lendlease

Annual Report 2017

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DIRECTORS' REPORT

All financial amounts within this report are in Australian dollars unless otherwise specified.

Lendlease Corporation Limited ABN 32 000 226 228 Incorporated in NSW Australia

Lendlease Responsible Entity Limited
ABN 72 122 883 185
AFS Licence 308983 as responsible entity for Lendlease Trust
ABN 39 944 184 773
ARSN 128 052 595

Front cover: International Convention Centre Sydney and Sofitel Sydney Darling Harbour

Circular Quay Tower, Sydney
Artist impression as at 2017 (image subject to change and further design development and planning approval)

ANNUAL REPORT

About this Report

Lendlease presents its second integrated annual report (Annual Report) which will continue to evolve over time. Through this Annual Report we aim to communicate how we create long term value for our securityholders through five pillars of value. The Annual Report is divided into several sections with all required elements of the Directors' Report, including the Operating and Financial Review (OFR), being covered on pages 8 to 123.

1. Our Business

The Annual Report begins with an overview of who we are and our values. This is followed by a summary of our key operating and financial performance for the current reporting period, including performance highlights throughout the 2017 financial year. Lendlease's Chairman and Group Chief Executive Officer and Managing Director concludes this section with their reviews of performance for the year.

2. Our Strategy

An outline of our strategy and how we differentiate ourselves from our peers. This is followed by a description of the global trends that will influence our business and how we will leverage gateway cities to deliver our strategy. We explain in detail our operating segments and conclude with a specific focus on our integrated model through the lens of Elephant & Castle, London.

3. Pillars of Value

A description of Lendlease's five pillars of value that drive the long term value of our business. Icons will be used throughout the Annual Report to link our business activities to these pillars. An update of the performance in line with identified measures is provided on pages 38 to 55, with further information on financial performance included in the Performance & Outlook section on pages 64 to 75. A description of each pillar is provided below:

Health & Safety

We are committed to the health and safety of our people. This means we focus on maintaining the health and wellbeing of our people and those who engage with our assets.

Financial

A strong balance sheet and access to third party capital enables Lendlease to fund the execution of its pipeline and deliver quality earnings.

Our Customers

We adopt a collaborative approach to our relationships, delivering high quality products and services that respond to our customers' needs. Satisfied customers drive long term value.

Our People

Lendlease's people are the greatest contributors to our success and underpin our ability to deliver our vision to create the best places.

Sustainability

Sustainability is about enabling the creation of the best places and meeting future needs of people. Globally, capital investors, policy makers and communities are seeking trusted partners who can deliver efficient, healthy, resilient, culturally and socially inclusive outcomes which deliver long term value.

4. Risk

An explanation of Lendlease's approach to risk governance and management including an assessment of key risks and mitigation.

5. Performance & Outlook

Commentary on Lendlease's financial pillar and Portfolio Management Framework, including a performance overview for our three operating segments: Development, Construction and Investments, as well as a summary of our financial position, funding and cash flow information.

6. Governance

An overview of Lendlease's governance and decision making structures and remuneration information. Further information on governance can be found in the Corporate Governance Statement on the Lendlease website.

Integrated Reporting

This Annual Report has been prepared with reference to the International Integrated Reporting (IR) Framework. This framework encourages businesses to consider what creates value for them and how this value contributes to long term sustainable returns for securityholders.

Materiality

A matter is considered material if Lendlease's senior management and those charged with governance believe it could significantly impact the value created and delivered by the relevant pillar in the short, medium and long term. Lendlease identifies and captures material matters through the following processes:

- Project Control Group (PCG) sessions, which include key internal stakeholders and represent the governance structure for overseeing the completion of the Annual Report;
- Capturing feedback through engagement and research during the financial year from key external stakeholders including investors, analysts, and other relevant groups;
- Engagement with the Board; and
- Confirming the strategy and the global trends influencing our strategy are consistent and relevant with the information collected above.

The outcome of the above processes are the material issues noted on page 38 and the strategy and global trends influencing our strategy presented on pages 22 to 25.

Directors' Report and OFR

The required elements of the Directors' Report, including the OFR, which is part of the Directors' Report, are included on pages 8 to 123 of this Annual Report and include the sections: Our Business, Our Strategy, Pillars of Value, Risk, Performance & Outlook and Governance. The OFR is contained specifically on pages 8 to 75.

All non financial metrics included in the Directors' Report on pages 8 to 61 have been verified through our internal verification process. The Remuneration Report on pages 92 to 119 and the Financial Statements on pages 126 to 183 have been audited by KPMG.

Reporting Suite

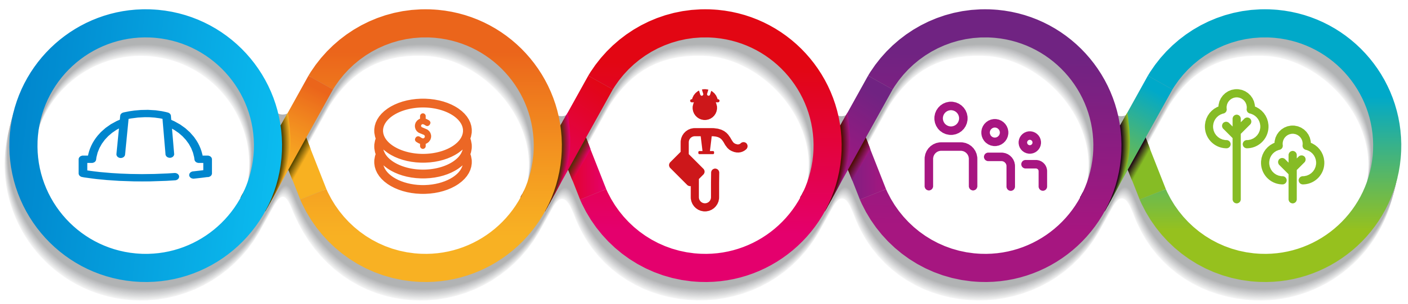
Lendlease's Reporting Suite is the source that provides information about the Company and its key financial and operational achievements. The Reporting Suite includes the following:

- The Annual Report: Includes information on the Company, its strategy, integrated financial and operational performance, corporate governance, Directors' Report, Remuneration Report and Financial Statements.
- Bi-annual Results Presentation: Includes the current reporting period's financial results, and detailed segment information for projects, investments, and pipeline.
- Website - www.lendlease.com: Includes additional information on sustainability reporting, corporate governance, tax compliance and historical financial information.

Future of Reporting

This Annual Report sets out our competitive advantage and our commitment to creating long term value for our stakeholders, realised through our pillars of value. In future reports we will continue to enhance our measurement of Key Performance Indicators (KPIs) for each pillar.

PILLARS OF VALUE



Health & Safety

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Financial

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Lendlease's people are the greatest contributors to our success and underpin our ability to deliver our vision to create the best places.

Sustainability

Sustainability is about enabling the creation of the best places and meeting future needs of people. Globally, capital investors, policy makers and communities are seeking trusted partners who can deliver efficient, healthy, resilient, culturally and socially inclusive outcomes which deliver long term value.

01

Our Business

432 Park Avenue, New York

We deliver places that inspire and enrich the lives of people around the world.

Lendlease is committed to creating and delivering innovative and sustainable property and infrastructure solutions for future generations.

Founded in Sydney in 1958 by Dutch immigrant and innovator Dick Dusseldorp, Lendlease was born out of a vision to create a company that could successfully combine the disciplines of construction, development and investment.

Lendlease is a leading international property and infrastructure group with operations in Australia, Asia, Europe and the Americas. Our vision is to create the best places; places that inspire and enrich the lives of people around the world.

We create places that leave a positive legacy with a focus on safety, innovation and sustainability, delivered by people who are respected for who they are and what they do.

Headquartered in Sydney, Australia, Lendlease has approximately 12,000 employees internationally. Our regional head offices are located in New York, Singapore and London.

Our core capabilities are reflected in our operating segments of Development, Construction and Investments. The combination of these three segments provides us with a sustainable competitive advantage and allows us to provide innovative integrated solutions for our customers.

Our six global trends guide the implementation of our strategy. Our pillars of value, in conjunction with a strong risk management and governance framework, drive our approach to business and delivery of long term value for our securityholders.

Who we are

Our Vision:

TO CREATE THE BEST PLACES

Tun Razak Exchange (TRX) Lifestyle Quarter, Kuala Lumpur
Artist impression as at 2017 (image subject to change and further design development and planning approval)

Our values

Our core values guide our behaviours and underpin our Code of Conduct. These are the values we live by every day.

RESPECT
BE DEDICATED TO RELATIONSHIPS

INTEGRITY
BE TRUE TO OUR WORD

INNOVATION
BE CHALLENGING IN OUR APPROACH

COLLABORATION
BE ONE TEAM

EXCELLENCE
BE EXCEPTIONAL IN EVERYTHING WE DO

TRUST
BE OPEN AND TRANSPARENT

OPERATIONAL PERFORMANCE

HEALTH & SAFETY

88%[1] FY16

90% FY17

Percentage of operations without a critical incident[2]

FY16	1.8
FY17	1.6

Group Lost Time Injury Frequency Rate

OUR PEOPLE

FY16	19.0%
FY17	20.6%

Senior Executive positions held by women[3]

For the sixth year running, we have been recognised as a top employer in the Australian Workplace Equality Index for Lesbian, Gay, Bi-sexual, Transgender and Intersex (LGBTI) inclusion.

SUSTAINABILITY[4]

20% reduction by 2020 (against FY14 baseline)

FY17 18% ENERGY REDUCTION

FY17 6% WATER REDUCTION

FY17 15% WASTE REDUCTION

98% FY16

98% FY17

Total development pipeline achieved or targeting green certification.

1. Method to calculate percentage of operations for FY16 has been restated to reflect updated management information and methodology used for FY17.
2. A critical incident is an event that had the potential to cause death or permanent disability. This is an indicator unique to Lendlease.
3. Employees who hold a position at Executive level according to the Lendlease Career Job Framework. This generally includes Regional Business Unit Heads, Regional Function Heads and in some cases, direct reports to Global Function Heads.
4. Further information on our targets can be found on page 48. The above performance is as at March 2017 and is a cumulative measure. Full FY17 performance will be subjected to Limited Assurance by KPMG and be available on www.lendlease.com in October 2017.

