and Result of Operations continued

REAL ESTATE continued

REAL ESTATE INVESTMENTS (REI) continued

SIGNIFICANT EVENTS

United States

- The North American business has been successful in attracting new funds for investment. In the year to 30 June 2000 the business acquired USD5.7 billion of real estate assets on behalf of clients (1999 USD4.3 billion).
- Property acquisitions, dispositions, mortgage origination and financing for clients totalled USD10.7 billion for the year (June 1999 USD10.4 billion).
- A number of new initiatives were launched in the current year with a view to growing the revenue base and value of the North American business. These include the next fund in the Value Enhanced series (VEF IV) for which USD400.0 million in new equity was raised, a High-Yield CMBS Fund sponsored by General Motors, and various other initiatives across the equity and debt businesses.
- The liquidation of Chastain Capital Corporation's (Chastain) assets was completed in August 2000. An initial distribution of USD7.45 per share was made to shareholders in December 1999 reducing the carrying value of Lend Lease's investment at 30 June 2000 to USD0.2 million. The final distribution to unit holders is expected by the end of calendar 2000.

Europe

- Lend Lease Global Properties SICAF (Global Properties) is the Lend Lease flagship global real estate investment fund and has approximately USD750.0 million (through a combination of USD395.0 million equity commitments and debt) available for investment in Europe, Asia and the Americas. Lend Lease has committed USD50.0 million as an equity investment in Global Properties. At 30 June 2000 Global Properties had invested USD160.0 million.
- Lend Lease completed the acquisition of a 50% interest in Arrabida Shopping Centre in Portugal during the year. The interest is held in a joint venture with Global Properties and is equity accounted. Lend Lease's 50% interest in the joint venture was acquired for \$2.0 million. The majority of the acquisition was funded by a debt facility within the joint venture. Lend Lease has provided a guarantee for its 50% share of this debt (\$26.0 million).
- During the year Lend Lease Houlihan Rovers was incorporated as a Belgium based European listed real estate equities management company. Lend Lease holds an 80% interest with the balance held by the management.

Australia

- Lend Lease Real Estate Partners (LLREP), the first in a series of wholesale equity real estate funds, is an unlisted property fund that has been established to invest in real estate assets in the Australian market. LLREP, which was launched on 30 November 1999, raised approximately \$70.0 million in equity commitments from eight major institutions and superannuation funds. LLREP will fund acquisitions utilising the equity commitments and debt.
- The Lend Lease US Office Trust (LLUSOT) was floated on the Australian Stock Exchange on 14 December 1999. The float raised \$524.0 million in total commitments. The LLUSOT acquired interests in seven commercial office properties located in six different commercial office markets throughout the US and offers Australian investors the opportunity to invest in prime US office properties. The interests were acquired from Equity Office Properties Trust (EOPT).
- General Property Trust increased total assets by \$640.0 million through the acquisition of interests in Four Points Hotel (\$143.4 million), Darling Park (\$299.6 million), Macarthur Square (\$135.0 million) and Dandenong Plaza (\$60.3 million). Funding for these acquisitions was through the issue of equity and the use of debt. General Property Trust also maintained its position as the highest rated property trust in the listed property sector (AA- Standard and Poor's credit rating).

Asia

- A major new initiative, the Lend Lease International Distressed Debt Fund, was launched in June 2000. This initiative will capitalise on the Lend Lease Mortgage Investment asset management business's strong historical track record in resolving troubled loan portfolios. The strategy is to raise up to USD750.0 million to invest in distressed debt portfolios, principally in Japan, Korea and other Asian countries. Lend Lease has committed USD50.0 million of co-investment capital to the fund. Marketing of the fund has just commenced.

Management Discussion and Analysis of Financial Condition and Result of Operations continued

REAL ESTATE continued

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 or secured 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	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m	2000 \$m	1999 \$m	2000 \$m	1999 \$m
Australia	548.5	160.8	(82.7)	17.1	(50.2)	9.9	822.6	1,004.4
North America	3.1		(4.9)	(4.9)	(4.9)	(2.9)		
Asia	16.6	16.9	7.3	(26.3)	3.5	(23.6)	44.2	76.7
Europe	731.7	886.9	103.1	210.2	62.9	144.5	1,182.4	1,716.4
Total Property Development	1,299.9	1,064.6	22.8	196.1	11.3	127.9	2,049.2	2,797.5
% of Total Group	10.0%	25.9%	3.0%	38.0%	2.6%	30.4%	18.7%	38.4%

REVENUE

Australian revenue for the year ended 30 June 2000 primarily related to the sale of the 30% interest in Darling Park Stages I and II for \$248.1 million, sales of the Olympic Village/Newington project for \$183.4 million and progressive sales of other residential projects for \$75.8 million. Lend Lease sold its interest in the Darling Park project to GPT and AMP. AMP paid cash for its 50% share, whilst GPT's consideration included the future delivery of GPT units. To eliminate the risk of future movements in the GPT unit price, Lend Lease effected a forward sale of the GPT units to a third party investor at an agreed price. The revenue component relating to GPT has been discounted in the June 2000 year.

The North American revenue mainly related to fees earned on the Vestar Glendale and Vestar Long Beach projects.

The Asian revenue mainly related to sales of factory units at Admiralty Industrial Park, Singapore (AIP).

European revenue mainly comprised the sale of 20% of Bluewater (\$530.6 million) to Prudential (10% interest) and Hermes (10% interest) and the sale of a 70% interest in Overgate, Dundee (\$193.9 million).

PROFIT AFTER TAX

The substantial decrease in profit for the year mainly reflected the provisions raised against the Fox Studios investment.

The June 2000 result included \$92.6 million profit after tax from the sale of interests in Bluewater (June 1999 \$172.3 million).

The loss after tax in Australia of \$50.2 million mainly comprised:

- Profit after tax on the residential projects of \$23.9 million including Olympic Village/Newington (\$8.0 million), Jacksons Landing (\$6.7 million) and I55 Macquarie Street (\$4.0 million).
- Net operating income of \$9.9 million after tax from completed projects, including Darling Park rental (\$7.7 million).
- Profit after tax on the sale of Darling Park Stages I and II of \$2.5 million.
- A \$2.9 million tax benefit from the restatement of Deferred Tax balances within the property development entities (due to prospective reduction in the Australian corporate tax rate).
- A total loss after tax of \$81.5 million on Lend Lease's 50% interest in Fox Studios which consisted of:
 - share of trading loss after tax to 30 June 2000 of \$11.8 million;
 - expensing of previously capitalised development costs outside of the joint venture of \$2.0 million after tax; and
 - a provision of \$67.7 million after tax raised against the investment in Fox Studios.

The total project which cost approximately \$430.0 million was assessed as having a value of \$200.0 million at 30 June 2000 which necessitated the provisions. The assessed value was based upon an independent valuation.

Management Discussion and Analysis of Financial Condition and Result of Operations continued

REAL ESTATE continued

PROPERTY DEVELOPMENT continued

PROFIT AFTER TAX continued

- A general provision of \$13.0 million after tax raised against Australian development projects (initially raised at 31 December 1999).
- Other development profits after tax of \$5.1 million.

The \$4.9 million loss after tax in North America mainly related to costs to establish a US development business.

The profit after tax in Asia of \$3.5 million mainly related to sales of the AIP factory units, offset by expenditure of \$1.0 million after tax on Cempaka and business overheads. The June 1999 loss included provisions raised on AIP (\$7.1 million), Tuas View (\$7.1 million) and the payment of \$8.0 million under a Lend Lease Corporation Limited guarantee for borrowings on the Li Fung project in China.

The European profit after tax of \$62.9 million for the year to June 2000 mainly related to the divestment of 20% of Bluewater (10% to Prudential and 10% to Hermes) totalling \$92.6 million, offset by business overheads, costs associated with prospective projects and provisions raised against the Overgate, Dundee (\$7.2 million after tax).

Bluewater Sales

	Revenue		Profit After Tax		Inventory Balance at ⁽⁶⁾	
	GBPm	A\$m	GBPm	A\$m	June 2000 GBPm	June 2000 A\$m
Sales in previous periods ⁽¹⁾	395.9	1,029.0	70.0	183.0		
Sales in year to June 2000						
Prudential – 10%	98.0	247.6	14.8	37.8		
Hermes – 10%	112.0	283.0	24.4	62.2		
	210.0	530.6	39.2	100.0		
Loan break costs ⁽²⁾			(2.9)	(7.4)		
			36.3	92.6		
Committed sales for year ended June 2001						
Prudential – 10% ^{(3) (4)}					76.4	195.9
Retained 30% ⁽⁴⁾					229.2	587.7
					305.6	783.6

(1) Including Prudential – initial 15%, development fees and Cinema, Retail Partnership – 25%.

(2) Relates to costs incurred in early repayment of Bluewater loan facilities.

(3) The details of the sale to Prudential are confidential.

(4) At cost.

SEGMENT ASSETS

The decrease in segment assets of \$748.3 million to \$2,049.2 million at 30 June 2000 (from \$2,797.5 million at 30 June 1999), mainly related to the sale of 20% of Bluewater, the sale of 70% of Overgate, Dundee and the sale of Darling Park I and II, offset by expenditures on development projects. This reduction in exposure to development projects over the last twelve months has been in line with the previously announced strategy of reducing property inventories.

Bluewater represented 45.5% (\$783.6 million) of property development inventories on the Balance Sheet at 30 June 2000. A further 10% of Bluewater (\$195.9 million) is subject to a committed forward sale to Prudential. Following this sale there will be a remaining inventory balance for Bluewater of \$587.7 million. This relates to the 30% interest being retained by Lend Lease.

The balance of property development inventories (\$938.9 million at 30 June 2000) primarily related to the three major projects in Sydney (Aurora Place/155 Macquarie Street, Jacksons Landing and Olympic Village/Newington).

The investment in the Fox Studios development of \$25.0 million (net of provision and joint venture debt) is included in Investments and Receivables on the balance sheet.

Further details of the development projects can be found in the Group's Consolidated Financial Statements at 30 June 2000.

Management Discussion and Analysis of Financial Condition and Result of Operations continued

REAL ESTATE continued**PROPERTY DEVELOPMENT** continued**SIGNIFICANT EVENTS**

Since 30 June 1999 there has been considerable leasing and disposition activity on the major projects (all statistics as at 30 June 2000):

Australia & Pacific

Project	Current Year Significant Events	Status
Aurora Place (88 Phillip Street)	<ul style="list-style-type: none"> 78% of space leased in line with leasing plan. 	<ul style="list-style-type: none"> Key risks are successful leasing of high rise and capitalisation rate at exit. Current plan to divest as soon as practical.
155 Macquarie Street	<ul style="list-style-type: none"> All 62 residential units sold. 	<ul style="list-style-type: none"> Committed sale revenue to date exceeds costs. No further valuation risks.
Darling Park	<ul style="list-style-type: none"> Sold in June 2000. 	
Olympic Village/Newington	<ul style="list-style-type: none"> 75% of units released to market in Stages I and II are now sold. 	<ul style="list-style-type: none"> If current selling prices are maintained budgeted profits will be achieved. Key risk is the strength of the Sydney residential market. Project is of a staged nature which can be contracted or expanded in line with the prevailing market conditions.
Jacksons Landing	<ul style="list-style-type: none"> 68% of total units released to market sold. 	<ul style="list-style-type: none"> Key risk is the strength of the Sydney residential market. Project is of a staged nature which can be contracted or expanded in line with the prevailing market conditions.
Fox Studios	<ul style="list-style-type: none"> 100% of total available space leased. Opened on schedule in November 1999. Trading in the Backlot tour since opening has been below budget. As a result a total loss of \$81.5 million after tax from share of trading losses and provisions raised was incurred at 30 June 2000. 	<ul style="list-style-type: none"> Key risk is achieving the revised business plan for Backlot tour visitations. Bent Street has been trading in line with expectations. The working film studios are pre-booked for the next 2 years.

Management Discussion and Analysis of Financial Condition and Result of Operations continued

REAL ESTATE continued**PROPERTY DEVELOPMENT** continued**SIGNIFICANT EVENTS** continued**Europe**

The market for retail centres is reasonably robust, particularly in Southern Europe. In the UK, investor demand for prime retail centres remains strong, although there has been a weakening in asset values in the secondary retail sector. This weakness in the UK has been largely due to concerns that the poor trading results reported by some retailers and increased supply of older retail space, may adversely impact rental levels and vacancy rates.

