

## Directors' Report

The Directors present their Report together with the Financial Report of the consolidated entity, being the Company and its controlled entities ('Lend Lease') for the year ended 30 June 2004 and the Auditors' Report thereon.

### Directors

#### Board

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

#### **D. A. Crawford, Chairman (Non Executive)**

Age 60

Mr Crawford joined the Board in July 2001 and was appointed Chairman in May 2003. He is a Member of the Risk Management and Audit Committee.

#### **Experience and Qualifications**

Previously Mr Crawford was National Chairman of the Australian firm of KPMG. He has extensive accounting and business experience having worked with many large corporations and governments. His qualifications are Bachelor of Commerce and Bachelor of Laws from the University of Melbourne. He is a Fellow of the Institute of Chartered Accountants.

#### **Other Directorships and Positions**

Mr Crawford is a Non Executive Director of BHP Billiton Limited, Foster's Group Limited, National Foods Limited and Westpac Banking Corporation and Chairman of the Australian Ballet. He is also a Member of the Advisory Board of Allens Arthur Robinson and Treasurer of the Melbourne Cricket Club.

#### **G. A. Clarke, Managing Director (Executive)**

Age 46

Mr Clarke was appointed Managing Director and Chief Executive Officer in December 2002 and is a Member of the Personnel and Organisation Committee.

#### **Experience and Qualifications**

Mr Clarke brings more than 20 years' experience in international business development and operations through career roles including Vice President, Cellular (Paris) for Nortel Communications; Chief Executive Mobile, C&W Mobile plc; and Chief Operating Officer, and Chief Executive Officer, Cable & Wireless Communications plc. His qualifications are BA (Hons) Business Studies and MBA.

#### **Other Directorships and Positions**

Mr Clarke is a Non Executive Director of British United Provident Association (BUPA), the largest private health provider in the UK, and Leicester City Football Club plc.

#### **J. E. Curin (Executive)**

Age 46

Ms Curin joined the Board as Finance Director on 8 September 2003.

#### **Experience and Qualifications**

Ms Curin has a broad range of international experience as a Senior Finance Executive and Director with a number of large corporations. She was previously Finance Director of The Peninsular and Oriental Steam Navigation Company. Prior to that she held the positions of Finance Director of P&O Australia Limited and Director, Corporate Development and Investor Relations of Carter Holt Harvey Limited. She holds a Bachelor of Commerce (Accounting) from the University of Auckland in New Zealand and is a Member of the Institute of Chartered Accountants in New Zealand.

#### **Other Directorships and Positions**

Nil.

#### **G. G. Edington (Non Executive)**

Age 58

Mr Edington joined the Board in 1999 and is Chairman of the Risk Management and Audit Committee and a Member of the Personnel and Organisation Committee.

#### **Experience and Qualifications**

Qualified as a Chartered Surveyor, Mr Edington brings to the Board extensive UK and international experience in the property sector. Mr Edington was a Director of BAA plc and Chairman of BAA International. He joined BAA plc in 1988, became a Member of the Board in 1991 and has been the Chairman of six BAA companies. He is a past President of the British Property Federation, was the Chairman of a UK property company Greycourt Estates Limited and was a Member of the Bank of England Property Forum. He has also been involved with a number of charitable organisations.

#### **Other Directorships and Positions**

Mr Edington is Chairman of Garden Park Investments Limited and Chairman of the Trustees of NCH, a leading UK children's charity.

#### **P. C. Goldmark (Non Executive)**

Age 63

Mr Goldmark joined the Board in 1999 and is Chairman of the Personnel and Organisation Committee.

#### **Experience and Qualifications**

Mr Goldmark is Director, Climate and Air Program at Environmental Defense, a US based non profit environmental advocacy organisation. He was the Chairman and CEO of The International Herald Tribune in Paris between 1998 and 2003. Prior to this, he was for ten years the President and CEO of the Rockefeller Foundation in New York. He has 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. A writer and speaker on world affairs, 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 US and internationally.

#### **Other Directorships and Positions**

Mr Goldmark is a Director of the Whitehead Institute, Massachusetts Institute of Technology.

## Directors' Report continued

### Directors continued

#### Board continued

#### R. A. Longes, Deputy Chairman (Non Executive)

Age 59

Mr Longes joined the Board in 1986 and was appointed Deputy Chairman in January 2000. He is a Member of the Risk Management and Audit Committee.

#### Experience and Qualifications

Mr Longes is an Executive Director of Investec Bank (Australia) Limited. He was previously an Executive Director of the Company, a Principal of the Corporate Advisory and Private Equity Group of Wentworth Associates and a Partner of the legal firm Freehills. Mr Longes' qualifications are BA, LLB, MBA.