FINANCIAL PERFORMANCE

Earnings before interest tax depreciation and amortisation

$1,201.8 MILLION

FY16	1,054.9
FY17	1,201.8

Profit after Tax

$758.6 MILLION

FY16	698.2
FY17	758.6

Earnings per Security

130.1 CENTS

FY16	120.1
FY17	130.1

Distribution per Security

66.0 CENTS

FY16	60.0
FY17	66.0

Return on Equity

12.9%

FY16	13.0
FY17	12.9

Market Capitalisation[1]

$9.7 BILLION

FY16	7.3
FY17	9.7

1. As at market close on 30 June 2016 and 2017.

PERFORMANCE HIGHLIGHTS

PLACES WE CREATED

Lendlease creates places that leave a positive legacy with a focus on safety, innovation and sustainability. Our achievements are supported by pillars of value that enable us to apply a balanced approach to driving successful outcomes.

Health & Safety Financial Our Customers Our People Sustainability

A selection of recent highlights is included below.

DELIVERED:

2,533 residential apartment completions

3,236 community and retirement lots across 24 projects

109,000 sqm of commercial space completed

$12.6 BILLION of construction work[1] including:

- Tower One, International Towers Sydney, Barangaroo South
- River Point Tower, Chicago
- Stage 1 homes at Trafalgar Place, Elephant & Castle

INCREASED:

Our presence across our gateway cities

Funds under management by 11% to $26.1 billion

AWARDED:

- Top residential developer in the United Kingdom based on sustainability performance[2]
- Top multi-unit residential contractor in the United States for 17 consecutive years[3]
- Lendlease managed funds ranked number one in each of five categories in the 2016 Global Real Estate Sustainability Benchmark
- Three bizSAFE Partner Awards for safe work in Asia
- Infrastructure Partnerships Australia, National Infrastructure Award, Best Project for International Convention Centre Sydney

1. Based on Construction segment revenue.
2. According to the Next Generation Initiative.
3. As ranked by ENR Sourcebook for Top 25 Multi-Unit Residential.

PLACES WE WILL CREATE

By their nature, the projects we deliver can take years, if not decades to complete. Maintaining an ongoing pipeline of work, supported by pillars of value is critical to maintaining the sustainability of our earnings and the ultimate success of our business.

Health & Safety Financial Our Customers Our People Sustainability

A selection of key opportunities expected to contribute to future earnings is included below.

TO BE DELIVERED:

$49.3 BILLION of Development pipeline:

- Tun Razak Exchange Lifestyle Quarter, Kuala Lumpur
- Victoria Harbour, Melbourne
- Elephant & Castle, London
- Riverline, Chicago

$20.6 BILLION Construction backlog revenue:

- Crown Sydney Hotel Resort, Sydney
- Northern Connector, Adelaide
- Darling Square, Sydney
- Paya Lebar Quarter, Singapore
- Jacob K. Javits Convention Center, New York

More than **$3** BILLION in secured funds under management from urbanisation developments currently in delivery

PREFERRED BIDDER:

Development

- Haringey Development Vehicle, London Preferred partner with Haringey Council for the $7 billion development[1]

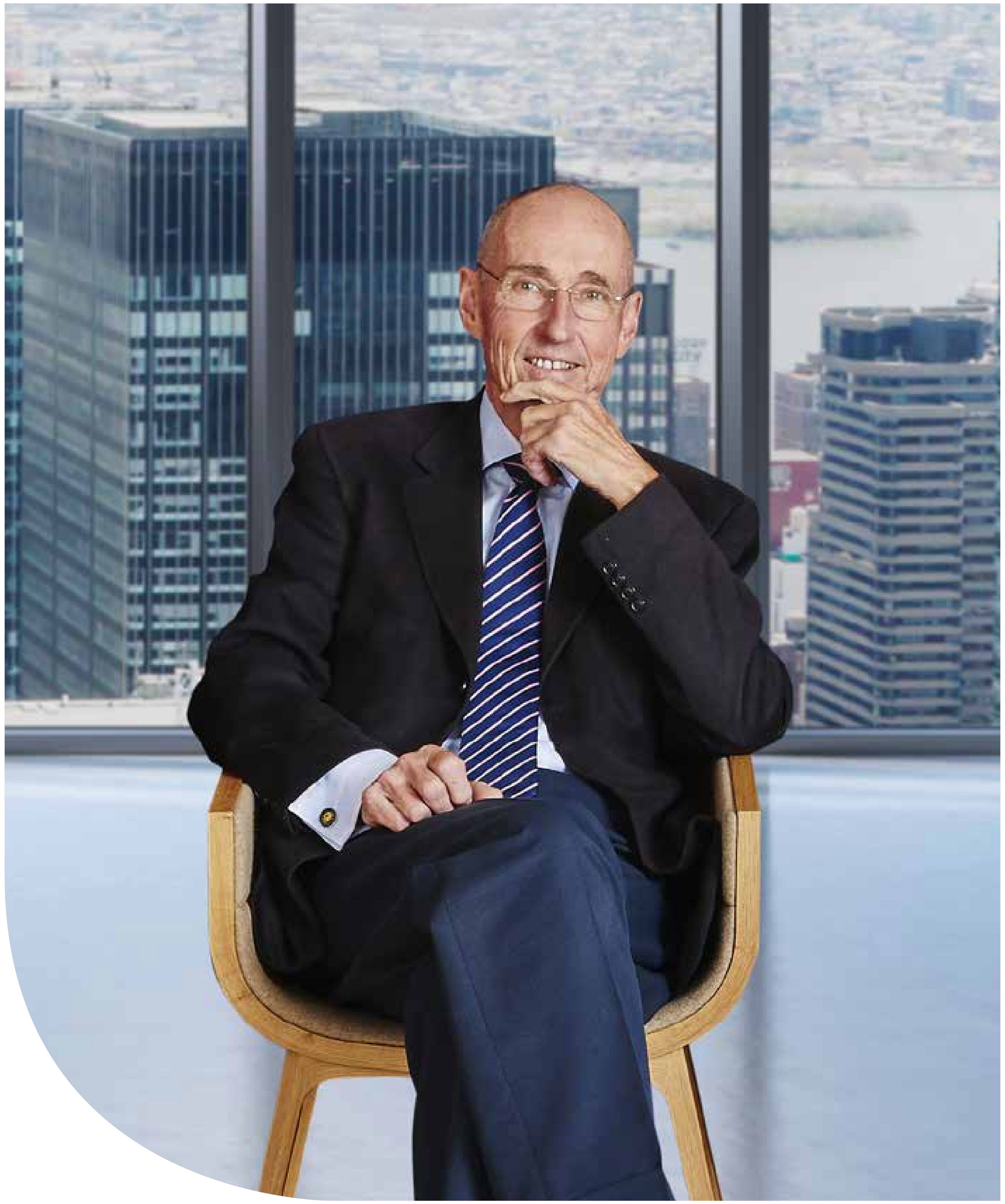
Construction

- Tun Razak Exchange Lifestyle Quarter, Kuala Lumpur
- Google Headquarters, London
- Quay Quarter, Sydney

1. The Haringey Development Vehicle is subject to contractual and financial close. Approximate number as at 30 June 2017 based on exchange rate at period end.

CHAIRMAN'S REPORT

Lendlease delivered a strong result for the 2017 financial year with $758.6 million in Profit after Tax and Distributions per Security of 66.0 cents. Our vision and strategy is centred around innovative property and infrastructure solutions. Successful execution of this strategy, combined with a strong financial position and robust risk management and governance frameworks, positions the Group to deliver attractive securityholder returns.



Health & Safety

I am very saddened to report two fatal incidents on Lendlease projects, the first reportable fatalities on Lendlease operated projects in over four years. These incidents are a tragic reminder of the importance of pursuing an uncompromising approach to safety.

Lendlease's Global Minimum Requirements remain the foundation for this approach and provide a health and safety risk management framework where employees are empowered to effectively manage risk.

The Board is committed to constantly challenging health and safety performance and continues to work proactively with management to drive a best practice safety culture.

Annual Report

I am pleased to present Lendlease's second integrated Annual Report. This report is structured to demonstrate the long term value creation capabilities of Lendlease through its five pillars of value: Health & Safety; Financial; Our Customers; Our People; and Sustainability.

Financial Strength

The Group delivered a solid performance for the financial year ended 30 June 2017, with Profit after Tax of $758.6 million, up from $698.2 million in the previous financial year.

Securityholders will receive a final distribution of 33.0 cents per security, taking full year distributions to 66.0 cents per security. The payout ratio for the year was 51 per cent, which is within the Board's stated target range of 40 to 60 per cent of earnings.

Lendlease enters FY18 in a healthy financial position. As at 30 June 2017, the Group had cash and cash equivalents of $1,249.2 million and gearing of five per cent. The resilience of the balance sheet, along with continued capital partnering, provides the financial flexibility to capitalise on growth opportunities generated by the integrated business model.

Our Customers

Customers are a key contributor to the long term success and growth of Lendlease. As an international business, our customer base is many and varied. This year, in support of Lendlease's customer focused approach, the Board reviewed a range of activities and initiatives designed to enhance the way we engage with our customers. In addition, the Board undertook a number of client and site visits.

Our People

People are Lendlease's greatest asset. Their contributions bring our vision and strategy to life. Attracting and retaining the best people is essential. We believe that at Lendlease, our strategy, the quality and depth of our pipeline and our culture of employee engagement and wellbeing are key ingredients.

This year it has given me great satisfaction to observe Lendlease's new workplace environment at its international headquarters at Barangaroo South in Sydney. This collaborative workspace not only encourages a more inclusive and flexible working environment, but supports the physical and mental wellbeing of our people.

Sustainability

Long term value is generated by delivering outcomes that embrace social, environmental and economic factors. Lendlease's Sustainability Framework, which was endorsed by the Sustainability Committee of the Board in 2014, incorporates four distinct elements that guide the Group's sustainability agenda: climate change and environment; healthy buildings and communities; resilient and affordable communities; and community engagement. Through its many projects, Lendlease is constantly engaged with community stakeholders and we seek to leave a positive legacy in the places we create.

Lendlease launched its second Reconciliation Action Plan (RAP) in November 2016. The RAP is a key component of Lendlease's community engagement and identifies business opportunities and career development for Aboriginal and Torres Strait Islander Australians.

Governance and the Board

After almost 13 years of service, David Ryan has decided that he will retire at the conclusion of the 2017 Annual General Meeting. David has made an outstanding contribution to the Board during his tenure, including chairing the Risk Management and Audit Committee until August 2016. He has provided valuable insight during his time on the Board and has mentored a number of the newer Board members. On behalf of the Board, I thank David for his commitment and hard work, and for his enduring support of Lendlease and its people.