Project	Current Year Significant Events	Status
Bluewater, England	<ul style="list-style-type: none"> • First year Centre sales of GBP658.0 million. • Sale of 10% interest to Prudential in July 1999. • Sale of 10% interest to Hermes in July 1999. • Fully let at 30 June 2000. • Valuation of full Centre increased by 8.8% over the last 12 months to GBP1,234.5 million. 	<ul style="list-style-type: none"> • Holding was 40% at 30 June 2000. • Additional 10% subject to pre-sale in July 2000 at agreed price. • Following the July 2000 sale, Lend Lease will retain a 30% interest in Centre and is entitled to a proportionate share of net operating income of Centre. • Remaining risk relates to the capitalisation rate at exit on the final 30% interest.
Overgate, Dundee, Scotland	<ul style="list-style-type: none"> • Opened on schedule in March 2000. • Leased to 90% of total space (79% of rental value). • 70% interest sold to investors through a limited partnership structure. Sale is subject to adjustment if certain leasing targets and a minimum letting threshold are not met. 	<ul style="list-style-type: none"> • The risks are the leasing of the remaining space at minimum rentals agreed with the investors. • Lend Lease 30% interest held through the limited partnership structure with the other investors.
Touchwood, Solihull, England	<ul style="list-style-type: none"> • 68% of space (43% of rental value) leased in line with leasing plan. 	<ul style="list-style-type: none"> • Pre-sold to Lend Lease Retail Partnership at an agreed capitalisation rate. • The risks are the remaining leasing and completion of the Centre. • Due to open in September 2001.
Norwich, England	<ul style="list-style-type: none"> • Preliminary design for Centre being prepared. • House of Fraser signed as department store anchor tenant. 	<ul style="list-style-type: none"> • No commitment to commence construction. • Planning approval expected by December 2000. • The only exposure at this stage is land acquisition costs and fees (\$27.4 million).
Tres Aguas/Carlos III, Spain	<ul style="list-style-type: none"> • Joint venture (Lend Lease 50% interest) to develop regional retail centre established in July 1999. • Development facility put in place to finance construction costs. 	<ul style="list-style-type: none"> • Agreements signed in respect of 9% of space and 6% by value. • Site preparation started with opening scheduled for September 2002. • Construction will not commence until minimum leasing commitments achieved. • The risks are the construction costs and the leasing and capitalisation rate at exit.
Leeds, England	<ul style="list-style-type: none"> • Development management agreement signed with USS Pension Fund for a new retail Centre. 	<ul style="list-style-type: none"> • Phase I for design and feasibility study to be completed in December 2000. • Decision on development to be made at completion of Phase I.

Management Discussion and Analysis of Financial Condition and Result of Operations continued

REAL ESTATE continued**BOVIS LEND LEASE (PROJECT AND CONSTRUCTION MANAGEMENT)**

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

Profit for the Bovis Lend Lease business is generally earned 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.

Lend Lease acquired Bovis Group plc (Bovis) from the Peninsular and Oriental Steam Navigation Company (P&O) on 29 October 1999 for GBP285 million (\$730.8 million). The operating results of Bovis for the eight months since acquisition have been included in Lend Lease's result for the year.

RESULTS

	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax		Segment Assets	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m	2000 \$m	1999 \$m	2000 \$m	1999 \$m
Australia & Pacific	1,892.8	1,301.4	67.3	34.8	40.9	23.3	272.7	246.8
North America	2,912.7		16.7	(2.1)	10.6	(1.2)	1,415.9	
Asia	204.8	95.2	0.3	15.2	(2.2)	10.0	172.7	103.6
Europe	1,502.0	5.3	16.9	5.6	7.0	4.4	894.3	28.1
Total Bovis Lend Lease	6,512.3	1,401.9	101.2	53.5	56.3	36.5	2,755.6	378.5
% of Total Group	50.1%	34.0%	13.4%	10.4%	13.0%	8.7%	25.2%	5.2%

REVENUE

Revenue is up 365% to \$6,512.3 million primarily due to the inclusion of 8 months of Bovis revenue. Without Bovis, Crystal and Lend Lease Actus, revenue would have been \$2,016.7 million.

Revenue for the Australian business increased by 45.4% to \$1,892.8 million for the year to 30 June 2000 which reflected the consistent high level of construction activity, particularly in Sydney with Olympics-related work.

The North American revenue mainly related to the acquired Bovis business as well as \$5.8 million for the Lend Lease Actus joint venture formed in August 1999 to focus on military housing for the US Defence Department.

Revenue for the Asian business increased by 115.1% to \$204.8 million for the year to 30 June 2000 which predominantly reflected the acquired Bovis business as well as increased construction activity on the Coca-Cola contracts in India.

The European revenue included the acquired Bovis business and \$35.0 million for the Crystal Group, which was acquired in January 1999.

The acquisition of Bovis has resulted in a more globally diversified business when compared to the Pre-Existing business. The table below provides a geographic split of the revenue streams.

	Bovis Lend Lease ⁽¹⁾ %	Pre-Existing Business ⁽²⁾ %
Australia & Pacific	22%	92%
North America	50%	
Asia	2%	7%
Europe	26%	1%
Total	100%	100%

(1) Approximate split after annualising the 8 months of actual Bovis revenues for the June 2000 year.

(2) Based on the June 1999 year actual revenues.

Bovis Lend Lease enters into a wide variety of types of contract, from contracts where only its fee is recorded as revenue to contracts where the full value of the project, including third-party costs, is recorded as revenue. For this reason, recorded revenues do not necessarily provide a good measure of the volume of work undertaken and the ratio of operating profit to revenue is not considered to be a useful measurement of profit margin. In future, gross profit margin (refer to Definitions) will be used to measure profitability.

Management Discussion and Analysis of Financial Condition and Result of Operations continued

REAL ESTATE continued

BOVIS LEND LEASE (PROJECT AND CONSTRUCTION MANAGEMENT) continued

PROFIT AFTER TAX

Bovis Lend Lease's contribution to the Group's operating profit after tax was \$56.3 million for the year to 30 June 2000, a 54.2% increase on the year to 30 June 1999 earnings of \$36.5 million. This is due primarily to strong growth from the Australian business and the inclusion of Bovis' earnings since 29 October 1999, offset by a loss in Asia.

Profit after tax for the Australian business was \$40.9 million for the year, a 75.5% increase compared to \$23.3 million in June 1999. The increase reflected the combination of higher construction activity and a number of large projects completed or near to completion during the year. The result excluded \$7.7 million after tax in respect of projects in which Lend Lease holds an equity interest (such as Aurora Place, Olympic Village and Fox Studios). Under Australian accounting rules the profits are excluded from the results until the equity interests in those projects are sold. The sale of Lend Lease's interest in Darling Park resulted in the inclusion of \$4.6 million after tax in the June 2000 profit, in respect of construction profits earned on this project in previous financial years. Excluding integration and related costs of \$4.7 million, profit after tax of the Australian business would have been \$45.6 million.

The profit after tax of \$10.6 million for the year for the North American business reflected the inclusion of Bovis after deducting a loss of \$4.0 million after tax for the Lend Lease Actus joint venture and US establishment costs prior to the Bovis acquisition. The June 1999 after tax loss of \$1.2 million reflected US establishment costs. Excluding integration and related costs and corporate overhead reallocations totalling \$3.8 million and the establishment costs of the Lend Lease Actus and Lend Lease Projects businesses in that region of \$4.0 million, the Bovis Americas business earned \$18.4 million after tax for the period to June 2000, which was in line with expectation.

The loss after tax for the Asian business was \$2.2 million for the year, compared to a profit after tax of \$10.0 million in June 1999. This reflected lower margins on contracts since the recent Asian economic downturn and the early stages of the majority of the current workload. Profits from these projects are expected to emerge over the next one to two years. The inclusion of Bovis had a slightly negative impact on the results for the Asian business as the Bovis business traded at a loss due to the recent downturn in that region. The June 1999 period included profits on the completion of a number of large construction contracts, including the release of project warranty provisions that were no longer required by that region. Excluding integration and related costs, the Asian business broke even.

The profit after tax of \$7.0 million for the European business mainly related to the inclusion of Bovis, with Crystal producing a break even operating result. After adding back integration and related costs and corporate overhead reallocations totalling \$4.3 million, the European business earned \$11.3 million after tax for the period to June 2000 which was in line with expectation.

The profit after tax of \$56.3 million for the year included Bovis for the eight months since acquisition. The result was determined after charging expenses of approximately \$9.1 million after tax for integration and related costs. The integration process will be finalised in 2001. Additional integration costs will be incurred in that year which are anticipated to be slightly higher than the amount incurred for the year to June 2000. Furthermore, Bovis Lend Lease received an additional charge of \$6.0 million after tax in the year to June 2000 in respect of reallocated corporate overhead costs, which were partly acquisition related.

Bovis Lend Lease also contributed net interest earnings of \$14.1 million after tax which is included in the Corporate Group Treasury result. Bovis Lend Lease generates surplus working capital which then earns interest income for the Group or is lent to other parts of the Lend Lease Group thereby reducing the level of interest expense for the Group. Bovis Lend Lease generated interest earnings of \$5.8 million after tax in addition to which the Group's interest expense was reduced by \$8.3 million after tax.

The following table indicates the profit after tax by region after adjusting for the benefits of the positive working capital balances.

ADJUSTED PROFIT AFTER TAX

	Segment Profit/ (Loss) After Tax June 2000 \$m	Add Interest After Tax June 2000 \$m	Adjusted Profit/ (Loss) After Tax June 2000 \$m
Australia & Pacific	40.9	6.6	47.5
North America	10.6	3.2	13.8
Asia	(2.2)	1.7	(0.5)
Europe	7.0	2.6	9.6
Total Bovis Lend Lease	56.3	14.1	70.4

SEGMENT ASSETS

Segment Assets increased from \$378.5 million at 30 June 1999 to \$2,755.6 million at 30 June 2000 which mainly reflected the acquisition of Bovis in October 1999.

Management Discussion and Analysis of Financial Condition and Result of Operations continued

REAL ESTATE continued

BOVIS LEND LEASE (PROJECT AND CONSTRUCTION MANAGEMENT) continued

BOVIS ACQUISITION

At the time of acquisition, Bovis had approximately 5,300 employees and operated in 38 countries, including a strong presence in the UK, Continental Europe and the USA, as well as operations in the Asia Pacific region, including Australia. The acquisition extends Lend Lease's real estate project management, design and construction management capabilities globally, particularly to Europe and the USA. It has significantly accelerated the creation of a multi-country, multi-industry project management, design and construction management operation, and will considerably enhance the overall real estate strategy by adding recurrent profit streams, global scale and capacity, a global brand, an enhanced client pipeline and the ability to leverage other Lend Lease real estate capabilities. The Bovis Group's industry/client/geographic diversification are expected to result in less earnings volatility in the project management business.

Total integration and strategic positioning costs are expected to be in the order of up to \$35.0 million after tax, including the amount of \$14.1 million included in the capitalised cost of acquisition. The integration initiatives are planned to be completed in 2001 and include re-organisation of management, elimination of duplicated processes and functions, rationalisation of technology infrastructure, establishment of shared services with the wider Lend Lease Group, consolidation of offices and knowledge and skill sharing initiatives.

The estimated contribution of the acquired Bovis business is set out below.

	\$m
Underlying profit after tax of Bovis⁽¹⁾	38.8
Less: integration costs (after tax) ⁽²⁾	<u>(5.6)</u>
Cash earnings	33.2
Less: goodwill amortisation (after tax)	<u>(23.4)</u>
Profit after tax from Bovis for June 2000⁽³⁾	<u>9.8</u>

(1) Eight months since acquisition only. Includes interest income earned by Bovis of \$5.7 million after tax.

(2) Includes integration and related costs in respect of the Bovis business only.

(3) Excluding financing costs.

Since 31 December 1999, a detailed review has been carried out in order to align the Bovis Group's accounting policies and methods with those adopted by Lend Lease. This review has resulted in a reduction of \$55.0 million in the net tangible assets acquired which resulted in an increase in goodwill. Management does not believe that these adjustments will affect the on-going operating cash profitability of the business as envisaged at the time of acquisition. Following the review, management believes that the reserves and provisions made in respect of the Bovis business are adequately stated.

Working Capital

The Bovis Lend Lease business is a significant generator of cash. The amount of cash and cash equivalents attributable to Bovis Lend Lease at 30 June 2000 was \$527.7 million, which compared to \$343.4 million at 30 June 1999. The increase mainly related to the acquired Bovis business. The amount of cash in the Australian business has reduced since 30 June 1999 as a result of the completion of a number of large Sydney-based projects.

Bovis Lend Lease Business Mix

The Bovis Lend Lease business can be segregated into two broad contract categories:

- Fee Services Contracts (low risk);
- Construction Services Contracts (delivery risk accepted).

Historically, approximately 60% of the acquired Bovis' profit has been derived from fee services contracts. The majority of Lend Lease Projects' profit has historically been from construction services contracts.

Fee Service Contracts (Low Risk)

Under fee services contracts, Bovis Lend Lease provides management services on construction projects for clients.

Under a standard form of fee services contract, Bovis Lend Lease has no contractual responsibility for cost. Fees negotiated for this type of business usually represent a lower margin than those received for construction services contracts reflecting the lower level of risk involved.

Bovis Lend Lease enters into a number of types of fee services contract, including project management/program management and construction management/management contracting as well as customer alliances.

Management Discussion and Analysis of Financial Condition and Result of Operations continued

REAL ESTATE continued

BOVIS LEND LEASE (PROJECT AND CONSTRUCTION MANAGEMENT) continued

BOVIS ACQUISITION continued

Construction Services Business (Delivery Risk Accepted)

Under a construction services contract, Bovis Lend Lease commits to the delivery of a completed project to its client, in accordance with negotiated time, cost and quality specifications. Typically, Bovis Lend Lease will be paid a fixed fee for its services or a fee which is linked to the ultimate size of the contract. In addition, incentives are sometimes negotiated under this type of contract. This business may involve Bovis Lend Lease undertaking some performance risk. Given the increased risk profile of such projects, a higher contract margin is typically negotiated on this type of contract.