#### Other Directorships and Positions

Mr Longes is Chairman of GPT Management Limited and a Director of Australian Water Services Pty Limited and Metcash Trading Limited. He is also a Director of the National Institute of Dramatic Art and Bangarra Dance Theatre.

### Directors' Meetings

During the financial year, four scheduled full agenda Board meetings and ten restricted agenda Board meetings were held. The Board recognises the essential role of committees in guiding the Company on specific issues. Committees address important corporate issues, calling on senior management and external advisers prior to making a final decision or making a recommendation to the full Board.

There are two permanent committees of the Board:

#### Personnel and Organisation Committee

Comprising a majority of Non Executive Directors, the Personnel and 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. During the period 1 July 2003 to 30 June 2004, 3 meetings of the Personnel & Organisation Committee were held.

#### Risk Management and Audit Committee

The Risk Management and Audit Committee is made up entirely of Non Executive Directors and assists the Board by reviewing the risk management and compliance systems in all our businesses worldwide and by being assured that assets are protected against financial loss, legal and regulatory obligations are met, and proper accounting and auditing practices are maintained. During the period 1 July 2003 to 30 June 2004, 4 meetings of the Risk Management and Audit Committee were held.

### Attendance at Meetings of Directors 1 July 2003 to 30 June 2004

Director	Board Meetings				Committee Meetings	
	Full Agenda		Restricted Agenda		Held <sup>1</sup>	Attended
	Held <sup>1</sup>	Attended	Held <sup>1</sup>	Attended		
G. A. Clarke	4	4	10	10	4	4
D. A. Crawford	4	4	10	10	4	4
J. E. Curin <sup>2</sup>	3	3	9	8	-	-
G. G. Edington	4	4	10	10	8	8
P. C. Goldmark	4	4	10	9	3	3
R. A. Longes	4	4	10	9	5	4
R. E. Tsenin <sup>3</sup>	1	1	1	1	-	-

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

2 Ms Curin was appointed as a Director on 8 September 2003.

3 Mr Tsenin retired as a Director on 31 August 2003.

In addition, as required, matters were dealt with by Circular Resolution and ratified at the next meeting of the Board or appropriate committee.

### Interest in Capital

The interest of each of the Directors in the issued shares of the Company at 18 August 2004 (10 September 2003) is set out below.

Director	Shares Held			Shares Held		
	Directly 2004	Beneficially/ Indirectly 2004 <sup>1</sup>	Total 2004	Directly 2003	Beneficially/ Indirectly 2003 <sup>1</sup>	Total 2003
G. A. Clarke	1,000	-	1,000	1,000	-	1,000
D. A. Crawford	4,395	6,279	10,674	4,314	2,853	7,167
J. E. Curin <sup>2</sup>	1,000	-	1,000	-	-	-
G. G. Edington	15,000	4,816	19,816	15,000	3,355	18,355
P. C. Goldmark	3,000	5,441	8,441	3,000	3,892	6,892
R. A. Longes	13,602	41,817	55,419	13,351	39,812	53,163

1 Includes shares beneficially held by Non Executive Directors in the Retirement Plan.

2 Ms Curin was appointed as a Director on 8 September 2003.

## Directors' Report continued

### Directors continued

#### Interest in Registered Schemes

The interest of each of the Directors in the registered schemes of the Lend Lease Group at 18 August 2003 (10 September 2003) is set out below.

Director	Registered Scheme	Beneficial/Indirect Interest	
		No. of Units 2004	No. of Units 2003
R. A. Longes	General Property Trust	14,724	14,724

#### Principal Activities

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

- Real estate project management; design services; construction management and engineering;
- All aspects of property development from concept through to design, planning, construction, financing, leasing and eventual sale. This also includes the creation and management of Public Private Partnerships (PPPs) including Private Finance Initiatives (PFIs) and Build Operate Transfer (BOT) projects;
- Management of real estate investment funds on behalf of clients, management of real estate associated debt, co-investment in funds, portfolio management, the leasing, management and redevelopment of shopping centres and acting as financial advisor and arranger of project finance and related services. This includes discontinued operations (refer to Note 36 of the Financial Statements); and
- Investment in companies where strategic business rationales exist and where a mutually beneficial business relationship with these companies can be developed.

#### Review and Results of Operations

The Directors report that in the year ended 30 June 2004, Lend Lease reported a net profit after tax of A\$333.5 million. Excluding one-off items, the operating profit for the year was A\$237.4 million. For the year ended June 2003, Lend Lease reported a loss of A\$714.8 million. The June 2003 results included a write-down of A\$945.0 million in respect of the REI businesses, principally the US Real Estate Investments (US REI) businesses. Excluding the write-down of the REI businesses, operating profit after tax for the year was A\$230.2 million.

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

#### Dividends

The 2003 final dividend of A\$85.9 million (20 cents per share, unfranked) referred to in the Directors' Report dated 10 September 2003 was paid on 18 September 2003.