Philip Coffey was appointed to the Board as a Non Executive Director on 1 January 2017. Philip has held a wide range of management and executive roles throughout his career and has successfully led operations based in Australia, New Zealand, the United States, the United Kingdom and Asia. He has deep experience in finance, risk management, strategy and funds management, which has been of significant benefit during Board discussions.

The Board is committed to continually reviewing its composition and capabilities.

The Nominations Committee is focused on maintaining the Board's appropriate mix of skills, experience and diversity so that the Board can lead the Group for the benefit of securityholders.

The Directors have a range of local and international expertise, as well as specialised skills. Eight out of 11 Directors have considerable experience in one or more of the core Lendlease operating segments of Development, Construction and Investments.

The Board remains committed to the Australian Institute of Company Directors target of 30 per cent female Board members by the end of 2018 and expects to soon announce the appointment of a Non Executive Director, which will add further diversity and strength to the Board.

Outlook

I am extremely pleased with the progress the Group has made in delivering on its strategy in recent years. Lendlease was born out of a vision to create a company that successfully combine the disciplines of development, construction, and investment. These skills, which we refer to as the integrated model, have been deployed around the world for decades.

The Board has supported the leadership team in successfully extending the integrated model into targeted international markets in recent years. Since 2011, the Group's urbanisation pipeline has grown from an end development value of approximately $16 billion to approximately $35 billion. More than 50 per cent of this pipeline is in international markets.

Thank you to my fellow Board members, as well as the Lendlease leadership team and all employees, whose commitment and dedication have helped to achieve our vision to create the best places and continue to improve returns for securityholders.

David Crawford AO
Chairman

GROUP CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR'S REPORT

Lendlease has delivered strong financial performance for the year, reflecting the completion of numerous development and construction projects and strong investment earnings. This year we made significant progress on our international gateway cities strategy, securing or commencing projects in six target cities. Our focus continues to be on delivering strong performance for securityholders and creating quality outcomes for customers.

Health & Safety

Lendlease's people are unquestionably its greatest asset and underpin our ability to deliver our vision. There is nothing more important than the health, safety and wellbeing of our people and those who work with us.

It is therefore with profound sadness I report the occurrence of two fatal incidents during the period. The first involved a sub contractor, working for the Principal Contractor on one of our community development projects in Queensland. The second involved a direct employee on one of our engineering projects in New South Wales.

On behalf of the Board and management team at Lendlease, I express my sincere condolences to the families and friends impacted by these tragic incidents. We continuously strive to do our best in safety with the aim that anyone who works on or visits a Lendlease workplace or asset is safe from harm.

These incidents serve as a sobering reminder of the critical importance of working safely and further strengthen our resolve to achieve the elimination of incidents and injuries from our operations.

Performance Highlights

The business generated strong financial returns for securityholders for the year. Earnings per security grew by eight per cent and we delivered a Return on Equity of 12.9 per cent, which is towards the upper end of our target range of 10 to 14 per cent.

The Australian region, driven by strong performances in the Development and Investments segments, was the key driver of the result and accounted for almost 80 per cent of operating earnings. Our Americas Construction segment was the largest contributor from our international operations.

This year, the full breadth and depth of our delivery capabilities was demonstrated with the completion of many projects across multiple sectors and geographies.

Our contribution to residential development was substantial, with the delivery of more than 2,500 apartment units across Australia and London, more than double the number completed last year.

Our commercial developments in Australia attracted tenant commitments of more than 90,000 square metres and continue to set benchmarks for collaborative, healthy and productive working environments.

We proudly delivered several significant social infrastructure projects including the world class International Convention Centre Sydney, and the Sunshine Coast University and Bendigo Hospitals, which collectively provide their communities with more than 1,000 hospital beds.

We have been involved in some of the United States' most recognisable projects, including its tallest residential tower at 432 Park Avenue in New York.

Our Strategy

Our integrated business model is defined by our ability to originate, fund, deliver and manage major urbanisation projects. We believe this provides a sustainable competitive advantage and will drive long term securityholder value.

We continue transitioning our business model into our gateway cities, where we have a presence in 15 of our 17 identified cities. Currently, we have 34 major apartment and commercial buildings in delivery in these cities around the world.

Our activity in the Americas region was a standout with a number of projects moving into delivery. Riverline in Chicago, Clippership Wharf in Boston and 277 Fifth Avenue in New York all broke ground. We also secured our first development project in San Francisco on the West Coast of the United States.

Our retail led Tun Razak Exchange Lifestyle Quarter project in Kuala Lumpur also moved into delivery. In London, we were delighted to be selected as the preferred development partner by the Haringey Council on their estimated $7 billion Haringey Development Vehicle.[1]

Sustainability

Key to securing projects such as Haringey is our ability to address the future needs of all stakeholders, particularly our clients and their customers. Creating vibrant communities where people live, work and interact is what drives our business and we thrive on providing these opportunities.

We have a strong tradition of skilling and training our workforce and the supporting communities in which we have a presence. This year was no exception with the success of our Barangaroo Skills Exchange which provided training and employment for over 10,000 construction workers.

In Malaysia, we collaborated with the Construction Industry Development Board where we developed the Safety Supervisor Apprenticeship Program. This was the first formal safety partnership of its type between the public and private sectors in Malaysia.

Another highlight has been our Northern Connector road project in Adelaide, which is setting new benchmarks for local participation in infrastructure projects. This includes the upskilling and employment of target groups such as Indigenous workers, displaced automotive workers and people facing barriers to employment.

Outlook

Creating the best places, whether they be workplaces or public facilities, roads or tunnels, communities, apartments or mixed use precincts, remains at the core of Lendlease's vision.

Our efforts will focus on the delivery of quality outcomes for our many and varied customers, and in doing so we aim to deliver long term value to our securityholders.

Our integrated capabilities across property and infrastructure provide a distinct competitive advantage and our immense track record of delivery excellence is underpinning opportunities to secure new work. This was recently demonstrated with the announcement of our preferred position on the Melbourne Metro Tunnel project as part of the $6 billion consortium with Bouygues, John Holland Constructions and Capella Capital.

Our Development pipeline stands at $49.3 billion in estimated end value, providing earnings visibility over the medium term. We have 13 major urbanisation projects across gateway cities providing diversity across both geography and sector.

The outlook for our Construction segment is robust, with backlog revenue of $20.6 billion. We have been selected as preferred bidder on a further $10 billion of work and see significant opportunities in some of our target sectors, particularly transport infrastructure.

Our Investments segment remains well placed to continue to deliver a source of recurring income, with growth in funds under management largely driven by our own product creation capability. The associated $1.5 billion of co-invested capital that supports this funds under management, provides strong alignment with our investment partners and a high quality income stream.

A strong financial position provides the scope to fund, along with our investment partners, our already secured pipeline as well as potential growth opportunities. As always, we remain focused on operational excellence and this will be implemented via a rigorous approach to risk management and an unwavering commitment to health and safety.

On behalf of the Global Leadership Team, I thank our people for their tremendous contributions. I also thank all securityholders for your ongoing support.

Steve McCann
Group Chief Executive Officer
and Managing Director

1. The Haringey Development Vehicle is subject to contractual and financial close. Approximate number as at 30 June 2017 based on exchange rate at period end.

02

Our Strategy

OUR STRATEGY

Lendlease's strategy is to pursue its integrated business model in targeted gateway cities around the world.

This means leveraging more than one of our operating segments of Development, Construction and Investments in cities we believe are the most resilient and best performing. Further information can be found on pages 28 to 33.

Our strategic intent is to deliver optimal performance in a safe and focused manner. We employ a disciplined approach to growing the business in sectors that are aligned to six key global trends that can be found on pages 24 to 25.

We are guided by a Portfolio Management Framework that provides for a diversified earnings base by both geography and segment in order to maximise securityholder value.

We differentiate ourselves from our peers through our integrated business model, financial strength and strong track record. When we leverage our integrated model we can deliver products more efficiently and offer our customers a streamlined approach.

Our ability to originate, fund, deliver and manage major urbanisation projects provides a sustainable competitive advantage. Our pillars of value, which can be found on pages 38 to 55, in conjunction with our strong risk management and governance framework, described on pages 58 to 61, drive our approach to business and delivery of long term value for our securityholders.

When our pillars of value work together, we create economic, safe and sustainable outcomes for our customers and our people.

Strategic intent

FOCUS
Delivering optimal performance safely at our target returns

GROW
Disciplined growth in sectors aligned with global trends and with a focus on our target global gateway cities

Business model

Competitive advantage

INTEGRATED MODEL
Ability to deliver quality projects leveraging more than one of our segments.

FINANCIAL STRENGTH
Balance sheet strength and access to third party capital.

TRACK RECORD
Delivering quality design and sustainable outcomes safely.

Pillars of value

- Health & Safety
- Financial
- Our Customers
- Our People
- Sustainability

Singapore skyline

GLOBAL TRENDS INFLUENCING OUR STRATEGY

URBANISATION

Urbanisation creates increasing pressure to plan for, and accommodate, a more dense population. By 2030, over 60 per cent of the world's population is expected to live in urban areas.[1]

Where We Are Today

Our urbanisation pipeline with an end value of $34.6 billion includes:

- Barangaroo South, Sydney
- Elephant & Castle, London
- Paya Lebar Quarter, Singapore
- Riverline, Chicago

The Opportunity

Expand our globally recognised urbanisation business.

INFRASTRUCTURE

Urbanisation and population growth are driving the need for improved productivity, creating strong demand for infrastructure at both the social and economic levels.

Worldwide, infrastructure spending is expected to grow from US$4 trillion per year in 2012 to more than US$9 trillion per year by 2025.[2]

Where We Are Today

We have a strong infrastructure solutions capability in Australia with $3.1 billion of Engineering backlog. We have delivered major projects, such as the Anzac Bridge and significant sections of the Pacific, Hume and Bruce Highways. Public Private Partnerships are initiated through our Infrastructure Development business.

The Opportunity

Partner with governments and private institutions to meet the growing needs of cities and regional areas in Australia.

AGEING POPULATION

The ageing population requires different housing solutions and greater healthcare support services in all of our major markets. Internationally, people aged 60+ will grow the most in number between 2015 and 2050.[3]

Where We Are Today

We have the leading retirement living business in Australia with approximately 16,000 residents and 12,626 retirement units.

The Opportunity

Consolidate our leading position in the Australian retirement living sector and explore options to deploy our expertise in other regions.