Bovis Lend Lease enters into a number of types of construction services contracts including Guaranteed Maximum Price, Design and Build, Lump Sum and BOT/PFI.

Gross Margin by Contract Type

The following table shows the mix of the two contract categories for Bovis Lend Lease for the year ended 30 June 2000 for each of the geographic regions on the basis of gross contract margin (refer to Definitions).

	Fee Service Contracts %	Construction Services %	Total %
Australia & Pacific	1.6%	34.7%	36.3%
North America	13.9%	10.2%	24.1%
Asia	5.7%	3.2%	8.9%
Europe	22.8%	7.9%	30.7%
Total Bovis Lend Lease ⁽¹⁾	44.0%	56.0%	100.0%

(1) Only includes the eight months since acquisition for the acquired Bovis business.

Particular emphasis is given to establishing long term recurrent revenue streams. The opportunity to do this is enhanced by the strong client relationships established by Bovis through its client management approach. For the year to 30 June 2000 almost 70% of the profits generated were from clients to whom the Company had previously provided services.

These long term recurrent revenue streams will come from multiple initiatives that include client alliances and integrated Lend Lease real estate services.

Private Finance Initiatives (PFI) and Infrastructure Investments

Build, Operate, Transfer (BOT)/PFI contracts are a developing part of the Bovis Lend Lease business and involve the partnership of various companies and sector specialists who together design, build, finance and operate major facilities over a number of years, before handing them over to another party or public ownership. BOT type contracts are particularly suited to major infrastructure projects developed by governments. BOT/PFI projects are normally non-recourse projects, which are primarily financed using debt, with equity and mezzanine finance comprising the difference. Bovis Lend Lease participates in the equity finance component of a BOT/PFI project. The returns from any equity participation are paid, subject to performance, during the life of the project. Bovis Lend Lease's equity contribution to PFI's in the UK is \$10 million for the construction of two hospitals. Bovis Lend Lease has contributed \$19.0 million equity in a BOT project – the construction of the Da Chang Water Treatment Plant in China.

Profits to date from the PFI initiatives are minimal with the first PFI project (Calderdale Hospital) being 56% complete and the second project (Worcester Hospital) being 36% complete. The third PFI project (Treasury) is yet to be started with Bovis Lend Lease being awarded this project in June 2000.

Further resources are being committed to this initiative and growth from this sector is anticipated in the future.

Bovis Lend Lease's role in BOT/PFI contracts is primarily that of principal contractor which involves taking design and build risk. Typically a higher margin is earned due to the more complex risk profile of these projects.

New Work Secured/Backlog

Two key business measures are New Work Secured and Backlog Profit Margin. New Work Secured is measured in terms of the expected revenue to be earned from contracts committed during the year. Backlog Profit Margin is the forecast gross profit margin to be earned from the total contracts committed at the end of a period. Operating profit before tax is determined by deducting indirect overhead from the gross profit margin.

Management Discussion and Analysis of Financial Condition and Result of Operations continued

REAL ESTATE continued**BOVIS LEND LEASE (PROJECT AND CONSTRUCTION MANAGEMENT)** continued**NEW WORK SECURED/BACKLOG** continued

The following table provides a summary of New Work Secured (Note - only contracts secured since 29 October 1999 have been included for the acquired Bovis business) and the Backlog Profit Margin at 30 June 2000.

	New Work Secured to June 2000 \$m	Backlog Profit Margin at June 2000 \$m
Australia & Pacific	920	47
North America	2,914	181
Asia	419	23
Europe	1,488	231
Total	5,741	482

New work secured for the year to June 1999 was \$2,125 million and related to the Australian and Asian Pre-Existing project management business. This compares to \$5,741 million for June 2000. The committed backlog revenue (previously forward workload) for the total Bovis Lend Lease business at 30 June 2000 was \$7.8 billion.

Profits arising from the Backlog are typically earned within a year to eighteen months of the Backlog date, although in some cases this might take up to four years.

Total value of the projects currently under management by the Bovis Lend Lease Group is approximately \$35.0 billion with operations in 42 countries.

SIGNIFICANT EVENTS

- Bovis Lend Lease extended its existing agreement with BP Amoco plc (BP) during the year. Bovis Lend Lease is to manage the BP retail outlet building program across 14 countries over the next five years. The program will involve the construction of over 1,300 new outlets in Europe, USA and Japan. It extends by a further five years the three-year agreement awarded to Bovis in April 1997 to manage a major expansion program of new BP retail outlets in Europe. The agreement includes an on-going maintenance program on new and existing stations. An additional agreement has been awarded in the USA to rebadge the facilities in that region.
- Recent increased demand for semi-conductor chips has resulted in an upturn in activity for the Bovis Lend Lease Microelectronics business. The group has recently completed its first lump sum contract in Taiwan for WIN semi-conductors and recently been awarded two design and engineering contracts in Shanghai, China for Phillips LCD and two for SMIC.
- Bovis Lend Lease acquired 100% of Project Consultants Inc. in June 2000 for USD3.4 million. Project Consultants Inc. is based in California and is a provider of design, project and construction management, and tool hook up services to the microelectronics industry. The acquisition will complement the Crystal business acquired in January 1999 which operates within Europe and North Asia.
- The Lend Lease Actus joint venture was formed in August 1999 to focus on major integrated real estate initiatives comprising the development, finance, design and construction of military housing for the US Department of Defence. Lend Lease Actus has been selected through competitive tender to enter into exclusive negotiations with the US Government on the privatisation of Fort Hood, which includes rehabilitation and reconstruction of over 4,000 existing units (a capital spend expected to exceed USD250 million), and ongoing management for a period of 50 years. Lend Lease Actus is also responsible for a number of other smaller contracts with the US Department of Defence.
- The Jacobs Lend Lease joint venture has secured four major pharmaceutical projects for major multinational clients in Singapore. The services generally provided are engineering, procurement, construction management and validation. The joint venture had projects to the value of USD1.0 billion under management at 30 June 2000.
- The UK business was awarded the GBP112.0 million UK Government's Treasury Building PFI project in London in June 2000. The project involves 46,500 sq. ft. being refurbished for occupation by the Treasury department in August 2002.
- The business has contributed significant resources to prepare for the significant changes expected to arise from business to business (B2B) initiatives in the industry. The Arrideo e-business joint venture announced on 25 July 2000 is a joint venture between AMEC, Balfour Beatty, Bovis Lend Lease, Kvaerner, John Laing and AECventure, the global B2B industry exchange.

Management Discussion and Analysis of Financial Condition and Result of Operations continued

REAL ESTATE continued

BOVIS LEND LEASE (PROJECT AND CONSTRUCTION MANAGEMENT) continued

DEFINITIONS

New Work Secured – for the Bovis Lend Lease business this measure represents the estimated contract revenue to be earned by Bovis Lend Lease from property projects secured during the year. When formal contracts are signed, the new work secured becomes part of Backlog. New Work Secured was previously referred to as Sales.

Backlog Revenue – represents the balance of work to be completed under existing construction contracts. As the construction contracts are progressively completed, backlog revenue declines. As new work is secured and contracts signed, backlog revenue is replenished.

Backlog Profit Margin – represents the expected gross profit margins to be earned from the balance of work to be completed under existing construction contracts. As the construction contracts are progressively completed, backlog profit margin declines. As new work is secured and contracts signed, backlog profit margin is replenished.

Gross Profit Margin – represents total project revenue less direct project related costs such as payments to sub-contractors and other costs incurred by Bovis Lend Lease that are directly attributable to the project. It does not include the allocation of any general (or indirect) overheads. Operating profit before tax is determined by deducting indirect overheads from gross profit margin.

FINANCIAL SERVICES

The principal activities of this business segment were:

- 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.

CONSOLIDATION OF STATUTORY FUNDS PROFITS

The Group's Consolidated Financial Statements at 30 June 2000 include the Statutory Funds of MLC Limited (MLC) and MLC Lifetime Company Limited (MLC Lifetime). The inclusion of the Statutory Funds is required under the Australian Accounting Standard AASB1038 Life Insurance Business (AASB1038) which was made effective from 1 July 1999.

As MLC and MLC Lifetime were sold to NAB on 30 June 2000, the balance sheets of the Statutory Funds have not been included in the Group's Consolidated Financial Statements at 30 June 2000. However, the revenues and expenses of the Statutory Funds for the year have been included as required by AASB1038.

The requirement to consolidate the profits of the Statutory Funds has a material effect on how the financials are reported though this had no impact on the operating strength of Lend Lease.

The consolidation of the profits of the Statutory Funds had the following impacts on the Financial Statements:

- Operating revenue increased by \$3.4 billion.
- Operating profit before tax increased by \$166.0 million.
- The Group's extraordinary profit from the sale was \$1.5 billion higher than it would have been prior to the introduction of AASB1038. This is due to the Shareholders Equity of the Lend Lease Group being reduced by \$1.5 billion on 1 July 1999. This is a result of the following:
 - The investment in MLC and MLC Lifetime was previously recorded (30 June 1999) at the embedded value of \$1,852 million in the Consolidated Balance Sheet. This has been reversed against:
 - the elimination of the Asset Revaluation Reserve (\$1,054 million); and
 - an adjustment to retained earnings (\$456 million).
 - This is an accounting issue only and did not effect the amount of cash received on the sale or the amount of tax to be paid.

Care needs to be taken when interpreting the consolidation of the Statutory Funds. Assets and liabilities of the Statutory Funds are subject to the provisions of the Life Insurance Act 1995 (the "Life Act"), as described on the next page.

Management Discussion and Analysis of Financial Condition and Result of Operations continued

FINANCIAL SERVICES continued

CONSOLIDATION OF STATUTORY FUNDS PROFITS continued

The products offered by MLC and MLC Lifetime were allocated to separate Statutory Funds established under the Life Act. MLC had four Statutory Funds, whilst MLC Lifetime has one Statutory Fund. Each Statutory Fund included all the assets and liabilities that related to the business conducted in that Statutory Fund. The assets of the Statutory Funds were legally owned by MLC and MLC Lifetime (both 100% owned subsidiaries of Lend Lease) and the liabilities of the Statutory Funds were legal obligations of MLC and MLC Lifetime. Under Australian law, MLC and MLC Lifetime were required to keep the assets of each Statutory Fund distinct and separate from the assets of each other Statutory Fund and any other assets of MLC and MLC Lifetime, and the assets of each Statutory Fund were available only to satisfy the liabilities and expenses relating to that Statutory Fund. In general, subject to the rights to allocate and distribute profits (refer Financial Statements), this meant that the assets of any Statutory Fund were not available to meet any liabilities or expenses of MLC or MLC Lifetime outside that Statutory Fund (including those in the other Statutory Funds) and that the assets included in a Statutory Fund could not be applied by MLC or MLC Lifetime for any purpose other than conducting the class of business carried on within that Statutory Fund. The liabilities relating to a Statutory Fund (ie, those which can be satisfied from the assets of the fund) included essentially all liabilities incurred by MLC or MLC Lifetime in connection with the operation of the business conducted by that Fund. Statutory Fund assets could only be used for distributions of a profit to the shareholder when solvency and capital adequacy requirements were met and otherwise in accordance with the regime set out in the Life Act.

Given the restrictions imposed by the Life Act, the Directors are of the opinion that the inclusion of the profits of the Statutory Funds in the Consolidated Financial Statements of Lend Lease as required by the Australian Accounting Standards may lead to a distorted impression of the Group's result. Whilst the Directors recognise the importance of complying with Australian Accounting Standards, it has been considered prudent to restate some of the financials in order to provide what is considered by the Directors to be a more useful view. The Appendix in this statement consists of a Profit and Loss Statement prepared on a consistent basis to that of previous years, ie prior to the introduction of AASB1038 Life Insurance Business.

Lend Lease sold its Financial Services Businesses to NAB on 30 June 2000 for \$4.6 billion realising an after tax extraordinary profit of \$3.1 billion. The businesses sold include the 100% interest in Godfrey Pembroke (acquired on 15 July 1999 for \$40.0 million), the 55% interest in the Hong Kong-based Canadian Eastern Life Assurance (CEF Life) (acquired on 21 October 1999 for \$250.0 million), and the 55% interest in the Thailand based Advance Assurance (acquired on 11 April 2000 for \$24.1 million).

As the businesses were sold on 30 June 2000, the full year operating profits have been included in the Lend Lease consolidated result for the year ended 30 June 2000.

RESULTS

The operating results of the Financial Services business are summarised in the table below.