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

	A\$m
Interim dividend of 18 cents per share (unfranked) paid on 17 March 2004	73.7
Final dividend of 26 cents per share (unfranked) declared by Directors to be paid on 15 September 2004	103.5
	<u>177.2</u>

#### Significant Changes in State of Affairs

During the year ended 30 June 2003, Lend Lease conducted and finalised its REI strategic review and announced the simplification of its strategy to one real estate services business, based on Bovis Lend Lease's presence around the world, with selective specialisation in real estate development services and funds management in each of the major regions.

Accordingly during the year ended 30 June 2004, Lend Lease exited or sold businesses operating in the North American real estate investments markets (both equity and debt) and real estate debt services, certain components of the European real estate investments business and the Global Fund management advisory business.

The Group's Consolidated Financial Statements and MD&A specify in more detail those specific businesses which Lend Lease has exited, or which it intends to exit in the near term.

#### Event 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 state of affairs of Lend Lease in subsequent financial years other than the following.

For the reporting periods beginning on or after 1 January 2005, Lend Lease must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

At balance date, Lend Lease is in the process of assessing the impact of convergence to IFRS and, accordingly, has not fully quantified the effects of the convergence.

The differences between Australian Accounting Standards and other financial reporting requirements and IFRS, identified to date as potentially having a significant effect on the Lend Lease Group's financial performance and financial position, are detailed in Note 37 of the Financial Statements.

## Directors' Report continued

### Event Subsequent to Balance Date continued

On 17 August 2004 Lend Lease announced that it has entered into an agreement with ACM Acquisition LLC (ACM) for the sale of Lend Lease Rosen Real Estate Securities LLC (Lend Lease Rosen). The full sales price is contingent on a number of items but is expected to exceed its book value.

ACM is controlled by Michael Torres, CEO and portfolio manager of Lend Lease Rosen.

The transaction is expected to be completed by the end of August 2004.

### 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 in the Annual Report.

### Environmental Regulation

Lend Lease is subject to many environmental regulations, in particular in relation to real estate development, project management and asset management. These regulations typically relate to noise and dust control, solid waste management and discharge into water systems.

For a number of years, Lend Lease has required each of its businesses to have an integrated Environment Management System. The Environment Management System is the catalyst for the development of Lend Lease's environmental plans and strategies and, as a minimum, the goal is to ensure compliance with applicable regulations and legislation.

The Risk Management and Audit Committee receives reports on a quarterly basis regarding any significant environmental risks and non conformance with Lend Lease's Environment Policy. The Directors are not aware of any significant non compliance issues during the period covered by this Report.

Further details are contained in the Corporate Governance section of the Annual Report.

### Directors' and Senior Executives' Compensation

Full details of the Directors and Senior Executives compensation is contained in Note 34 to the Financial Statements and Note 8 in the Concise Financial Report.

### Share Options

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

### Indemnification and Insurance of Directors and Officers

The Company's Constitution provides for indemnification in favour of each of the Directors named on pages 1 to 2 of this Report, the Company Secretaries, Mr P W Crewes and Ms S J Sharpe, and officers of the Company or of wholly owned subsidiaries of the Company ("Officers") to the extent permitted by the Corporations Act 2001.

For related entities, the indemnification is provided by approval of a committee of Directors. For unrelated entities in which Lend Lease has an interest, deeds of indemnity are entered into between Lend Lease Corporation Limited and the Director or Officer. Since the date of the last report, the Company has entered into the following separate deeds of indemnity:

- Ms J E Curin covering her service as a Director of Lend Lease Global Properties, SICAF. This indemnity is on the same terms as those provided by the Company's Constitution.
- Mr D J Ross covering his service as a Director of Bondi Beach Railway Limited, Lend Lease Real Estate Partners 1 Limited, Lend Lease US Office, Inc and directorships of various Lend Lease subsidiaries. These indemnities are on the same terms as those provided by the Company's Constitution.
- Members of the due diligence committee for the proposed merger transaction with General Property Trust (including the Company's auditors) covering liability arising from their participation on the committee. In the case of external advisers, their own acts or omissions are not covered. In the case of Officers, the indemnities are given on the same basis as provided by the Company's Constitution.

In accordance with the Corporations Act 2001, the Constitution also permits the Company to purchase and maintain insurance or pay or agree to pay a premium for insurance for Officers against any liability incurred as an officer of the Company or of a related body corporate. This may include a liability for reasonable costs and expenses incurred in defending proceedings, whether civil or criminal and whatever their outcome. During the year, Lend Lease paid insurance premiums of A\$1,693,183 in respect of its Directors' and Officers' liability policies.

### Rounding Off

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

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

Sydney, 18 August 2004.

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**D A Crawford**  
Chairman

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**G A Clarke**  
Managing Director