1. World Urbanization Prospects: The 2014 Revision, United Nations.
2. Capital project and infrastructure spending outlook to 2025, PwC 2015.
3. World Population Prospects: The 2015 Revision, United Nations.

FUNDS GROWTH

Global assets under management are forecast to rise to US$102 trillion by 2020, up from US$64 trillion in 2012.[4]

Where We Are Today

Our investment management platform spans Asia, Australia and Europe, with $26.1 billion in funds under management (FUM). We have deep and established relationships with approximately 150 global institutional investors including sovereign wealth funds, large public and private pension and superannuation funds and insurance companies.

The Opportunity

Provide institutional investors with tailored global real estate and infrastructure solutions, via our product creation capability. Offer a broader range of investment products such as telecommunications and residential to rent.

SUSTAINABILITY

In November 2016, the Australian Government reaffirmed Australia's commitment to effective global action on climate change.

Where We Are Today

We are committed to mitigating climate change impacts and proactively integrating adaptation into our operations. We have set ourselves a 20 per cent reduction target around energy, water and waste consumption by 2020 and we continue to be a creator of green certified buildings and precincts. We are also committed to the creation of resilient and prepared communities and have developed a comprehensive approach to the assessment of climate change risk on a number of our assets within the Investment Management business in Australia and on our major developments within our urbanisation businesses.

The Opportunity

To partner with federal, state, local and city policy makers, both in Australia and overseas, in providing effective solutions for the built environment, which directly respond to the challenge of climate change.

TECHNOLOGY

Global investment in real estate technology startups has grown from $0.2 billion in 2012 to $1.7 billion in 2015.[5]

Where We Are Today

We are investing in deploying technology to support material productivity gains in the way we construct buildings. We have delivered engineered timber buildings around the world, most recently Library at the Dock, Melbourne – Australia's first public use timber building, and International House Sydney – Australia's first engineered timber commercial office building. We are leading the way in integrating new technologies in our products to create great experiences for our customers.

The Opportunity

To drive value by leading in the deployment of these technology enabled tools and techniques in our projects.

4. Asset Management 2020: A Brave New World, PwC 2014.
5. CB Insights: Real Estate Tech Start-ups Funding Overview 2016.

GLOBAL PRESENCE, GATEWAY CITIES

Our aim is to have a presence in the cities we believe will be the most resilient and best performing around the world.

These 'gateway cities' can typically withstand property and economic cycles better than other cities.

To form this view, we undertook an extensive global study and applied a number of filters. We then evaluated key metrics including economic, business climate and capital market indicators.

This narrowed our focus to 38 global cities which were filtered on additional metrics such as demographics, property fundamentals, geopolitical risks and Lendlease's presence in a particular market.

These cities were also reviewed from a health and safety perspective, meaning any future opportunities, irrespective of potential commercial returns, will only ever be taken on if we can commit to applying Lendlease's Global Minimum Requirements (GMRs).

The process identified an initial 17 gateway cities for us to pursue our urbanisation projects.

Playing into the breadth of Lendlease's skill set, these cities typically contain large sites ripe for regeneration and infrastructure upgrades.

We currently have a presence in 15 of our 17 gateway cities. A selection of our urbanisation projects is featured below.

AMERICAS


Clippership Wharf, Boston


Riverline, Chicago

EUROPE


Elephant & Castle, London

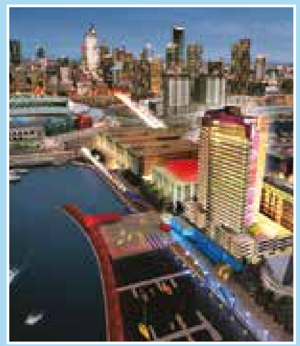

International Quarter London, Stratford

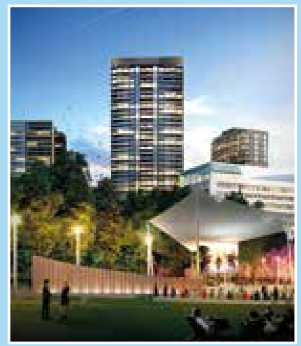
ASIA


Tun Razak Exchange Lifestyle Quarter, Kuala Lumpur


Paya Lebar Quarter, Singapore

AUSTRALIA


Victoria Harbour, Melbourne


Darling Square, Sydney

DEVELOPMENT

Financial returns for the segment are generated via Development margins, Development management fees received from external co-investors and origination fees for the facilitation of infrastructure Public Private Partnerships transactions.

Preferred bidder for the

$7 BILLION

Haringey Development Vehicle, London[1]

Our Capability

Our Development segment consists of projects split across: urbanisation, communities, retirement living and infrastructure development.

We manage the entire development process from securing land, creating masterplans, consulting with authorities and communities through to project management, sales and leasing.

Our diverse skills help us find innovative solutions that enhance existing parts of cities.

Urbanisation projects include large scale projects in gateway cities. These cities often face various challenges, such as housing undersupply, skills shortages, and the need for economic and social development. These projects create and shape city skylines and urban precincts where people want to meet, gather and spend time.

Our Communities and Retirement Living businesses have a strong presence throughout Australia. We design the masterplan and deliver an environment that provides a range of living options.

Our Infrastructure Development business has contributed to key parts of Australia's social infrastructure. We have extended our expertise into the development of telecommunications infrastructure in the Americas.

Australia

We have active urbanisation projects in four of our gateway cities. We partner with local authorities to create workplaces, residential, retail and public spaces that regenerate precincts. Our development work is showcased at Barangaroo South in Sydney. The recent completion of three new commercial office towers and our first engineered timber commercial office building, anchors a new extension to the central business district. The precinct also includes a vibrant retail offering and complementary public amenity, in addition to waterfront apartment living.

We have created more than 50 masterplanned communities over the last half century, with 16 currently in development. We design the masterplan and deliver the streetscape, open spaces and town centres to create an attractive living environment that provides access to community facilities.

We sell individual blocks of land to future residents and work with home builders to provide our customers with a total residential solution.

Our Retirement Living development pipeline, which is expected to create and upgrade thousands of units over the coming decade, is a key part of our Development segment. The units we develop will add to and enhance our existing 71 retirement villages that form part of our Investments segment. The portfolio will continue to provide unique housing options for senior residents, enabling them to maintain independent lifestyles. We also have plans to grow a continuum of care offering by developing and operating adjacent aged care facilities and/or partnering with specialist providers to manage these facilities.

Our experience in delivering social infrastructure is displayed by projects such as the recently completed International Convention Centre Sydney – a multipurpose entertainment and events venue in the heart of Sydney's Darling Harbour.

Americas

Our Development business in the Americas is focused on securing urbanisation projects in gateway cities. Residential projects are now underway in Chicago, Boston and New York where we have approximately 1,000 apartment units in delivery. Around three quarters of these units are residential rental, or multifamily product. During FY17 we secured a project in San Francisco, another of our target gateway cities.

We have entered the United States infrastructure sector with the acquisition of a mobile telecommunications tower portfolio. This acquisition will allow us to utilise our development expertise in what will be a new sector for our business in this region.

Asia

In Asia, we have a strong track record of development. This includes our major retail developments of 313@somerset and Jem in Singapore.

We are currently delivering two large mixed use projects being Paya Lebar Quarter in Singapore and Tun Razak Exchange Lifestyle Quarter in Kuala Lumpur, Malaysia. At Paya Lebar Quarter, work is well underway on three office towers, three residential towers and associated retail mall. The Tun Razak Exchange Lifestyle Quarter project went into delivery towards the end of FY17 and includes a retail mall, six residential towers, a hotel and parkland.

Europe

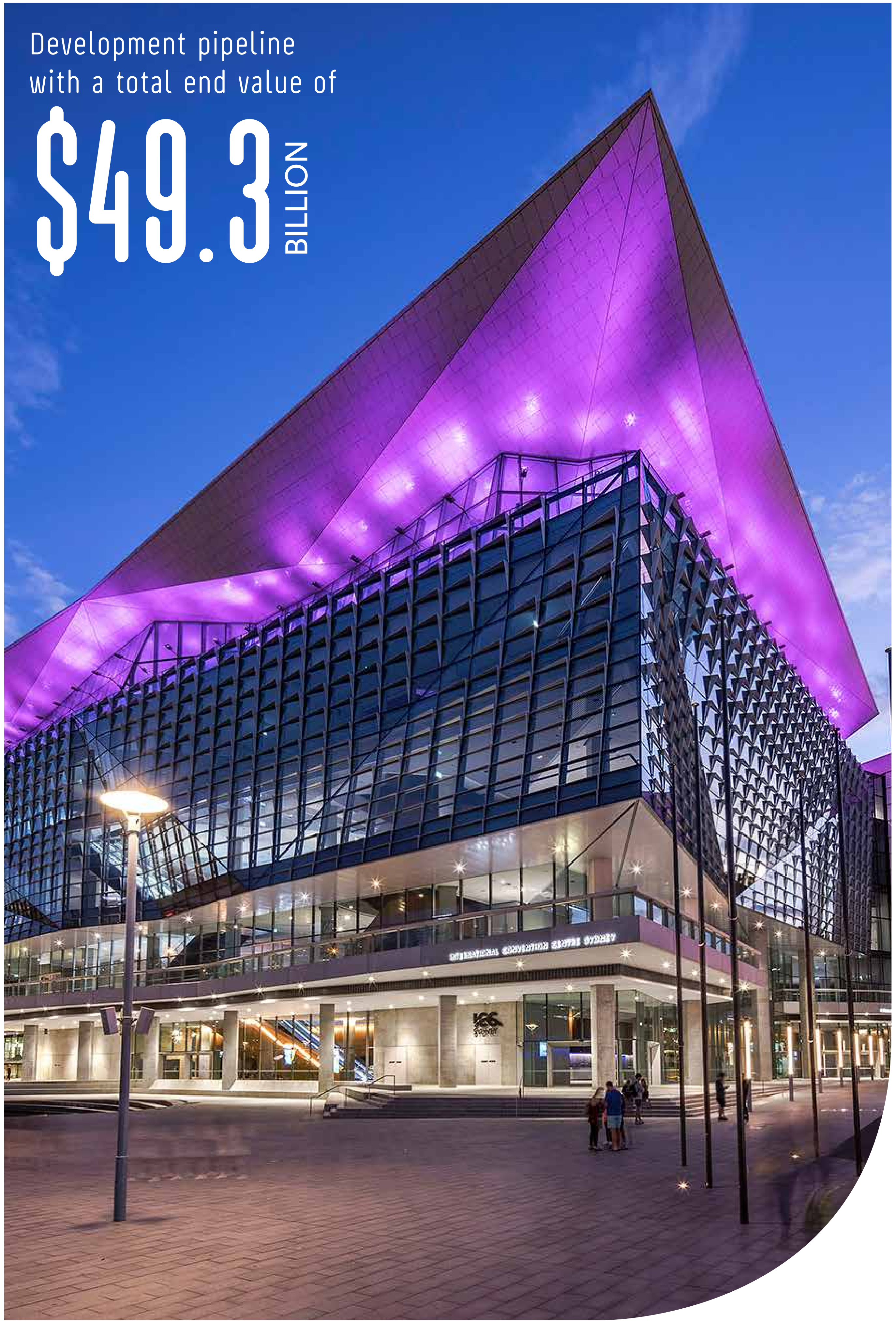
Our Development business in Europe has been operating for more than two decades.