	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax		Segment Assets	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m	2000 \$m	1999 \$m	2000 \$m	1999 \$m
Australia & Pacific								
Funds Management								
Statutory Funds ⁽¹⁾	2,992.6	129.0	226.4	129.0	122.8	129.0		
Other ⁽²⁾	193.1	334.3	29.0	7.6	9.6	6.0	1,723.4	
Life Insurance								
Statutory Funds ⁽³⁾	593.0	47.1	136.4	47.1	73.6	47.1		
Other ⁽⁴⁾			(4.1)	(1.1)	(2.7)	(1.9)		509.2
Funds Administration ⁽⁵⁾	84.1	39.5	10.8	(0.8)	7.9	(2.8)		57.4
Investment Management	43.8	43.8	22.0	32.4	14.1	20.7		21.3
Total Australia & Pacific	3,906.6	593.7	420.5	214.2	225.3	198.1		2,311.3
Asia ⁽⁶⁾								
Statutory Funds ⁽⁷⁾	156.3		7.5		7.5			
Financial Services		12.2	(2.6)	5.2	(2.2)	2.4		11.7
Total Financial Services	4,062.9	605.9	425.4	219.4	230.6	200.5		2,323.0
% of Total Group	31.2%	14.7%	56.3%	42.5%	53.4%	47.7%		31.9%

Management Discussion and Analysis of Financial Condition and Result of Operations continued

FINANCIAL SERVICES continued

RESULTS continued

- (1) Funds Management is mainly conducted through the Statutory Funds of MLC Limited. The June 1999 result relates to the profit transferred from the Statutory Funds to the Shareholders' Fund. The June 2000 result relates to Lend Lease's share of the profit earned by the Statutory Funds.
- (2) Funds Management Other relates to contributions from the Shareholders' Fund of MLC Limited, MLC Investments Limited, Lend Lease Corporate Services Limited, Lend Lease Advisor Services Limited, Lend Lease Financial Planning Limited and Medfin Australia Pty Limited.
- (3) The Life Insurance business is conducted through the Statutory Fund of MLC Lifetime Company Limited. The June 1999 result relates to the profit transferred from the Statutory Fund to the Shareholders' Fund. The June 2000 result relates to Lend Lease's share of the profit from the Statutory Fund.
- (4) Life Insurance Other relates to overheads recharged to the Shareholders' Fund of MLC Lifetime.
- (5) Funds Administration business comprises Your Prosperity Limited, FlexiPlan Australia Limited, Godfrey Pembroke Financial Services Limited and Plum Financial Services Limited.
- (6) Asian Financial Services is conducted through the 55% interest in CEF Lend Lease Life Assurance in Hong Kong, the 80% interest in PT Simas Lend Lease Life and the 50% interest in BII Lend Lease Investment Services (both in Indonesia), and the 55% interest in Advance Assurance (in Thailand).
- (7) The Asian Statutory Funds relate to the revenues and profits of the CEF Life, Simas and Advance Assurance policyholders, on a similar basis to the Statutory Fund of MLC Lifetime.

REVENUE

The increase in total operating revenue to \$4,062.9 million for the year to 30 June 2000 as compared to \$605.9 million for the year to June 1999, is primarily a consequence of consolidating the revenue of the Statutory Funds for the first time, including investment income, premium revenue and management fees.

PROFIT AFTER TAX

Financial Services contributed \$230.6 million to Lend Lease's operating profit after tax for the year to 30 June 2000, an increase of 15.0%, compared to \$200.5 million for the year to 30 June 1999. The results for both June 1999 and 2000 included the following items:

June 1999

- a tax refund of \$10.0 million (refer Funds Management below);
- incentive fees of \$4.0 million after tax (refer Investment Management below);
- a \$24.0 million release of retained earnings from the MLC Statutory Funds (refer Funds Management below); and
- profits of \$29.0 million after tax from the revaluation of subsidiaries.

June 2000

- an increase in the segment profit after tax of \$14.0 million due to the elimination of corporate recharges, as a result of the consolidation of the Statutory Funds. (The exclusion of corporate recharges from Financial Services increased Corporate Group Services overheads by an equal amount.);
- a one-off profit of \$18.0 million after tax (refer Life Insurance below); and
- profits of \$25.9 million after tax from the revaluation of subsidiaries.

Excluding the one-off items, on a like for like basis, the operating profit after tax in June 2000 was \$198.6 million compared to \$162.5 million in June 1999, an increase of 22.2%.

Funds Management

The profit after tax from the funds management business decreased 19% to \$132.4 million (1999 \$135.0 million). The result reflected:

- An increase in funds management fees earned as a result of an 16.2% growth in funds under management since 30 June 1999.
- Significantly higher expenditure on IT, compliance and strategic business initiatives.
- A profit contribution of \$9.0 million after tax from Medfin Australia Pty Limited (Medfin), mainly arising from the revaluation of the investment in Medfin (\$7.0 million after tax).
- A \$5.9 million after tax contribution from the revaluation of the investment in CEF Life, which was mainly due to foreign exchange movements since acquisition.
- The June 1999 result included a tax refund of \$10.0 million following a favourable ruling from the Australian Taxation Office in respect of prior years. The June 1999 result also included the release of \$24.0 million of retained earnings from the MLC Statutory Funds which was used to fund business re-design and development expenditure.

Management Discussion and Analysis of Financial Condition and Result of Operations continued

FINANCIAL SERVICES continued

PROFIT AFTER TAX continued

Life Insurance

The profit after tax from life insurance for the year to 30 June 2000 was \$70.9 million, an increase of 56.9% compared to \$45.2 million for the year to 30 June 1999. The increase mainly related to two significant profit items totalling \$18.0 million after tax in June 2000 as follows:

- Lower tax on reinsurance transactions in prior years (\$10.0 million); and
- Higher interest on shareholder capital and undistributed earnings due to larger investment earnings (\$8.0 million).

Funds Administration

An operating profit after tax of \$7.9 million was derived in the year to 30 June 2000 (June 1999 \$2.8 million loss) which reflected:

- An increase in fees earned as a result of a 89.5% growth in Funds Under Administration since 30 June 1999 (excluding acquisitions);
- Additional revenues earned on \$0.8 billion of Funds Under Administration following acquisition of Godfrey Pembroke;
- A \$12.0 million profit after tax (June 1999 \$10.0 million) from the revaluations of the investments, which included FlexiPlan of \$30.0 million after tax (June 1999 \$20.1 million) and Plum of \$7.0 million after tax (June 1999 \$10.0 million devaluation), offset by a devaluation of the investment in Godfrey Pembroke of \$25.0 million after tax (June 1999 nil). The devaluation of Godfrey Pembroke reflects the decision to close the Heritage Funds to new business and to make FlexiPlan the primary vehicle for the funds administration business written by Godfrey Pembroke advisors. This had the impact of increasing the value of FlexiPlan by an equivalent amount; and
- Significant expenditure on growing the funds administration businesses of \$30.4 million after tax (June 1999 \$25.7 million) on FlexiPlan, Plum, Your Prosperity and other initiatives, which were expensed in the year to 30 June 2000 though much of the benefit will emerge in future years.

Investment Management

- The profit after tax from Investment Management for the year to 30 June 2000 was \$14.1 million, compared to \$20.7 million for the year to 30 June 1999. The decrease mainly reflected \$4.0 million after tax of incentive fees received in the year to 30 June 1999 which did not occur in the current year.

Asia

- The profit after tax from Asian operations of \$5.3 million for the year to 30 June 2000 (June 1999 \$2.4 million) mainly comprised operating profits of CEF Life (\$8.0 million after tax) offset by overhead costs in building the Asian Financial Services operations.

FUNDS UNDER MANAGEMENT AND ADMINISTRATION

Funds under management and administration increased by 23.0% to \$34.8 billion at the 30 June 2000 disposition date compared to June 1999 (\$28.3 billion):

	Growth June 99 – June 00 %	June 2000 \$b	June 1999 \$b
Funds Under Management	16.6	26.0	22.3
Life Insurance and Wealth Protection	7.3	4.4	4.1
Funds Under Administration	131.6	4.4	1.9
	23.0%	34.8	28.3

The growth of 131.6% in Funds Under Administration was mainly due to FlexiPlan and the acquisition of Godfrey Pembroke. A large proportion of the funds under management growth was due to the strong investment earnings during the year. The funds under management exclude the component related to the Property Securities investment management business retained by Lend Lease (refer Real Estate Investments section on page 68).

Management Discussion and Analysis of Financial Condition and Result of Operations continued

FINANCIAL SERVICES continued**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 net market value with any gain or loss recorded in the profit and loss statement. This accounting treatment added \$25.9 million to Lend Lease's profit after tax for the year to 30 June 2000 (1999 \$29.0 million).

Under this accounting treatment, no goodwill on acquisition was recognised and no annual amortisation charge was recorded in relation to controlled entities acquired by either MLC or MLC Lifetime.

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.

INVESTMENTS**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	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m	2000 \$m	1999 \$m	2000 \$m	1999 \$m
Australia & Pacific								
IBM Global Services Australia (IBMGSA)	11.6	13.8	11.6	13.6	7.4	11.8	44.8	40.5
Other investments	75.4	11.7	52.0		33.2		52.1	53.6
Expenses			(4.0)	(3.4)	(2.5)	(2.6)		
Total IT+T Investments	87.0	25.5	59.6	10.2	38.1	9.2	96.9	94.1
% of Total Group	0.7%	0.6%	7.9%	2.0%	8.8%	2.2%	0.9%	1.3%

Profit After Tax

IT+T Investments contributed \$38.1 million for the period, which reflected the sale of the investments in Sitel and Advantra, offset by lower income from the investment in IBMGSA.

Distributions from IBMGSA totalled \$11.6 million before tax, which relate to royalty payments. No dividend was received from IBMGSA. There were no dividends expected or received from Sitel, coolsavings.com or Advantra during the year.

Lend Lease sold its interest in Advantra to Telstra for \$27.0 million during the year, which realised a profit after tax of \$13.2 million.

The investment in Sitel was sold for \$48.4 million during the year, which realised a profit after tax of \$20.1 million.

An additional investment was made in coolsavings.com during the year to June 2000 of USD8.4 million (\$14.0 million), taking Lend Lease's fully diluted share to 27.8%. coolsavings.com listed on 19 May 2000, at a price of USD7.00 per share.

Lend Lease did not sell any of its existing shares at the time of listing. The share price at 30 June 2000 was USD6.00 per share. The cost of Lend Lease's investment in coolsavings.com equates to approximately USD2.59 per share.

Segment Assets

Segment assets consists of investments in coolsavings.com (\$47.0 million), IBMGSA (\$42.8 million) and small investments in internet based business ventures.

Management Discussion and Analysis of Financial Condition and Result of Operations continued

INVESTMENTS continued**EQUITY (LISTED) 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	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m	2000 \$m	1999 \$m	2000 \$m	1999 \$m
Australia & Pacific								
Sales of Investments								
Hoyts Cinemas		28.4		2.6		2.1		
Westpac Banking Corporation:								
– sale of shares subject to Hedge Arrangements	149.4		93.0		62.6			
– dividend income from shares subject to forward sale	24.0	45.0	24.0	45.0	24.0	45.0		
Mirvac	44.2		16.4		10.8			
Dividend Income								
Westpac Banking Corporation		1.0		1.0		1.0	93.7	148.9
Hoyts Cinemas		0.5		0.5		0.5		
Mirvac	1.0	2.4	1.0	2.4	1.0	2.2		27.4
Total Equity Investments	218.6	77.3	134.4	51.5	98.4	50.8	93.7	176.3
% of Total Group	1.7%	1.9%	17.8%	10.0%	22.8%	12.1%	0.9%	2.4%

Profit After Tax

Equity Investments' contribution to the profits of the Group was \$98.4 million for the year to 30 June 2000, compared to \$50.8 million for the year to 30 June 1999. The increase was mainly due to the sale of Lend Lease's interest in Mirvac Limited for a profit after tax of \$10.8 million and the realisation of \$62.6 million profit after tax in respect of the hedged Westpac shares.

The June 2000 result includes the final dividend received under the 100 million Westpac warrants of \$24.0 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 locked-in an unrealised profit of \$165.0 million after tax which is not 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.

During the year Lend Lease terminated the Arrangements over 15 million of the Westpac shares. The termination resulted in a \$62.6 million profit after tax which approximated the total Group amortisation charge for the year ended 30 June 2000 of \$55.7 million. As amortisation is an accounting entry, which does not in the Directors' view reflect the true valuations of the assets being amortised, the Directors have decided to offset the amortisation charge by an approximately equivalent accounting gain from unwinding some of the Westpac shares. It is the Directors' current intention to adopt a similar policy for the financial year ended 30 June 2001.

The Arrangements continue over the remaining 25 million Westpac shares effectively locking-in an unrealised profit of \$102.4 million after tax.

Management Discussion and Analysis of Financial Condition and Result of Operations continued

CORPORATE

The principal activities of the Corporate segment are Group Services which includes corporate administration services and Group Treasury which encompasses all financing costs that are not directly related to a real estate development project, irrespective of where those costs are incurred. Amortisation charges are also included within Corporate.

GROUP SERVICES

	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax		Segment Assets	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m	2000 \$m	1999 \$m	2000 \$m	1999 \$m
GROUP SERVICES								
Corporate Services	19.5	30.1	(51.4)	(47.4)	(30.4)	(33.9)		
Group IT Costs			(31.1)	(23.1)	(19.9)	(14.8)		
Group overheads	19.5	30.1	(82.5)	(70.5)	(50.3)	(48.7)		

Corporate Services

The loss after tax of \$30.4 million for the year to 30 June 2000 mainly reflected:

- An additional tax expense of \$3.1 million in relation to the restatement of Deferred Tax balances within the Corporate Group Services entities (due to prospective reduction in the Australian corporate tax rate);
- The inclusion in June 2000 of \$14.0 million in relation to corporate overheads that were previously recharged to the Financial Services business. This is offset by an equal increase in the profit for the Financial Services business.
- Costs incurred in implementing a global HR system of \$6.1 million after tax.

The decrease in the loss after tax from 1999 mainly reflected increased recharges to Lend Lease's operating businesses. A number of initiatives have been introduced towards the end of the June 2000 year which will reduce group overheads in the future.

Group IT Costs

Group IT costs, which exclude IT costs incurred directly by the operating businesses, increased from \$14.8 million after tax for the year ended 30 June 1999 to \$19.9 million after tax for the year ended 30 June 2000. The increase reflected an increase in corporate costs on Year 2000 and other Group IT investments, such as knowledge sharing and customer relationship systems.

GROUP AMORTISATION

	Amortisation Charge	
	2000 \$m	1999 \$m
Management Agreements		
ERE Yarmouth	7.5	7.5
Boston Financial Group	2.6	
MLC Investments	0.2	0.2
Lend Lease Mortgage Investment	1.2	
GPT	0.9	0.9
	12.4	8.6
Goodwill		
Bovis	23.4	
Boston Financial Group	1.0	
ERE Yarmouth	2.4	2.3
COMPASS		1.5
Rosen Consulting Group	1.3	0.4
MLC	5.4	
Crystal Group	0.8	0.3
Lend Lease Mortgage Investment	2.4	
Larry Smith	3.4	0.3
	40.1	4.8
Crystal patent and semiconductor contracts	3.2	1.2
Total group amortisation	55.7	14.6

The increase in amortisation charges mainly related to the acquisitions of Bovis, Boston Financial and Lend Lease Mortgage Investment and the amortisation of goodwill in relation to MLC which has arisen due to the consolidation of the Statutory Funds. The latter will not reappear in future years following the sale of the Financial Services businesses.

Management Discussion and Analysis of Financial Condition and Result of Operations continued

CORPORATE continued

GROUP TREASURY

	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax		Segment Assets	
	2000	1999	2000	1999	2000	1999	2000	1999
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
FX Hedge Costs			(12.8)	(17.3)	(8.1)	(11.1)		
Interest Revenue	44.5	40.4	44.5	40.4	29.2	26.8		
Interest Expense			(112.1)	(73.3)	(69.2)	(46.2)		
Group Financing	44.5	40.4	(80.4)	(50.2)	(48.1)	(30.5)	3,213.4	177.0

Foreign Exchange Hedge Costs

Foreign exchange hedge costs decreased by \$3.0 million after tax to \$8.1 million for the year to 30 June 2000. The lower costs reflected the discontinuance of hedges on the Indonesian and Thailand assets, and a reduction in the cost associated with maintaining the hedges on USD and GBP assets due to narrowing interest differentials.

Interest

Interest revenue increased by \$2.4 million to \$29.2 million after tax for the year ended 30 June 2000, primarily due to the interest earned by the acquired businesses of Bovis, Boston Financial and Lend Lease Mortgage Investment.

Interest expense increased by \$23.0 million to \$69.2 million after tax for the year to 30 June 2000, primarily due to the increase in borrowings used to fund the acquisitions of Bovis, Boston Financial, Lend Lease Mortgage Investment and CEF Life.

Interest expense incurred by the Statutory Funds of \$18.3 million before tax are not included in the Group Financing result as they relate to the policyholders only and therefore are included as an operating expense of the Statutory Funds.

BALANCE SHEET

BALANCE SHEET SUMMARY BY MAJOR COMPONENT

	June 2000 \$m	June 1999 \$m
Cash	3,483.8	620.7
Investment in Financial Services businesses (including MLC and MLC Lifetime embedded value)		2,071.0
Real Estate Developments	1,453.0	2,129.7
Real Estate Investments	858.8	582.4
Other Investments	233.5	272.1
Goodwill	1,026.1	86.4
Management Agreements	860.3	404.0
Borrowings	(1,045.5)	(1,210.2)
Other Net Assets/(Liabilities) ⁽¹⁾	(1,563.4)	(1,487.3)
Shareholders' Equity	5,306.6	3,468.8

(1) Other net assets/liabilities includes trade creditors and receivables, provisions and other liabilities including deferred tax.

Lend Lease's Balance Sheet continues to be strong, especially as a result of the sale of the Financial Services Businesses on 30 June 2000. The key features of the Balance Sheet are:

- Cash was \$3.5 billion at June 2000, which mainly reflected the cash proceeds of \$4.6 billion received on the sale of the Financial Services Businesses, offset by the repayment of approximately \$1.0 billion of debt.
- A reduced exposure to Property Development projects (\$1,453.0 million at June 2000 compared to \$2,129.7 million at June 1999).
- A significant increase in intangible assets (goodwill and management agreements) as a result of the acquisitions of Real Estate businesses during the year.
- Many assets are stated on the Statement of Financial Position at a discount to realisable or market value, or in some instances not recorded on the Statement of Financial Position.

Lend Lease intends to return in the order of \$18 billion to shareholders through an off-market share buyback in order to maintain an efficient capital structure. The share buyback is subject to shareholder approval on 18 August 2000.

Management Discussion and Analysis of Financial Condition and Result of Operations continued

BALANCE SHEET continued

CREDIT STRENGTH

Group borrowings increased from \$1.2 billion at June 1999 to \$2.1 billion at December 1999 as a result of the acquisitions and on going capital expenditures. Borrowings at 30 June 2000 of \$1,045.5 million reflected the retirement of debt with some of the proceeds from the sale of the Financial Services Businesses. Net cash (cash less debt) at 30 June 2000 was \$2.4 billion.

Management analyses credit strength in terms of interest coverage (i.e. ratio of EBITDA to interest expense). The ratio was 7.5 times for the year ended 30 June 2000 (8.6 times June 1999). However, as explained previously, EBITDA is influenced by the consolidation of the Statutory Funds. If the Statutory Funds are excluded the interest coverage ratio was 7.1 times for the year ended 30 June 2000.

CASH FLOW

	June 2000 \$m	June 1999 \$m
CASH FLOW SUMMARY		
Cash was generated from:		
Sale of Bluewater interests	530.6	1,103.8
Operations	836.1	382.0
Sale of investments	218.6	195.1
Sale of COMPASS		296.0
Cash collateral from Westpac share lending and hedging arrangements		402.2
Sale of Financial Services businesses	4,596.7	
Statutory Funds (net)	248.0	
Total cash generated	6,430.0	2,379.1
This cash was deployed on:		
Property development expenditure	(883.6)	(1,183.0)
Purchase of investments	(133.5)	(239.4)
Acquisitions	(1,688.9)	(224.9)
Payment of dividends	(319.0)	(281.8)
Repayment of borrowings	(164.7)	(211.7)
Other items (net)	(377.2)	(99.2)
Total cash deployed	(3,566.9)	(2,240.0)
Cash generated for the year	2,863.1	139.1
Cash at beginning of year	620.7	481.6
Cash at end of year	3,483.8	620.7

Cash generation was strong for the year, with the principal component being the \$4.6 billion received on the sale of the Financial Services businesses.

TAXATION

EFFECTIVE TAX RATE

The effective tax rate for the year ended 30 June 2000 on the ordinary profit (excluding sale of the Financial Services businesses) was 41.8% (30 June 1999 18.5%). The increase over June 2000 principally relates to the consolidation of the profits of the Statutory Funds. The tax expense for the Statutory Funds included the tax expense applicable to the policyholders, which has the effect of grossing up the effective tax rate. If the Statutory Funds are excluded, the effective tax rate would have been 25.3%.

CHANGE IN TAX RATE

The statutory tax rate applicable to the Australian operations for the year ended 30 June 2000 was 36%. The Australian Government has announced the corporate tax rate will be reduced to 34% for the year ended 30 June 2001 and 30% for the year ended 30 June 2002 and beyond.

GOODS AND SERVICES TAX (GST)

In Australia the GST will apply to the supply of goods and services after 1 July 2000.

Lend Lease has provided a voluntary public compliance commitment to the Australian Consumer and Competition Committee (ACCC) to comply with its obligations under Part VB of the Trade Practices Act 1974 and the ACCC's Guidelines.

Management Discussion and Analysis of Financial Condition and Result of Operations continued

ALTERNATIVE FINANCIAL STATEMENT**STATEMENT OF FINANCIAL PERFORMANCE (EXCLUDING STATUTORY FUNDS)**

Year ended 30 June 2000

	June 2000 \$m	June 1999 \$m
PROFIT AND LOSS STATEMENT		
REVENUE FROM ORDINARY ACTIVITIES		
Revenue from the sale of development properties	1,259.3	1,014.2
Revenue from the provision of services	7,515.1	2,270.7
Other revenues from ordinary activities	823.2	833.9
Total revenue from ordinary activities	9,597.6	4,118.8
EXPENSES FROM ORDINARY ACTIVITIES		
Cost of development properties sold	(1,087.8)	(762.8)
Project management & construction project costs	(6,113.2)	(1,627.9)
Employee expenses	(621.3)	(433.1)
IT related expenses	(79.5)	(50.7)
Occupancy expenses	(83.6)	(68.9)
Professional fees	(81.7)	(77.5)
Other expenses	(753.2)	(470.6)
Total expenses from ordinary activities	(8,820.3)	(3,491.5)
Share of net profit of associates accounted for using the equity method	13.1	1.6
Share of net profits of joint ventures accounted for using the equity method	3.7	
Earnings before interest, tax, depreciation and amortisation (EBITDA)	794.1	628.9
Depreciation on property, plant and equipment and leasehold improvements	(29.4)	(12.3)
Amortisation of management agreements	(12.4)	(8.6)
Amortisation of goodwill	(34.7)	(4.8)
Other amortisation	(3.2)	(1.2)
Borrowing costs	(124.2)	(85.9)
Profit before tax from ordinary activities	590.2	516.1
Income tax expense relating to ordinary activities	(149.6)	(95.7)
Profit after tax from ordinary activities	440.6	420.4
Ordinary profit after tax attributable to outside equity interests	(8.0)	
Profit after tax attributable to Lend Lease Corporation Limited	432.6	420.4
Extraordinary items after income tax	1,602.2	
Net profit attributable to Lend Lease Corporation Limited	2,034.8	420.4

The profit and loss statement for June 2000 has been prepared on the same basis as that of June 1999. That is the Statutory Funds have not been included in the consolidated results. The extraordinary profit on the sale of Financial Services businesses has been reflected on the basis of AASB1038 not being adopted. That is, no adjustments made to the Asset Revaluation Reserve and Retained Profits, and no goodwill recognised on the acquisition of MLC.

Total equity remains the same under either the reported or alternative profit and loss statement as demonstrated in the following extract of the Lend Lease consolidated financial position.

Management Discussion and Analysis of Financial Condition and Result of Operations continued

ALTERNATIVE FINANCIAL STATEMENT continued**STATEMENT OF FINANCIAL POSITION**

Year ended 30 June 2000

Extract of Lend Lease consolidated statement of financial position:

	Alternative June 2000 \$m	Reported June 2000 \$m
EQUITY		
Contributed equity	1,342.1	1,342.1
Reserves		
Capital reserve	104.6	104.6
Asset revaluation reserve	1,053.7	
Foreign currency translation reserve	12.5	12.5
Retained profits	2,766.2	3,819.9
Total parent equity interest	5,279.1	5,279.1
Outside equity interests in controlled entities	27.5	27.5
Total equity	5,306.6	5,306.6