In 1999, Lendlease transformed a former chalk quarry into the 240 acres of retail, leisure and commercial enterprise that is Bluewater shopping centre.

More than a decade later, Lendlease partnered with Southwark Council to re-develop three sites at Elephant & Castle, including Elephant Park, Trafalgar Place and One The Elephant.

Today, we have multiple projects where we are partnering with governments and local communities to create sustainable residential, commercial and retail precincts. This includes the Haringey Development Vehicle, where we were recently selected as the preferred bidder for the $7 billion project.[1]

1. The Haringey Development Vehicle is subject to contractual and financial close. Approximate number as at 30 June 2017 based on exchange rate at period end.



International Convention Centre Sydney, Sydney

CONSTRUCTION

Our Capability

Our Construction segment is well established in each of our regions. We operate primarily in the residential, office, retail, health, defence and transport sectors, and provide project management, design and construction services. In Australia, we also have extensive engineering and services capabilities.

We have delivered construction projects around the world for more than 59 years. We have been involved in the construction of some of the world's most recognisable projects such as the Sydney Opera House, National September 11 Memorial & Museum at the World Trade Center in New York, Petronas Twin Towers in Malaysia and the Athletes' Village in the United Kingdom.

Our Construction and Development businesses partner to enable the delivery of multifaceted urbanisation projects. This is where our integrated model is at its best; when our capabilities work in unison to deliver on a shared vision for a project.

Australia

Our construction capability is brought to life in the places and structures we create such as offices, retail centres, residential apartments, public buildings, roads, tunnels and railways.

We are renowned for creating many award winning places and in FY17 completed the Convention Centre, Exhibition Centre and Theatre buildings (collectively known as International Convention Centre Sydney) at Darling Harbour in New South Wales and the Sunshine Coast University Hospital in Queensland. We provide solutions for our customers by managing the design and construction of these places.

We are a specialist in the construction of civil infrastructure and asset maintenance in Australia through our engineering and services capabilities.

Transport infrastructure is our main area of expertise across road, rail and civil work including both bridges and tunnels. The Anzac Bridge and sections of the Pacific Highway are just two examples of the major projects we have delivered.

We then use our services capability to support and maintain the infrastructure and places we and others create. For example, our Services business works closely with our Engineering business on road projects and performs civil works to prepare the land for our Communities business. Our services capability extends across transport, infrastructure property, telecommunications, utilities, industrial and resources, and renewable energy.

Americas

In the Americas, we have helped cities grow with more than 3,500 construction projects completed nationwide over the past 20 years. Our execution excellence is supported by approximately 80 per cent of our Construction business being generated by repeat customers. We have been involved in some of the nation's most recognisable projects, including its tallest residential tower at 432 Park Avenue in New York.

We also secured a number of significant contracts in FY17 including the design and construction of the Jacob K. Javits Convention Center expansion in New York, which is being delivered with a joint venture partner.

Asia

Our construction capability in Asia is well established, with a presence dating back to the 1970s. We have the longest track record in Singapore, where we have delivered more than 400 projects across various sectors.

Our focus for construction in the region is now on our internal pipeline and specialist sectors for external clients such as pharmaceuticals and telecommunications. Our internal urbanisation pipeline is currently supporting our Construction business, providing approximately $680 million backlog of work to be delivered.

Europe

Our Construction business in Europe operates in both the private and public sectors.

We have an ongoing pipeline of development work that has provided construction opportunities that help to create and shape areas across the United Kingdom. This includes a new commercial district in Stratford, International Quarter London.

We have also been named the main contractor for Google's new headquarters at Kings Cross in London. This contract was awarded due to our focus on innovation, highly collaborative approach, shared values, and our perceived desire to challenge industry norms.

The financial returns for the segment are generated via project management and construction management fees, in addition to construction margin.

More than

3,500

construction projects completed in the Americas over the past 20 years

International Quarter London, Stratford

INVESTMENTS

Our Capability

Our Investments segment owns or manages investments, predominately created by the other parts of our business. Our ownership interests include the $1.5 billion of co-investments in our property and infrastructure funds, providing alignment with our capital partners. We fully own our Retirement Living business and have an equity position in our US Military Housing portfolio.

Our Investments segment also includes a wholesale investment management platform operating in Australia, Asia and Europe. We invest on behalf of pension funds, sovereign wealth funds, investment managers and insurance companies, offering approximately 150 institutional investors access to quality property and infrastructure assets.

The product we create through our urbanisation projects is a differentiator for our Investments segment. It provides us with high quality investment income and our capital partners with direct access to superior investment product. The conversion of our urbanisation pipeline is expected to underpin future growth in investment income and funds under management.

Australia

We are the largest owner, operator and developer of senior living communities, with 71 retirement villages making up our portfolio. This geographically diverse portfolio consists of 12,626 units across Australia. Our retirement development pipeline will add to this over time as completed units transition into the investment portfolio.

In 1959, we launched Lendlease's first unlisted property trust. Today, we manage a suite of wholesale funds and mandates. Most of the funds are managed across the retail and office sectors with capabilities also in industrial property and social infrastructure.

Our business model is centred on managing assets for our third party capital partners and taking co-investment positions in these assets. As our Development pipeline continues to grow, opportunities for greater investment will also emerge.

Americas

In the Americas, we have worked extensively with the Department of Defense through the Military Housing Privatisation Initiative. We have long term agreements to manage the housing on selected military bases and have an equity position in these assets. Our portfolio has grown to over 40,000 residential units and apartments and more than 12,000 hotel rooms.

We currently have approximately 850 residential for rent apartments in delivery. On completion, these apartments will provide a source of investment income and potential investment product for capital partners. This is an example of our integrated model in action; the apartments were originated by the Development segment, they are currently being delivered by our Construction segment and will provide future income opportunities for our Investments segment.

Asia

We have a strong track record of managing retail and commercial assets in Asia with more than $5 billion of funds under management. These assets are predominantly retail malls and include projects developed by Lendlease such as 313@somerset and Jem in Singapore and Setia City Mall in Malaysia.

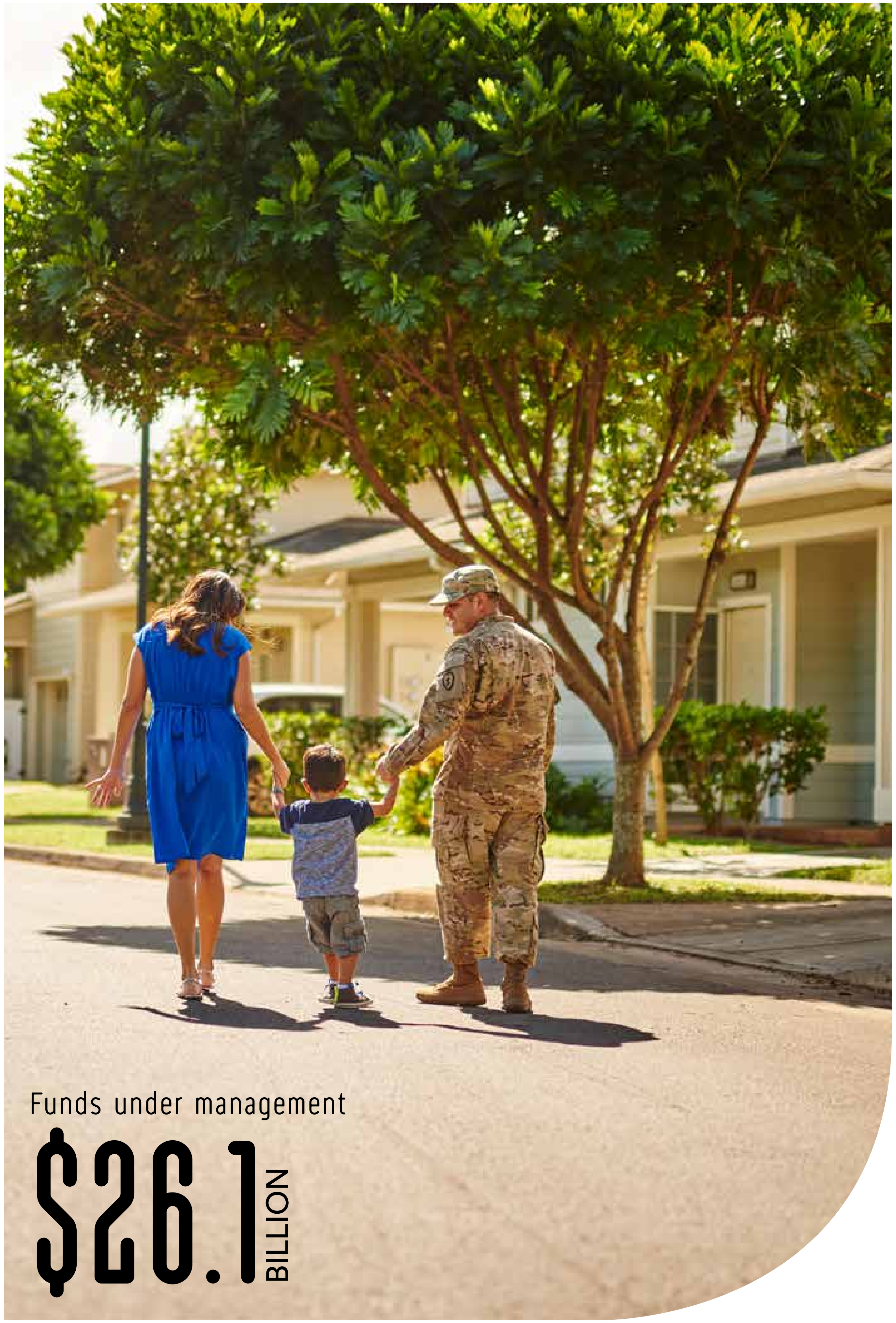
Current development projects are a potential source for future growth in investment income and funds under management. In Singapore, the office led mixed use scheme at our Paya Lebar Quarter project will provide sector diversification opportunities upon its completion. The retail mall that is now under construction at Tun Razak Exchange Lifestyle Quarter will add to our funds under management in future years.