Five Year Profile

		June 2000	June 1999	June 1998	June 1997	June 1996
PROFITABILITY 2000						
Operating revenue	\$m	12,997	4,119	3,442	2,143	2,059
Operating profit before tax	\$m	756	516	413	359	290
Operating profit after tax	\$m	432	420	364	322	280
DIVISIONAL CONTRIBUTION						
Project and Construction Management	\$m	56	37	31	39	39
Property Development	\$m	11	128	(11)	(13)	(15)
Real Estate Investments	\$m	152	78	67	27	31
Real Estate Services	\$m		11	10	2	
Financial Services	\$m	231	200	183	168	152
IT+ T Investments	\$m	38	9	3	2	1
Equity Investments	\$m	98	51	134	101	73
Other items ⁽¹⁾	\$m	(154)	(94)	(53)	(4)	(1)
Total	\$m	432	420	364	322	280
Operating profit after tax to revenue	%	3.3	10.3	10.6	15.0	13.6
Operating profit after tax per full time employee	\$000	44	91	51	84	64
Earnings per share ⁽²⁾	Cents	84.7	82.6	71.6	63.9	58.9
Operating profit after tax to shareholders' equity	%	8.1	12.1	11.3	11.0	11.1
Dividend per share ⁽²⁾	Cents	64	60	53.5	49	45
Profit share per employee	\$	4,018	6,367	3,377	4,786	4,161
CORPORATE STRENGTH						
Funds Under Management and Administration	\$b	81.6	73.2	73.5	67.0	33.5
EBITDA	\$m	984	629	484	386	322
Total assets	\$m	10,942	7,291	6,471	4,674	3,543
Available cash	\$m	3,484	621	482	166	387
Borrowings	\$m	1,046	1,210	1,544	643	242
Current assets	\$m	6,266	2,234	1,396	687	947
Current liabilities	\$m	3,800	2,452	1,452	1,337	850
Net asset backing per share ⁽²⁾	\$	10.38	6.88	6.42	5.85	5.20
Ratio of current assets to current liabilities	Time	1.65	0.91	0.96	0.51	1.11
Debt to shareholders' equity	%	19.7	34.9	47.7	22.0	9.6
Debt to shareholders' equity plus debt	%	16.5	25.9	32.3	18.1	8.7
Net debt to shareholders' equity	%	(45.9)	17.0	32.8	16.3	(5.7)
Debt to total market capitalisation	%	9.6	11.6	18.8	9.2	5.1
Shareholders' equity	\$m	5,307	3,469	3,237	2,919	2,529
Shares on issue	m	512	504	252	250	243
Number of shareholders	No.	59,553	45,113	35,404	32,927	28,536
Number of equivalent full-time employees	No.	9,774 ⁽³⁾	4,627	7,079	6,736	4,343
SHAREHOLDERS' RETURNS & STATISTICS						
Proportion of shares on issue to top 20 shareholders	%	60.6	64.4	64.6	65.9	68.0
Staff shareholdings	%	13.7	13.4	13.0	13.5	14.6
Total dividends declared	\$m	327	303	269	246	218
Payout ratio	%	76	72	74	76	78
Dividends reinvested/foregone during the year:						
Dividend Reinvestment Plan	\$m	70.4	67.0	58.3	53.5	92.0
Share Election Plan	\$m	31.4	22.4	27.7	16.2	20.0
		101.8	89.4	86.0	69.7	112.0
Share prices as at 30 June as quoted on the Australian Stock Exchange ⁽²⁾	\$	21.31	20.74	16.33	14.00	9.75

(1) Includes Group Treasury, amortisation and corporate administration services.

(2) Comparatives have been adjusted to reflect the 1:1 bonus issue in December 1998.

(3) June 2000 employee number excludes Financial Services employees (2,229 at sale date 30 June 2000).

Directors' Report

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

DIRECTORS

1. BOARD

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

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

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

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

D H Higgins Managing Director (Executive)

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

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

A Aiello (Executive)

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

Mr Aiello is also on the Boards of coolsavings.com, ForRetail.com, Ventius.com and is the Chairman of the Software Productivity Consortium, a consortium of major United States defence contractors and telecommunications companies. He is a member of the US Government Accounting Office (GAO) Executive Committee with oversight for IT expenditure. He has a Bachelor of Science Degree in Engineering from Polytechnic Institute of New York, a Master of Industrial Engineering, a Master of Science in Operations Research and a Ph.D in Business Administration from New York University.

E D Cameron (Non-Executive)

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

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

Y H Chua (Non-Executive)

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

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

Directors' Report continued

DIRECTORS continued

1. BOARD continued

J K Conway (Non-Executive)

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

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

G G Edington (Non-Executive)

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

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

P C Goldmark (Non-Executive)

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

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

D J Grady (Non-Executive)

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

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

R A Longes (Non-Executive)

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

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

Directors' Report *continued*

DIRECTORS *continued*

1. BOARD *continued*

R G Mueller, CBE (Non-Executive)

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

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

R E Tsenin (Executive)

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

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

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

D C Clarke (Executive)

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

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

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

W A H Webster (Executive)

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

P J Willcox (Non-Executive)

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

Directors' Report continued

DIRECTORS continued

2. DIRECTORS' MEETINGS

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

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

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

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

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

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

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

In addition, matters were dealt with by Circular Resolution:

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

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

Board Committee

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

Personnel & Organisation Committee

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

Risk & Compliance Committee

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

Directors' Report continued

DIRECTORS continued

3. INTEREST IN CAPITAL

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

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

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

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

4. INTEREST IN REGISTERED SCHEMES

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

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

5. CONTRACTS AND BENEFITS

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

PRINCIPAL ACTIVITIES

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

- Real estate project management, project design, project financing and construction management.
- All aspects of property development from concept through to design, planning, construction, financing, leasing to eventual sale.
- Management of real estate investment funds, limited partnerships and trusts on behalf of clients (including acquiring, managing and selling investments), co-investment, portfolio management, originating and servicing of commercial mortgages, shopping centre management and leasing (in Australia) and acting as financial adviser and arranger of real estate project finance and related services.

Directors' Report continued

PRINCIPAL ACTIVITIES continued

- Funds management activities including superannuation and investment services for both retail and corporate clients; management of investment and unit trusts, traditional life insurance business and wealth protection; investment fund administration; and strategic investment advice, asset management and portfolio management services for corporate and institutional clients.
- Developer, owner, operator and fund manager of infrastructure assets.
- Investments in information technology (IT) and telecommunication services companies which provide an IT service to corporations and governments.
- Investments in companies where a strategic business rationale existed and where a mutually beneficial business relationship with these companies could be developed.
- Group Treasury and corporate administration services.

REVIEW AND RESULTS OF OPERATIONS

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

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

DIVIDENDS

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

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

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

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

- Significant changes in the state of affairs of Lend Lease during the year were as follows:
- On 29 October 1999 Lend Lease acquired Bovis Group plc from the Peninsular and Oriental Steam Navigation Company (P&O) for GBP285.0 million (A\$730.8 million).
- On 3 November 1999 Lend Lease acquired the Boston Financial Group Limited Partnership for USD165.8 million (A\$276.3 million), which included an allowance for contingent payments of up to USD35.6 million over a three year period subsequent to the acquisition.
- On 17 March 2000 Lend Lease acquired five of AMRESKO Inc's commercial mortgage businesses for USD258.3 million (A\$430.6 million), which included an allowance for contingent payments of up to USD35.0 million over a three year period subsequent to the acquisition.
- On 30 June 2000 Lend Lease sold its Financial Services businesses to the National Australia Bank Limited for A\$4.6 billion. The businesses sold included MLC Limited and MLC Lifetime Company Limited.

YEAR 2000 ISSUES

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

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

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

Directors' Report *continued*

ENVIRONMENTAL REGULATION

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

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

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

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

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

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

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

EVENTS SUBSEQUENT TO BALANCE DATE

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

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

LIKELY DEVELOPMENTS

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

DIRECTORS' AND SENIOR EXECUTIVES' COMPENSATION

PERSONNEL & ORGANISATION COMMITTEE

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

REGIONAL COMPENSATION COMMITTEES

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

Directors' Report continued

DIRECTORS' AND SENIOR EXECUTIVES' COMPENSATION continued

COMPENSATION POLICY

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

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

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

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

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

Salary

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

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

Other Benefits

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

Superannuation/Pension Plans

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

Short Term Incentive Program

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

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

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

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

Performance Bonuses are awarded in a number of ways.

1. Cash

2. Shares issued under Lend Lease Employee Share Plans (ESP) – ESP entitlements are generally awarded to senior executives as part of their annual performance bonus on the basis of 50% maturing at the time of award and the balance maturing between 3 to 5 years (subject to the executive remaining employed by the Group). ESP arrangements operate in Australia, the UK and the US.

3. Global Reward Program – Allocations under the Global Reward Program progressively 'mature' over 3 to 5 years (subject to the executive remaining employed by the Group). On cessation of employment, a cash amount referable to the price of Lend Lease shares at that time is paid according to allocations then matured.

Directors' Report *continued*

DIRECTORS' AND SENIOR EXECUTIVES' COMPENSATION *continued*

COMPENSATION POLICY *continued*

Long Term Incentive Program

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

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

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

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

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

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

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

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

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

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

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

(1) Based on GBP200,000

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

This initial grant will first become eligible for vesting on 1 July 2003 and the last date for vesting will be 1 July 2005.

No grant will vest before the end of the performance period, except in special circumstances, such as death or disability.

In all circumstances, the performance hurdle will be a condition precedent for vesting or release of benefits.

Directors' Report continued

DIRECTORS' AND SENIOR EXECUTIVES' COMPENSATION continued

COMPENSATION

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

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

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

Directors' Report continued

DIRECTORS' AND SENIOR EXECUTIVES' COMPENSATION continued

COMPENSATION continued

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

NON-EXECUTIVE DIRECTORS

Directors currently receive compensation of \$70,000 per annum to cover all main Board activities, including one overseas meeting extending for one week, as well as duties associated with the Board Committee and one other Committee.

This compensation level has been determined in accordance with international benchmarks. The Chairman receives a multiple of 4 times this and the Deputy Chairman receives a multiple of 1.5.

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

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

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

Directors' Report continued

DIRECTORS' AND SENIOR EXECUTIVES' COMPENSATION continued

NON-EXECUTIVE DIRECTORS continued

Compensation

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

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

(1) Includes shares allotted at market value pursuant to the Non-Executive Directors' share plan approved by shareholders at the 1997 Annual General Meeting.

(2) "Additional Compensation" includes compensation for additional activities and other benefits provided plus fringe benefit tax on those benefits. These benefits are based on the cost to the Company.

(3) "Additional Compensation" relates to \$104,455 (1999 \$87,133) for costs (including fringe benefits tax) associated with a motor vehicle lease and \$7,067 (1999 \$Nil) for superannuation contributions.

(4) "Additional Compensation" includes \$7,067 (1999 \$4,776) for superannuation contributions.

(5) "Additional Compensation" includes \$7,067 (1999 \$6,854) for superannuation contributions. "Additional Compensation" (excluding superannuation contributions) is paid in US Dollars using the exchange rate on the date of appointment as a Director.

(6) Mr Edington was appointed as a Director on 1 December 1999. "Additional Compensation" includes \$5,354 for superannuation contributions. "Additional Compensation" (excluding superannuation contributions) is paid in GBP using the exchange rate on the date of appointment as a Director.

(7) Mr Goldmark was appointed as a Director on 1 December 1999. "Additional Compensation" includes \$3,210 for superannuation contributions. "Additional Compensation" (excluding superannuation contributions) is paid in US Dollars using the exchange rate on the date of appointment as a Director.

(8) "Additional Compensation" includes \$7,067 (1999 \$Nil) for superannuation contributions.

(9) "Additional Compensation" includes \$7,067 (1999 \$4,894) for superannuation contributions. "Additional Compensation" (excluding superannuation contributions) is paid in Swiss Francs using the exchange rate on the date of appointment as a Director.

(10) Mr Sanders also received a benefit of \$820,555 on his retirement on 28 October 1999 pursuant to the Company's standard Retirement Benefit Allowance Agreement for Non-Executive Directors approved by shareholders at the 1990 Annual General Meeting.

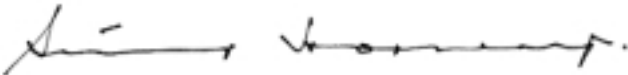
(11) "Additional Compensation" includes \$7,067 (1999 \$Nil) for superannuation contributions. Mr Willcox also received a benefit of \$873,063 on his retirement on 25 May 2000 pursuant to the Company's standard Retirement Benefit Allowance Agreement for Non-Executive Directors approved by shareholders at the 1990 Annual General Meeting.

Directors' Report *continued*


ROUNDING OFF

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

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.
Sydney, 17 August 2000.