Europe

In Europe, we manage $826.8 million in property assets via funds and separate mandates. We are exploring opportunities to leverage our integrated model to grow our Investments segment following the successful disposal of the Bluewater retail asset in 2014 and the subsequent divestment of our Private Finance Initiative investments. Creating a residential for rent product in London provides a potential opportunity for new product, with some of our urbanisation projects well suited to this emerging asset class.

Financial returns for the segment include fund and property management fees, yield and capital growth on investment positions, and returns from the Group's retirement portfolio and US Military Housing operations.

Approximately
$11 BILLION
equity raised over the past nine years



Island Palm Communities, Hawaii

CASE STUDY – ELEPHANT & CASTLE

At Lendlease, we differentiate ourselves from our peers through our integrated model, financial strength and strong track record.

The combination of our three operating segments, Development, Construction and Investments, provides a sustainable competitive advantage. Our capacity to originate, fund and deliver major urbanisation projects is what underpins our ability to drive long term securityholder value.

An example of this is Elephant & Castle in Central London. We are working in partnership with the London Borough of Southwark to deliver a $3.9 billion[1] urbanisation project across three sites: Elephant Park, Trafalgar Place and One The Elephant.

The redevelopment of these sites will breathe new life into a special part of London. To do this, we are working extensively with the Council to achieve sustainable outcomes, including at least 25 per cent affordable homes. The Elephant & Castle regeneration is one of 19 projects from across the world chosen to be part of the C40 Cities Climate Positive Development Program.

Pre redevelopment

- Legacy of large, single use buildings and traffic dominated road network
- Last redeveloped in the 1960s

The Opportunity

- Breathe new life into a special part of Central London, making Elephant & Castle one of London's most exciting places to live, work or visit

Our Approach

- Lendlease's masterplan responded to the Council's aspirations for jobs, housing, community safety, transport, education, shopping and health
- Delivery through Lendlease's integrated mixed use capabilities
- Extensive development and construction expertise
- Deep third party capital relationships

Agreement

- $3.9 billion[1] urbanisation project with Southwark Council
- 15 year development agreement
- Three sites: Elephant Park, Trafalgar Place and One The Elephant
- Approximately 3,000 homes, including at least 25 per cent affordable homes
- Shops, restaurants and community facilities
- 4.5 hectares of community space, parks, squares and gardens
- Improved public transport, pedestrian and cycle paths
- Focus on activation of place and strong links with local community

Outcomes to Date

Trafalgar Place chosen by the Mayor of London as 'London's Best New Place to Live' as part of the London Planning Awards.

Elephant & Castle has so far provided work for 817 local residents 353 of whom were previously unemployed.

A portion of the townhouses within Elephant Park will be the first new homes in Central London to be delivered to Passivhaus standard, a rigorous, voluntary standard for energy efficiency.

One of 19 projects worldwide included in C40 Cities Climate Positive Development Program.

Financial returns on the project have been in line with the expected return hurdles established at project inception.

Our Critical Incidents have reduced 83% against the prior year.

1. Approximate number as at 30 June 2017 based on exchange rate at period end.

Heygate Estate, Elephant & Castle

"Lendlease has proven itself to be a key partner for the Council, with the capability and skill set to drive the project forward and deliver our shared vision."

Eleanor Kelly, Chief Executive Officer, Southwark Council

Elephant & Castle, London
Artist impression as at 2017 (image subject to change and further design development and planning approval)

03

Pillars of Value

Paya Lebar Quarter, Singapore
Artist impression as at 2017 (image subject to change and further design development and planning approval)

PILLARS OF VALUE

At Lendlease we have determined five pillars of value that drive the long term value of our business. When our pillars of value work together, we create economic, safe and sustainable outcomes for our customers and our people.

Health & Safety Financial Our Customers Our People Sustainability

These pillars, supported by disciplined governance and risk management, drive our approach to business and delivery of long term value for our securityholders.

Innovation is part of our heritage and is embedded in our approach to business. Within the following pillars of value pages we have highlighted an innovation with a lightbulb icon.

		Material Issue	How the Pillar is Delivered	Value Created by the Pillar	How We Measure Value
Non Financial	Health & Safety	Ability to operate safely across our operations and projects. Maintaining the health and wellbeing of our employees and those who engage with our assets.	We are committed to the safety of our people. Through our Global Minimum Requirements (GMRs) we operate to a consistent standard across all of our operations. These GMRs extend not only to physical safety but also to people's health and wellbeing.	Operating safely helps people feel valued and cared for, but fundamentally makes us more consistent, more reliable and more efficient in everything we do.	**Percentage of projects with no critical incidents:** A critical incident is an event that had the potential to cause death or permanent disability. This is an indicator unique to Lendlease. **Lost Time Injury Frequency Rate:** An indicator and industry standard measuring a workplace injury which prevents a worker from returning to duties the next day.
Financial	Financial	Delivering securityholder returns. Maintaining strong capital management to enable investment in our future pipeline.	We deliver returns to our securityholders and adopt a prudent approach to capital management with a view to maintaining a strong balance sheet position throughout market cycles.	Margins, fees and ownership returns across Development, Construction and Investments. Our Portfolio Management Framework sets target guidelines for how we manage our portfolio.	**Return on Equity:** The annual Profit after Tax attributable to securityholders divided by the arithmetic average of beginning, half year and year end securityholders' equity. **Earnings per Security:** Profit after Tax attributable to securityholders divided by the weighted average number of securities on issue during the year.
Non Financial	Our Customers	Understanding our customers and responding to changes in the market. Ability to deliver customer driven solutions.	A bottom up, top down customer framework is applied at the local level. A consistent international framework which focuses on listening, understanding, acting and measuring our customers' satisfaction.	Improved accountability at an individual level to deliver a satisfied customer, enabling us to win more work. By obtaining feedback from our customers, we gain learning opportunities, to inspire future innovative customer solutions.	We measure customer satisfaction at the regional and business unit level. It is proposed that in FY18 our businesses will measure their level of customer satisfaction through an advocacy score.
	Our People	Ability to attract and retain the best people. Ensuring we have the right capability across the organisation.	We attract, nurture and retain the best people by building a culture of collaboration and continuous learning, where successes are recognised and people are rewarded.	Engaged, capable and motivated people are more productive and more committed to the long term success of our business.	**Employee engagement score:** Demonstrates overall employee satisfaction across our business. **Percentage of women in Senior Executive positions:** Demonstrates our ongoing commitment to increasing female representation across our business.
	Sustainability	Ability to manage and optimise our sustainability performance through delivering economical, social and environmentally sustainable outcomes.	We are committed to creating the best places and a sustainable future for people. We see these things as being mutually inclusive of each other and so consider environmental, social and economic outcomes throughout our lifecycle. Sustainability is one enabler of the best places and central to our overall approach of creating shared value.	Recognised leadership in sustainability enhances our brand and is a competitive differentiator. Being sustainable means we win work and we attract capital from investors with Environmental, Social and Governance (ESG) mandates.	**2020 targets:** Meaningful progress against our 20 per cent by 2020 reduction targets for energy, water and waste. **Total development pipeline targeting green certification:** Demonstrates our commitment to green building across our total development pipeline.

Governance: Our disciplined approach to governance aligns decision making to strategy. This includes strong risk management to proactively manage and address risks.

HEALTH & SAFETY

We are committed to the health and safety of our people. This means we focus on maintaining the health and wellbeing of our people and those who engage with our assets.

Introduced biometric site access controls via facial recognition at Paya Lebar Quarter in Singapore to help us manage worker fatigue, track training and competence.

Safety Incidents

It is with great sadness that we report the first corporate reportable fatalities on our operations in more than four years. The first event claimed the life of a plant maintenance mechanic working for a subcontractor appointed by the Principal Contractor on a Lendlease development project in Queensland.

The second event occurred when a Lendlease employee was conducting work on a reticulated water system for our Engineering business in New South Wales. These events provided tragic reminders of why we must continue to pursue our uncompromising approach to safety.

Our Approach to Health and Safety

These tragic events have given rise to a re-examination of our overall approach to health and safety. Since 2015, our focus has been on the management of Critical Risk Events, as outlined in our Global Minimum Requirements (GMRs). Following this review, we have re-confirmed that the GMRs remain the foundation to our overall approach to health and safety.

For the coming year we will focus on:

- Consistent application of the relevant GMR controls and performance standards.
- A proactive risk management culture to provide people with the opportunity to pause and reflect, think about the decisions they are about to make, or the activity they are about to undertake, and seek to identify the worst thing that could occur.

This 'dual action' approach will require a commitment, by both our people and our supply chain, to embrace and apply this in equal measure, across the full lifecycle of what we do.

In FY17, we have seen the rollout of mobility based technology for reporting incidents and observations, completing inspections, and providing access to GMR related information and other important documents whilst in the field. Efficiencies gained from the rollout include significant time saving, a shift away from burdensome paper based systems and an increase in the amount of safety observations recorded (covering both 'safe' and 'at risk' scenarios) across our operations – data that is critical in helping us to better understand and manage our exposure to critical risk.

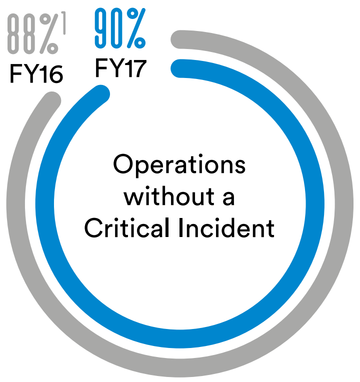
By reducing the need for burdensome process, we have enabled our people to remain focused on being proactive and adopting our risk management culture.

Notwithstanding the two tragic incidents that occurred during FY17, our frequency rate for both Critical Incidents and Lost Time Injuries decreased across the Group by 26 per cent and 11 per cent respectively.

What this financial year has sadly brought home to us is, that despite the significant efforts put in, by both our people and those from our supply chain, in keeping people safe, there is always the need and the opportunity to do more.

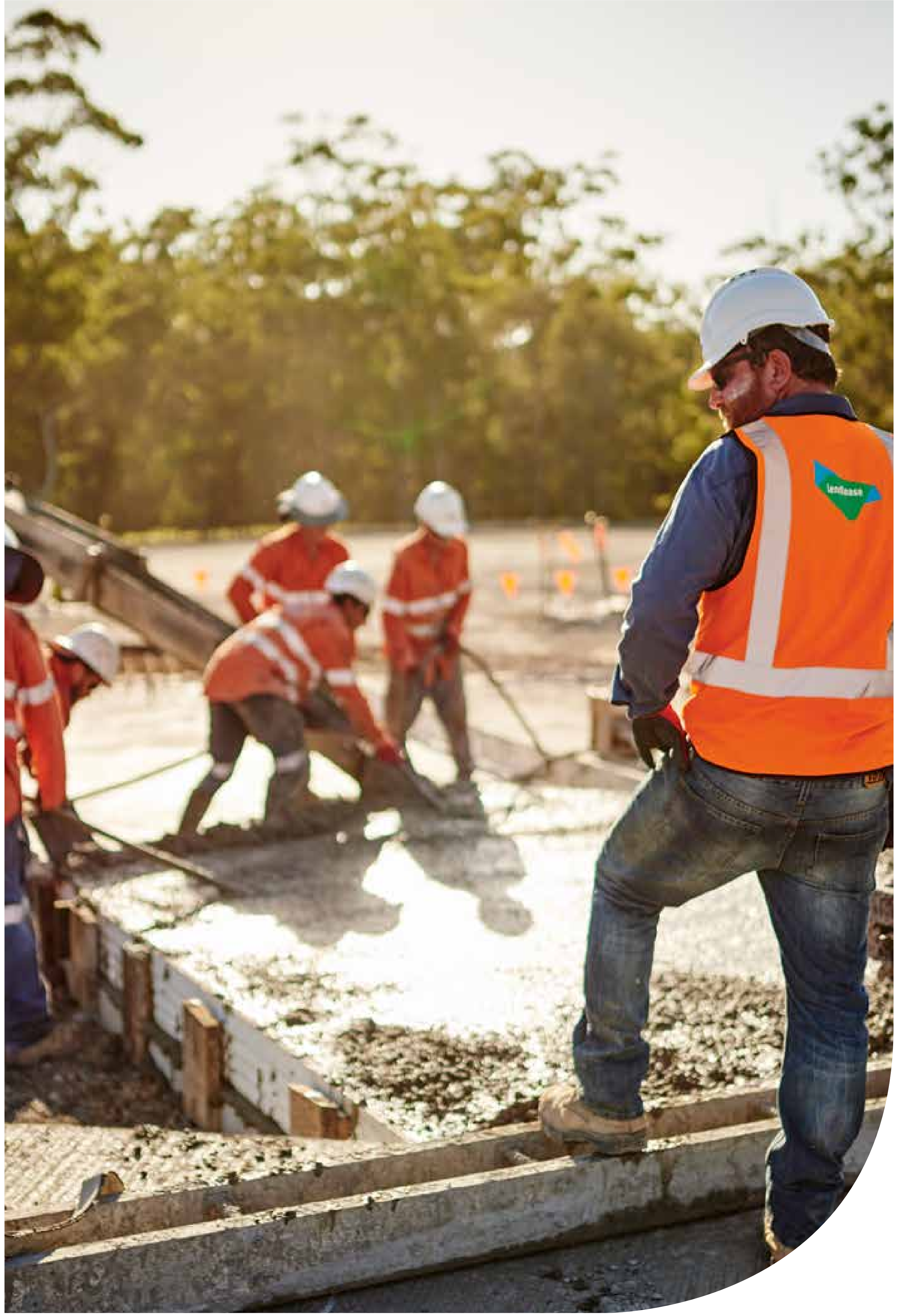
This year has been a sobering reminder of why safety must always remain our number one priority and why we must strive to eliminate all incidents and injuries from across all of our sites.

Key Performance Highlights



Group Lost Time Injury Frequency Rate

1. Method to calculate percentage of operations for FY16 has been restated to reflect updated management information and methodology used for FY17.
2. A critical incident is an event that had the potential to cause death or permanent disability. This is an indicator unique to Lendlease.



Pacific Highway, Nambucca to Urunga

FINANCIAL

A strong balance sheet and access to third party capital enables Lendlease to fund the execution of its pipeline and deliver quality earnings.

We introduced our refreshed Portfolio Management Framework in FY17.

Our Approach to Financial Performance

Our Development, Construction and Investments businesses with operations in Australia, Asia, the Americas and Europe are supported by a disciplined governance framework and the Portfolio Management Framework introduced during FY17. We generate earnings for our securityholders and deliver value for our customers through these businesses in their own right.

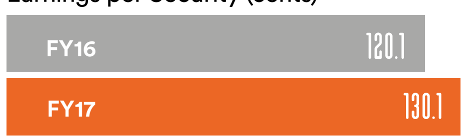
When these businesses combine and leverage the competitive advantage of our integrated model, value can be enhanced for our securityholders, delivery partners and the community. Award winning and innovative design excellence, creation of better public places, integrated transport solutions and superior sustainable solutions are some of the key value creators Lendlease delivers for its stakeholders.

Financial Strategy

During the year, the Group introduced a refreshed Portfolio Management Framework. This is the core of our financial strategy and is designed to work with the strategic framework of 'Focus & Grow'. The framework sets target guidelines and is designed to:

- Maximise long term securityholder value through a well diversified, risk adjusted portfolio;
- Leverage the competitive advantage of our integrated model;
- Optimise our business relative to the outlook for our markets on a long term basis; and
- Provide financial strength to execute our strategy and maintain a strong financial profile with flexibility to withstand shocks.

Key Performance Highlights



How We Measure Financial Performance

When measuring financial performance, we focus on Return on Equity and Earnings per Security to measure the returns we achieve for our securityholders.

The Portfolio Management Framework outlines target returns at a segment level. These returns are used to derive a Return on Equity target within the 10 to 14 per cent range and Earnings per Security used to make distributions within the 40 to 60 per cent payout ratio target.

Detailed Financial Performance & Outlook

For more detailed information on our Portfolio Management Framework and FY17 performance, refer to Performance & Outlook on pages 64 to 75 and the financial statements on pages 126 to 183.

Portfolio Management Framework Summary

1. Through-cycle target based on rolling three to five year timeline.
2. Gearing definition: Net debt to total tangible assets less cash.

Paya Lebar Quarter, Singapore
Artist impression as at 2017 (image subject to change and further design development and planning approval)

OUR CUSTOMERS

Our approach to the Darling Harbour Regeneration was an Integrated approach between Public Private Partnership and Property enabling a differentiated product for our customers.

We adopt a collaborative approach to our relationships, delivering high quality products and services that respond to our customers' needs. Satisfied customers drive long term value.

Customer Snapshot[1]

APPROXIMATELY **280 MILLION** RETAIL VISITORS ANNUALLY

MILITARY HOUSING FOR APPROXIMATELY **125,000** RESIDENTS IN THE UNITED STATES

APPROXIMATELY **430,000** RESIDENTS ACROSS APARTMENTS AND COMMUNITIES[2]

APPROXIMATELY **150** GLOBAL INSTITUTIONAL CAPITAL PARTNERS

APPROXIMATELY **16,000** RETIREMENT LIVING RESIDENTS

Darling Harbour Regeneration – a Public Private Partnership with the New South Wales (NSW) State Government Case Study

The Brief:

The NSW Government saw the redevelopment of this 20 hectare precinct at Darling Harbour as a once in a generation opportunity for all of Sydney and NSW. The existing convention, exhibition and entertainment facilities were state of the art when they were developed in the 1980s. But the industry has shifted since then – delegates want a different kind of conference, more flexible spaces and better technology.

The project involved the redevelopment of the Sydney Convention and Exhibition Centre, the Sydney Entertainment Centre, car park and surrounding public realm with the aim of creating an integrated and world class convention, exhibition and entertainment precinct.

Our Solution:

At the bid stage we assembled a consortium of industry leaders to form Darling Harbour Live which featured: Lendlease, AEG Ogden and Spotless. We worked closely with Government, who procured the International Convention Centre Sydney using an output focused approach where it specified the minimum performance requirements at a high level, enabling maximum flexibility in how the market responded.

This enabled Lendlease to tailor our proposal to not only meet the Government's minimum requirements but deliver significant additional community amenity and renewal from the project for the Darling Harbour precinct.

Through leveraging the benefits of our integrated model, with work being done by our Development, Construction and Investments businesses, we were able to deliver the State Government's vision.

"This is the biggest and most exciting change to Darling Harbour in 25 years. International Convention Centre Sydney will reinstate Sydney as the one of the world's premier business events destinations, boosting the economy by at least $200 million each year."

Minister for Transport and Infrastructure, Andrew Constance

International Convention Centre Sydney, International Exhibition Centre

1. As at 30 June 2017. Internal data capture, not audited.
2. An estimate of current and future residents based on our projects to date and existing pipeline.

Island Palm Communities Case Study

The Brief:

A US$2.0 billion, 12 year initial development and an additional US$5.0 billion over the remaining 38 year project term, Island Palm Communities (IPC) is the largest Military Housing Privatisation Initiative (MHPI) project awarded by the Army. Energy costs in Hawaii are among the highest in the nation, and powering a community of what will be nearly 8,000 families poses a great risk to the financial health of the community. With an energy bill that was nearly US$30 million a year, more than a third of the annual operating expenses, an innovative solution was needed.

Our Solution:

In the early stages of the project, a planned five megawatt thin film rooftop Photovoltaic (PV) system earned IPC the reputation of being one of the largest solar powered communities in the world. Never satisfied by the status quo, we continued to work with solar energy providers and our partner to enhance our PV program. Today, we are on track to install systems with a capacity in excess of 20 megawatts, which will save our project approximately US$174 million over the system's life.

The Building Energy Management System (BEMS) which was installed in homes, will control our mechanical and hot water heating systems to create efficiencies and utilises smart technology to provide real time energy data to residents.

"We're pleased to work with a partner that continues to pursue and test new technologies – offering solutions to reduce energy consumption in our communities. Enhancing energy efficiency is an important mandate of the Department of Defense, and we value programs that can assist us in achieving our energy reduction goals across Garrison operations."

Colonel Stephen Dawson, Commander, United States Army Garrison, Hawaii.

Island Palm Communities, Hawaii

OUR PEOPLE

Lendlease's people are the greatest contributors to our success and underpin our ability to deliver our vision to create the best places.