S G Hornery, AO
Chairman



D H Higgins
Managing Director

Concise Financial Statements

STATEMENTS OF FINANCIAL PERFORMANCE

Year ended 30 June 2000

		CONSOLIDATED		
		June	June	
		2000	1999	
Notes		\$m	\$m	
PROFIT AND LOSS STATEMENTS				
REVENUE FROM ORDINARY ACTIVITIES				
	Revenue from the sale of development properties ⁽¹⁾	4	1,259.3	1,014.2
	Revenue from the provision of services	4	7,515.1	2,275.8
	Statutory Funds revenue	4	3,585.6	
	Other revenues from ordinary activities	4	636.8	828.8
	Total revenue from ordinary activities		12,996.8	4,118.8
EXPENSES FROM ORDINARY ACTIVITIES				
	Cost of development properties sold ⁽¹⁾		(1,087.8)	(762.8)
	Project & construction management costs		(6,113.2)	(1,264.0)
	Employee expenses		(621.3)	(433.1)
	IT related expenses		(79.5)	(50.7)
	Occupancy expenses		(83.6)	(68.9)
	Professional fees		(81.7)	(77.5)
	Statutory Funds expenses		(3,204.5)	
	Cost of investments sold		(169.5)	(97.0)
	Net movement in provisions		(251.9)	(149.8)
	Other expenses		(336.8)	(587.7)
	Total expenses from ordinary activities		(12,029.8)	(3,491.5)
	Share of net profit of associates accounted for using the equity method		13.1	1.6
	Share of net profit of joint ventures accounted for using the equity method		3.7	
	Earnings before interest, tax, depreciation and amortisation (EBITDA)		983.8	628.9
	Depreciation on property, plant and equipment and leasehold improvements		(29.4)	(12.3)
	Amortisation of management agreements		(12.4)	(8.6)
	Amortisation of goodwill		(40.1)	(4.8)
	Other amortisation		(3.2)	(1.2)
	Borrowing costs		(142.5)	(85.9)
	Profit before tax from ordinary activities		756.2	516.1
	Income tax expense relating to ordinary activities		(316.0)	(95.7)
	Profit after tax from ordinary activities		440.2	420.4
	Ordinary profit after tax attributable to outside equity interests		(8.0)	
	Profit after tax attributable to Lend Lease Corporation Limited		432.2	420.4
	Extraordinary items after income tax	6	3,112.3	
	Net profit attributable to Lend Lease Corporation Limited		3,544.5	420.4
	(1) Revenue from the sale of development properties		1,259.3	1,014.2
	Cost of development properties sold		(1,087.8)	(762.8)
	Gross profit from the sale of development properties		171.5	251.4

Concise Financial Statements continued

STATEMENTS OF FINANCIAL PERFORMANCE continued

Year ended 30 June 2000

		CONSOLIDATED	
		June 2000	June 1999
Notes		\$m	\$m
EQUITY STATEMENTS			
Equity at the beginning of the financial year		3,468.8	3,237.4
Movements comprise:			
	Movements in contributed equity	80.1	(47.0)
5	Dividends paid or declared	(326.6)	(302.5)
	Dividends foregone pursuant to share election plan	31.4	22.4
	Adjustment to retained profits resulting from change in accounting policy for investments in associates		(5.3)
	Adjustment to retained profits resulting from change in accounting policy for investments in joint ventures	(1.0)	
	Adjustment to retained profits at the beginning of the financial year on initial adoption of AASB1038 – Life Insurance Business	(456.0)	
	Net profit attributable to Lend Lease Corporation Limited	3,544.5	420.4
	Other changes in equity		
	Movement in asset revaluation reserve	(1,053.7)	132.0
	Net exchange difference on translation of financial report of self-sustaining foreign operation	8.3	(5.3)
Total revenues, expenses and valuation adjustments attributable to members of Lend Lease Corporation Limited		1,827.0	214.7
Total changes in outside equity interests in controlled entities		10.8	16.7
Total movement in equity for the financial year		1,837.8	231.4
Equity at the end of the financial year		5,306.6	3,468.8
	Dividend payout ratio (excluding extraordinary item)	75.6	72.0
	Dividend per share	64.0	60.0
	Basic earnings per share (excluding extraordinary item)	84.7	82.6
	Basic earnings per share (including extraordinary item)	695.0	82.6

Concise Financial Statements continued

STATEMENTS OF FINANCIAL POSITION

Year ended 30 June 2000

	CONSOLIDATED	
	June 2000 \$m	June 1999 \$m
CURRENT ASSETS		
Cash and cash equivalents	3,483.8	620.7
Receivables	1,973.1	819.4
Inventories	572.1	755.7
Other investments	220.6	27.4
Other assets	16.4	10.9
Total current assets	6,266.0	2,234.1
NON CURRENT ASSETS		
Receivables	248.8	109.6
Inventories	1,076.8	1,212.8
Equity accounted investments	166.8	289.7
Other investments	771.4	2,621.0
Future income tax benefit	331.1	230.0
Property, plant and equipment	130.1	78.6
Goodwill	1,026.1	86.4
Management agreements	860.3	404.0
Other assets	64.5	25.0
Total non current assets	4,675.9	5,057.1
Total assets	10,941.9	7,291.2
CURRENT LIABILITIES		
Creditors	2,401.5	1,079.9
Borrowings	128.7	825.6
Current tax liabilities	621.0	73.9
Provisions	504.1	275.0
Other interest bearing liabilities	34.2	30.1
Other non interest bearing liabilities	110.1	167.4
Total current liabilities	3,799.6	2,451.9
NON CURRENT LIABILITIES		
Creditors		
Borrowings	916.8	384.6
Provisions	67.5	53.6
Provision for deferred income tax	154.3	128.6
Other interest bearing liabilities	326.6	336.3
Other non interest bearing liabilities	370.5	467.4
Total non current liabilities	1,835.7	1,370.5
Total liabilities	5,635.3	3,822.4
NET ASSETS	5,306.6	3,468.8
EQUITY		
Contributed equity	1,342.1	1,262.0
Reserves	117.1	1,162.5
Retained profits	3,819.9	1,027.6
Total parent equity interest	5,279.1	3,452.1
Outside equity interests in controlled entities	27.5	16.7
Total equity	5,306.6	3,468.8

Concise Financial Statements continued

STATEMENTS OF CASH FLOWS

Year ended 30 June 2000

	CONSOLIDATED	
	June 2000 \$m	June 1999 \$m
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts in the course of operations	7,822.1	1,932.1
Cash payments in the course of operations	(8,286.6)	(1,851.9)
Property development receipts	1,254.2	1,325.2
Property development expenditures	(883.6)	(1,183.0)
Interest received	511.6	38.8
Dividends received	491.3	35.8
Distributions from partnerships received	20.1	15.3
Distribution of profits to shareholder from Statutory Funds		152.6
Income tax paid	(243.1)	(90.9)
Interest paid	(127.8)	(71.2)
Premiums received	3,609.4	
Policy payments	(3,855.0)	
Net proceeds from sales and purchases of Statutory Funds investments	413.6	
Net cash provided by operating activities	726.2	302.8
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/redemption of investments	218.6	195.1
Purchases of investments	(133.5)	(239.4)
Cash collateral on Westpac hedge		402.2
Repayment of loan made to associate	21.5	(21.5)
Proceeds from sale of controlled entities	4,596.7	296.0
Payment for acquisition of controlled entities	(1,688.9)	(224.9)
Proceeds from sale of property, plant and equipment	0.2	1.0
Purchases of property, plant and equipment	(45.4)	(15.6)
Net cash provided by investing activities	2,969.2	392.9
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	3,839.7	1,633.5
Repayment of borrowings	(4,394.0)	(1,845.2)
Net proceeds from share issues	124.1	108.3
Payments for share buy backs	(12.6)	(142.6)
Dividends paid	(319.0)	(281.8)
Net cash used in financing activities	(761.8)	(527.8)
OTHER CASH FLOW ITEMS		
Effect of exchange rate changes on cash and cash equivalents	17.1	(19.6)
Cash balances in controlled entities (sold)/acquired	(458.7)	(9.2)
Net decrease from other items	(441.6)	(28.8)
Net increase in cash and cash equivalents	2,492.0	139.1
Cash and cash equivalents at beginning of year:		
Attributable to Operating Businesses	620.7	481.6
Attributable to Statutory Funds	371.1	
Cash and cash equivalents at beginning of year	991.8	481.6
Cash and cash equivalents at end of year	3,483.8	620.7

The June 2000 Consolidated Statement of Cash Flows includes the cash flows of the Statutory Funds.

Notes to Concise Financial Statements

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" and Urgent Issues Group consensus views. 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 are consistent with those of the previous year, except where noted. Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

The directors of Lend Lease have elected to apply revised Accounting Standard AASB1018 Statements of Financial Performance, revised AASB1034 Financial Report Presentation and Disclosures and AASB1040 Statements of Financial Position before their mandatory applicable dates, in accordance with sub section 334(5) of the Corporations Law.

BASIS OF CONSOLIDATION

The Lend Lease Group ("Lend Lease") consolidation comprises all entities controlled by Lend Lease Corporation Limited ("Lend Lease Corporation"). Lend Lease sold its Financial Services businesses on 30 June 2000. As such the profits and losses of those entities have been included in the consolidated profit for Lend Lease for the year ended 30 June 2000. This includes the profits of the Statutory Funds of MLC Limited ("MLC") and MLC Lifetime Company Limited ("MLC Lifetime"), and the life insurance operations of PT Simas Lend Lease Life ("Simas") and CEF Lend Lease Life Assurance Ltd ("CEF Life"), which is required by AASB1038. The assets and liabilities of those entities have not been included in the Lend Lease consolidated Statements of Financial Position, as they were sold on 30 June 2000. Prior to 1 July 1999 (the date of implementation of AASB1038) Lend Lease did not consolidate the Statutory Funds.

2. CHANGE IN ACCOUNTING POLICY

IT SYSTEMS

Direct costs incurred in the development of major IT Systems are capitalised on the Statements of Financial Position. A major IT System is one that has a total cost in excess of \$10.0 million and that will provide demonstrable on-going benefits to Lend Lease.

IT Systems are amortised on a straight line basis over a period not exceeding 5 years.

CHANGE IN ACCOUNTING POLICY

The capitalisation of major IT Systems' development costs on to the Statements of Financial Position represents a change in accounting policy. In previous years the costs of such developments were expensed in the profit and loss account as incurred. The changed policy has been adopted due to the nature of major IT investments providing benefits in succeeding years.

The policy is effective from 1 July 1999. The change in accounting policy led to the creation of an IT Systems asset of \$26.5 million on the Statements of Financial Position. The change in accounting policy also increased operating profit after tax by \$15.5 million as compared to the previous policy of charging such expenditures to the profit and loss account as incurred.

Notes to Concise Financial Statements continued

3. SEGMENT REPORTING

The segment results are discussed and analysed in the Management Discussion and Analysis of Financial Condition included within this report. The extraordinary profit on the sale of the Financial Services businesses are excluded from the segment results.

	Operating Revenue		Operating Profit Before Tax		Operating Profit After Tax		Segment Assets	
	June 2000 \$m	June 1999 \$m	June 2000 \$m	June 1999 \$m	June 2000 \$m	June 1999 \$m	June 2000 \$m	June 1999 \$m
BUSINESS SEGMENT SUMMARY								
Project and Construction Management	6,512.3	1,401.9	101.2	53.5	56.3	36.5	2,755.6	378.5
Property Development	1,299.9	1,064.6	22.8	196.1	11.3	127.9	2,049.2	2,797.5
Real Estate Investments ⁽¹⁾	752.1	552.8	231.4	103.1	151.6	77.9	2,733.1	1,344.8
Real Estate Services		320.3		17.6		11.4		
Financial Services								
Statutory Funds	3,585.6	176.1	362.8	176.1	196.4	176.1		
Other	477.3	429.8	62.6	43.3	34.2	24.4		2,323.0
IT + T Investments	87.0	25.5	59.6	10.2	38.1	9.2	96.9	94.1
Equity Investments	218.6	77.3	134.4	51.5	98.4	50.8	93.7	176.3
Other items ⁽²⁾	64.0	70.5	(218.6)	(135.3)	(154.1)	(93.8)	3,213.4	177.0
Total	12,996.8	4,118.8	756.2	516.1	432.2	420.4	10,941.9	7,291.2
% of Total Group								
Project and Construction Management	50.1%	34.0%	13.4%	10.4%	13.0%	8.7%	25.2%	5.2%
Property Development	10.0%	25.9%	3.0%	38.0%	2.6%	30.4%	18.7%	38.4%
Real Estate Investments ⁽¹⁾	5.8%	13.4%	30.6%	19.9%	35.1%	18.5%	24.9%	18.4%
Real Estate Services		7.8%		3.4%		2.7%		
Financial Services								
Statutory Funds	27.6%	4.4%	48.0%	34.1%	45.5%	41.9%		
Other	3.6%	10.3%	8.3%	8.4%	7.9%	5.8%	31.9%	
IT + T Investments	0.7%	0.6%	7.9%	2.0%	8.8%	2.2%	0.9%	1.3%
Equity Investments	1.7%	1.9%	17.8%	10.0%	22.8%	12.1%	0.9%	2.4%
Other items ⁽²⁾	0.5%	1.7%	(29.0%)	(26.2%)	(35.7%)	(22.3%)	29.4%	2.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
BUSINESS GEOGRAPHICAL SEGMENT SUMMARY								
Australia & Pacific	6,769.8	2,272.7	542.4	273.8	325.7	251.4	4,703.8	4,137.3
North America	3,439.6	719.8	153.2	87.1	94.6	69.3	3,626.3	999.0
Asia	383.7	126.5	22.5	(12.9)	10.4	(16.7)	370.5	251.0
Europe	2,359.2	959.4	174.2	232.9	105.3	161.5	2,241.3	1,903.9
Group finance and hedging costs	44.5	40.4	(80.4)	(50.2)	(48.1)	(30.5)		
Group amortisation			(55.7)	(14.6)	(55.7)	(14.6)		
Total	12,996.8	4,118.8	756.2	516.1	432.2	420.4	10,941.9	7,291.2
% of Total Group								
Australia and Pacific	52.1%	55.2%	71.7%	53.0%	75.3%	59.8%	43.0%	56.7%
North America	26.5%	17.5%	20.3%	16.9%	21.9%	16.5%	33.1%	13.7%
Asia	2.9%	3.0%	3.0%	(2.5%)	2.4%	(4.0%)	3.4%	3.4%
Europe	18.2%	23.3%	23.0%	45.1%	24.4%	38.4%	20.5%	26.2%
Group finance and hedging costs	0.3%	1.0%	(10.6%)	(9.7%)	(11.1%)	(7.3%)		
Group amortisation			(7.4%)	(2.8%)	(12.9%)	(3.4%)		
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

(1) Real Estate Investments includes the former Capital Services business segment.

(2) Other items includes corporate administration services, amortisation expense and Group Treasury.

Notes to Concise Financial Statements *continued*

3. SEGMENT REPORTING *continued*

The principal activities of each industry segment are:

PROJECT AND CONSTRUCTION MANAGEMENT

Real estate project management, project design, project financing and construction management.

PROPERTY DEVELOPMENT

All aspects of property development from concept through to design, planning, construction, financing, leasing and eventual sale.

REAL ESTATE INVESTMENTS

Management of real estate 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 and residential mortgages, shopping centre leasing, management and re-development (in Australia) and acting as financial advisor and arranger of project finance and related services.

REAL ESTATE SERVICES

Property management and facilities management. This business was sold during the previous financial year.

FINANCIAL SERVICES

- 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.

This business was sold on 30 June 2000.

IT+T INVESTMENTS

Relate 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 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.

OTHER ITEMS

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

Notes to Concise Financial Statements continued

	CONSOLIDATED	
	June 2000 \$m	June 1999 \$m
4. REVENUE		
REVENUE FROM ORDINARY ACTIVITIES		
Sale of development properties	1,259.3	1,014.2
Revenue from the provision of services	7,515.1	2,275.8
Statutory Funds revenue⁽¹⁾	3,585.6	
Other revenue from ordinary activities		
Dividends received	13.2	23.2
Rental income	73.1	22.0
Interest received	44.5	40.4
Proceeds on sale of investments	380.4	155.0
Unrealised gains/(losses) on investments	55.7	46.1
Share of partnership result	21.3	21.8
Share of profit of Statutory Funds ⁽¹⁾		176.0
Other revenue	48.6	48.3
Proceeds on sale of controlled entities ⁽²⁾		296.0
Total other revenue from ordinary activities	636.8	828.8
Total revenue from ordinary activities	12,996.8	4,118.8

(1) Under AASB1038, effective 1 July 1999, Life Insurance entities are now consolidated with the results of Lend Lease.

(2) Represents proceeds on the sale of Real Estate Services to La Salle Partners on 31 October 1998. The sale included entities from North America, Australia and United Kingdom (sale of COMPASS business). This constitutes non operating revenue.

	COMPANY	
	June 2000 \$m	June 1999 \$m
5. DIVIDENDS AND EARNINGS PER SHARE		
DIVIDENDS		
Interim dividend		
32¢ per share paid March 2000 (March 1999 - 29¢ per share)	162.7	146.2
Final dividend		
32¢ per share declared (June 1999 - 31¢ per share)	163.9	156.3
Dividends paid or declared	326.6	302.5

DIVIDENDS AND DIVIDEND FRANKING

The final dividend of 32 cents per share will be paid on 14 September 2000 (prior year 16 September 1999). The dividend payout ratio of 75.6% (June 1999 72.0%) is calculated by dividing the dividends paid or declared in the year by the consolidated ordinary profit after tax attributable to members of Lend Lease Corporation (excluding extraordinary item).

Dividends paid during the year were fully franked to 100% with Class C (36%) franking credits. The dividend to be paid on 14 September 2000 will be franked to 100% with Class C (34%) franking credits. The dividend franking account balance at 30 June 2000 of \$968.0 million (restated to reflect the 34% tax rate) (June 1999 \$54.2 million based on 36% tax rate) 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 proposed final dividend. The balance of the franking account has been calculated on a basis consistent with the Company's accounting policies. The majority of these franking credits are expected to be distributed through an off market share buy back (subject to shareholder approval).

An increasing percentage of the Company's earnings is expected to be earned from offshore. Such earnings do not generate franking credits, and for this and other reasons there are significant uncertainties as to the actual level of franked dividend that the Company will be able to pay in the future. Further, there have been recent changes to capital gains tax legislation which lead to an effective halving in the rate of capital gains tax for individuals (and corresponding changes for complying superannuation funds) on the sale of shares held for more than 12 months. These changes favour shareholder returns in the form of capital gains compared to unfranked dividends, which are taxed at shareholders' full marginal rate of tax.

Consequently the Board has decided to move to a policy where the company pays only fully franked dividends. However, this policy will only be implemented from the 2001/2002 year. For the 2000/2001 year the dividend payout ratio will be maintained around 50%, even if that means that dividends are only partly franked or unfranked.

Notes to Concise Financial Statements continued

5. DIVIDENDS AND EARNINGS PER SHARE continued

	CONSOLIDATED	
	June 2000 \$m	June 1999 \$m
EARNINGS PER SHARE		
Ordinary profit after income tax attributable to members of Lend Lease Corporation Limited	432.2	420.4
	Number m	Number m
Weighted average shares and share equivalents	510.0	505.5
	Cents	Cents
Earnings per share (cents)⁽¹⁾		
Basic (excluding extraordinary item)	84.7	82.6
Basic (including extraordinary item)	695.0	82.6

(1) An adjustment factor of 0.99238 has been applied to prior year comparatives which is attributable to the bonus element for the prior year relating to the issue of shares at less than market price such as share election plan, share purchase plan and ESAP share allocation.

Diluted earnings per share has not been disclosed as there are no options or convertible securities on issue that could cause dilution.

6. EXTRAORDINARY ITEMS

	CONSOLIDATED
	June 2000 \$m
Proceeds from sale of Financial Services Division	4,596.7
Less Cost of sale:	
Investment in Financial Services Division	(898.2)
Restructure provision	(19.9)
Other selling costs	(33.9)
Profit from sale of Financial Services Division before income tax expense	3,644.7
Income tax expense	(532.4)
Profit from sale of Financial Services Division after income tax expense	3,112.3

The extraordinary profit resulted from the sale of 100% of the Financial Services businesses to the National Australia Bank Limited (NAB) on 30 June 2000.

The restructure provision relates to the costs that will be necessarily incurred as a result of separating the Financial Services businesses from the Lend Lease Group.

The other selling costs related to consultants used in the sale process and the costs incurred in terminating interest rate and foreign exchange hedges that related to the Financial Services businesses.

On 10 April 2000, Lend Lease announced the sale of its Financial Services businesses for \$4,561.0 million. The table below shows the reconciliation of the announced sale price to the actual cash received of \$4,596.7 million.

	\$m
Sale price per 10 April 2000 announcement	4,561.0
Adjustments:	
Additional working capital provided to Financial Services businesses by Lend Lease	47.2
IT separation costs incurred by the Financial Services businesses	(3.0)
Payment for set-up of Foundation in Financial Services businesses	(8.5)
Proceeds received	4,596.7

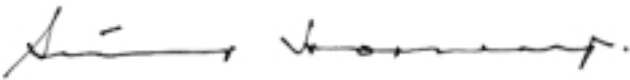
Directors' Declaration

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 105 to 113:

- (a) Has been derived and is consistent with the full financial report for the financial year; and
- (b) Complies with Accounting Standard AASB1039 "Concise Financial Reports".

Sydney, 17 August 2000

Signed in accordance with a resolution of Directors:



S G Hornery, AO
Chairman



D H Higgins
Managing Director

Independent Auditors' Report



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 and its controlled entities for the financial year ended 30 June 2000, consisting of the statements of the financial performance, statements of financial position, statements of financial position, statements of cash flow, accompanying notes 1 to 6, and the accompanying discussion and analysis on the statements of financial performance, statements of financial position and statement of cash flows 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 the 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 2000. Our audit report on the full financial report was signed on 17 August 2000, 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 the 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" issued in Australia.

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 2000 complies with AASB 1039 "Concise Financial Reports".

KPMG

G M Leppinus
Partner

J H Richardson
Partner

Sydney
17 August 2000

Shareholder Information

Stock Exchange Listings and Code

Lend Lease Corporation is listed on the Australian and New Zealand Stock Exchanges and trades under the ASX code LLC.

Dividends

Dividends may be paid directly into a nominated Australian financial institution account. Payments are forwarded to the shareholder's account on the payment date and confirmed to the shareholder by mail. A Direct Deposit form is available from the Registry or from Lend Lease Corporation.

Share Accumulation Plan

The share Accumulation Plan is designed to be a convenient way for shareholders with registered address in Australia or New Zealand to build their shareholdings without incurring transaction costs. The laws of other countries make it difficult for us to offer shares in this way.

Lend Lease shareholders are able to reinvest their dividends to acquire more Lend Lease shares through the Dividend Reinvestment Plan (DRP) or the Share Election Plan (SEP).

Shareholders may also make contributions of between \$500 and \$1,500 to acquire new Lend Lease shares under the Share Purchase Plan (SPP). An SPP application form is mailed to eligible shareholders (registered as the holder of at least 100 shares at the record date) with each dividend.

The rules of the plan are set out in the Share Accumulation Plan Booklet. Copies are available from the Registry or Lend Lease Corporation.

American Depository Receipts

In the USA, Lend Lease shares are traded on the over-the-counter market in the form of sponsored American Depository Receipts (ADRs) under the symbol 'LLESY'. Each ADR represents one ordinary share. Information about ADRs is available from the depository, The Bank of New York (<http://www.bankofny.com>).

The Bank of New York
 Depository Receipts Division
 101 Barclay Street
 New York NY 10286
 Telephone: 212 815 2345
 Facsimile: 212 571 3050

Change of Address

Please inform Lend Lease Corporation in writing of any change of address by completing the form available from the Registry or Lend Lease Corporation.

Dividend History

Payment Date	Dividend	Dividend per share	Franked	Share information at a glance	2000	1999
14 September 2000	Final*	32 cents	100%	Number of shareholders	63,264	49,403
15 March 1999	Interim*	32 cents	100%	Shares issued	512 million	504 million
16 September 1999	Final*	31 cents	100%	Percentage owned by	64.43%	66.7%
17 March 1999	Interim*	29 cents	100%	20 largest shareholders		
17 September 1998	Final	54 cents	100%	Interim Dividend	32 cents	29 cents
18 March 1998	Interim	53 cents	100%	fully franked	per share	per share
18 September 1997	Final	50 cents	100%	Final recommended	32 cents	31 cents
19 March 1997	Interim	48 cents	100%	dividend fully franked	per share	per share
1 November 1996	Final	47 cents	100%	Total dividend	64 cents	60 cents
29 March 1996	Interim	43 cents	100%		per share	per share
3 November 1995	Final	38 cents	100%	Dividend payout ratio	76%	72%
28 June 1995	2nd Interim	11 cents	100%			
31 March 1995	Interim	36 cents	100%			
28 October 1994	Final	36 cents	100%			
27 June 1994	2nd Interim	10 cents	100%			
13 April 1994	Interim	34 cents	100%			
22 October 1993	Final	33 cents	100%			
15 July 1993	Special	10 cents	Nil			
29 March 1993	Interim	33 cents	100%			
23 October 1992	Final	33 cents	100%			
16 July 1992	Special	8 cents	N/A			
30 March 1992	Interim	32 cents	100%			

* A 1:1 bonus share issue was implemented December 1998.

Directory

Annual General Meeting

The 2000 Annual General Meeting of Lend Lease Corporation Limited will be held at 7.00pm on Thursday, 2 November 2000 in the Hordern Pavilion
Fox Studios Australia
Driver Avenue
Moore Park
Sydney, New South Wales
Australia

Financial Calendar

2000

Annual General Meeting *2 November*

2001

Announcement
of Half Year Results *15 February*

Interim Dividend Payable *14 March*

Announcement
of Final Results *16 August*

Final Dividend Payable *13 September*

Annual General Meeting *1 November*

Directors

S G Horner, AO, *Chairman*

D H Higgins, *Managing Director*

J K Conway
R A Longes] *Deputy Chairmen*

A Aiello

E D Cameron R G Mueller, CBE

G G Edington Y H Chua, BBM

P C Goldmark R E Tsenin

D J Grady

Secretaries

P W Crewes S J Sharpe

Stock Exchange Listings

Australia New Zealand

Lend Lease Corporation Limited

ABN 32 000 226 228

Incorporated in New South Wales,
Australia

Registered Office

Level 46, Tower Building
Australia Square
George Street
Sydney NSW 2000
Telephone: (612) 9236 6111
Facsimile: (612) 9252 2192

Share Registry and Shareholder Queries

Principal Register

ASX Perpetual Registrars Limited
Level 8
580 George Street
Sydney NSW 2000
Locked Bag A14
Sydney South NSW 1232
Telephone: 1800 230 300 or (612) 8280 7123
Facsimile: (612) 9261 8489
Email: registrars@aprl.com.au

<http://www.registrars.perpetual.com.au>

UK Register

B Davis & Co
Park House
158-160 Arthur Road
Wimbledon Park
London SW19 8AQ
Telephone: (4420) 8947 3361
Facsimile: (4420) 8944 1039

USA Agent

The Bank of New York
Depository Receipts Division
101 Barclays Street
New York NY 10286
Telephone: (1 212) 815 2345
Facsimile: (1 212) 571 3050

Investor Information

Lend Lease Corporation Report to Shareholders and financial statements and further information on the Lend Lease Group can be obtained from the Investor Relations Manager
Telephone: (612) 9236 6131
Facsimile: (612) 9252 2192
and from our Internet site

<http://www.lendlease.com.au>



LtoR: DAVID ROTHERY, LEANNE FRY,
DICK MORATH AND SUE SHARPE



ABN 32 000 226 228