In FY17

66%

of employees around the world took wellbeing leave.

Our Approach to People

At Lendlease we believe an inclusive work environment inspires employees to perform better which drives business growth. We further support our people by providing learning and development opportunities, which lead to higher performance and future career progression and we recognise and reward exceptional achievements.

Employee Wellbeing

We believe in taking care of our employees, supporting their physical and mental wellbeing through our focus on healthier minds, bodies, places and cultures.

We offer eligible employees industry leading wellbeing leave which encourages them to take a proactive and preventative approach to their own health. In FY17, 66 per cent of our employees around the world took wellbeing leave.

Whilst we have a holistic approach to health and wellbeing, mental health has been a growing area of focus. Mental Health First Aid training has become a cornerstone of these efforts with over 950 of our employees trained around the world to be competent in mental health first aid.

Understanding our Workforce

We review our workforce as part of the strategic business planning and review process. We continue to invest in growing our core capabilities of project management and property development through active talent management and targeted employee development.

We recognise that the availability of professional development opportunities significantly enhances employee engagement and retention, and provides appropriate talent pools for management and executive management succession planning.

We have continued to grow our pipeline of successors for key roles and have increased the number of females in our succession pool.

Diversity & Inclusion

Diversity and inclusion is at its best when people encourage difference, but work together. We embrace this by sourcing talent from diverse backgrounds, skills and experiences which creates diversity of thought and innovative solutions for our customers.

Our Diversity & Inclusion strategy focuses on: flexible work, inclusive leadership and gender equity.

We encourage flexible working at Lendlease. It is a key enabler for diverse talent and provides an attractive and inclusive place to work. This year we have focused on key initiatives to increase access to flexible working arrangements on our construction sites.

We are committed to a level playing field, giving men and women the same chance to succeed. It means we address any potential imbalances in benefits available to men and women.

For the year ended 30 June 2017:

- Two out of our 10 Non Executive Directors are female;
- At a senior management level, three members of our Global Leadership Team are female; and
- 31 per cent of our employees are women and Lendlease has again been recognised as an Employer of Choice for Gender Equality by the Australian Workplace Gender Equality Agency.

For the sixth year running, we have been recognised as a top employer in the Australian Workplace Equality Index for Lesbian, Gay, Bi-sexual, Transgender and Intersex (LGBTI) inclusion.

We are developing a new approach to measuring employee engagement and as a result of this change we did not conduct an employee engagement survey in 2017.

Key Performance Highlights

Senior Executive positions held by women[1]

For the sixth year running, we have been recognised as a top employer in the Australian Workplace Equality Index for Lesbian, Gay, Bi-sexual, Transgender and Intersex (LGBTI) inclusion.

1. Employees who hold a position at Executive level according to the Lendlease Career Job Framework. This generally includes Regional Business Unit Heads, Regional Function Heads and in some cases, direct reports to Global Function Heads.

SUSTAINABILITY

Cross Laminated Timber (CLT) at International House Sydney has a

40%

decrease in embodied carbon when compared with traditional construction materials.

Sustainability is about enabling the creation of the best places and meeting future needs of people. Globally, capital investors, policy makers and communities are seeking trusted partners who can deliver efficient, healthy, resilient, culturally and socially inclusive outcomes which deliver long term value.

Our Approach to Sustainability

We remain committed to managing and optimising our sustainability contribution and performance through delivering economic, social and environmentally responsible outcomes.

Our Sustainability Framework introduced in 2014 can be split into the following areas:

1. Climate Change and the Environment
2. Healthy Buildings and Communities
3. Resilient and Affordable Communities
4. Community Engagement

1. Climate Change and the Environment

We aim to eliminate waste from our business, use clean energy and use it wisely, create more clean water than we use, and continue to respect the value of nature.

To measure our progress, we are pleased to report meaningful progress against our 20 per cent by 2020 reduction targets for energy, water and waste. We also have the aim that all the buildings and communities we produce and operate are independently rated as achieving green building status. We are designing and building places with lighter environmental footprints by using more renewable energy and materials with lower energy impacts.

Recently, some of our projects have been built using materials with a low environmental impact, including Engineered Timber and Low Carbon Concrete, where appropriate. This form of smart and environmentally responsive construction was seen at International House Sydney. Cross Laminated Timber (CLT) provides approximately half the waste in construction when compared to traditional techniques and a safer and quieter construction environment, with lower community impact, as a result of smart construction and supply chain innovation.

In FY17, we have used less energy and water, produced less waste, as well as promoted environmental efficiency and awareness.

2. Healthy Buildings and Communities

We are working toward built environments that have a positive impact on people's health and wellness. Globally, there is a wellness and mobility transformation in the built environment, meaning the buildings and communities we create need to respond by delivering healthier outcomes for the people who use them. This includes an ongoing focus on designing for indoor environment quality, as well as innovating through procurement and operating policies and procedures.

International Towers Sydney at Barangaroo South is undertaking Performance Verification for Core and Shell certification under the WELL Building Standard, the first project globally to do so. Our own tenancy at Barangaroo South in Australia is targeting WELL Platinum for its fit out.

On our urbanisation projects around the world, we will continue to strive for healthier outcomes for residents and customers.

3. Resilient and Affordable Communities

We believe integrating environmental and social value helps us with our aspiration of creating the best places for people now and into the future.

As a signatory to the United Nations Global Compact, we remain committed to the continuous improvement of our operations. We are also focusing on our value chain in the areas of human rights, the environment, anti corruption and responsible labour practices.

We are also investing in skilling and training programs for our people and subcontracted workforce to create an adaptive capacity and to attract the best people, as well as developing socially inclusive developments and communities.

20% reduction by 2020[1] (against FY14 baseline)

FY17 **18%** ENERGY REDUCTION

FY17 **6%** WATER REDUCTION

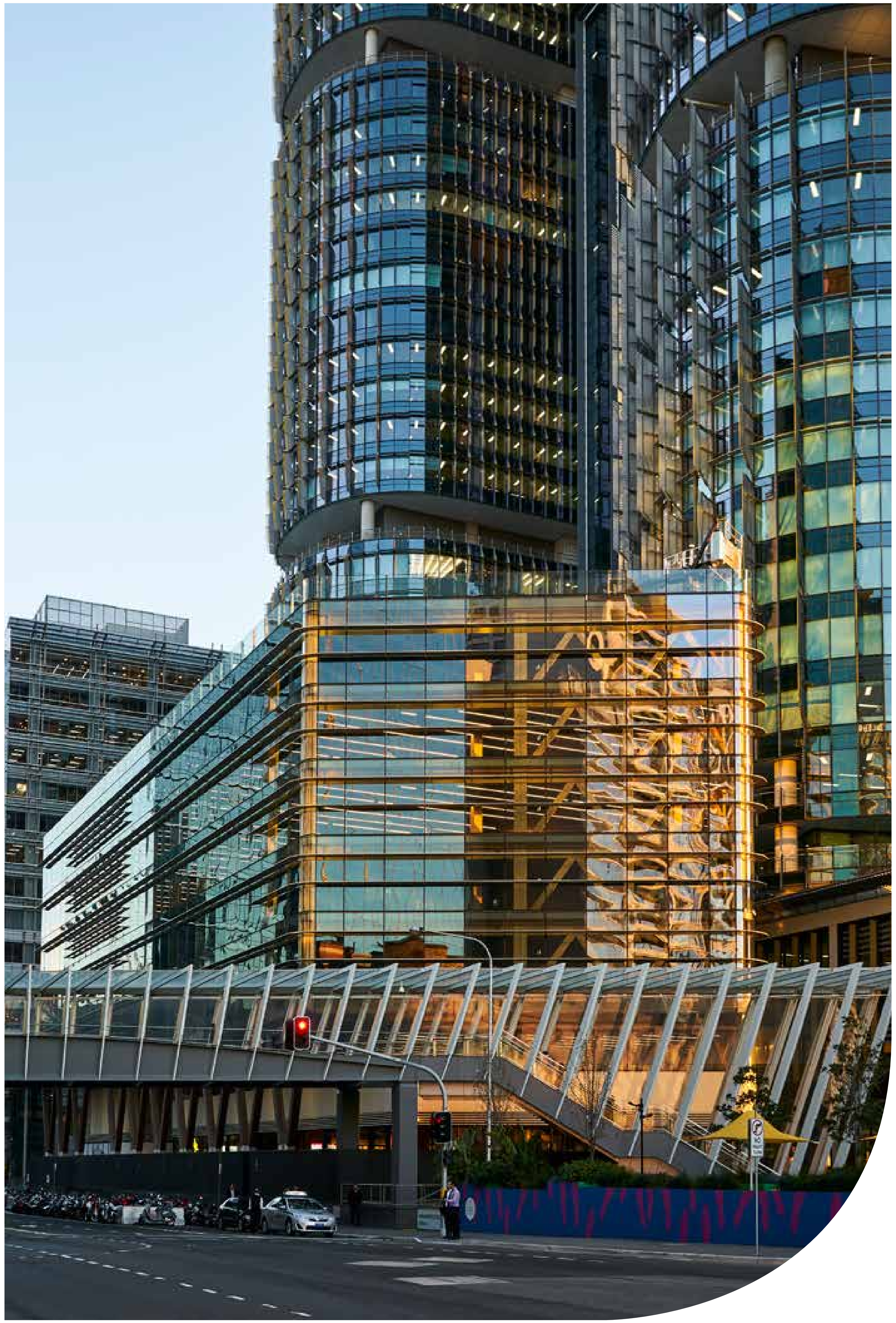
FY17 **15%** WASTE REDUCTION

98% FY16

98% FY17

Total development pipeline achieved or targeting green certification

1. The above performance is as at March 2017 and is a cumulative measure. Full FY17 performance will be subjected to Limited Assurance by KPMG and be available on www.lendlease.com in October 2017.



International House Sydney, Sydney

Sustainability – Community Engagement

4. Community Engagement

The Growth in Social Impact Assessment

Community creation and social value are at the heart of our approach to sustainability, along with the understanding of how to direct our efforts and measure our impact. When Lendlease's pillar of values are deployed, we create the best places that offer economic, safe and sustainable outcomes for our customers, our communities, our people and our securityholders.

Whilst this aspect of creating the best places has long been a part of the way we do business, it is an area of focus that has rapidly emerged as a priority for our customers and end users, as evidenced in several major bids undertaken in FY17.

The Haringey Development Vehicle, London, where Lendlease has preferred bidder status, was a clear demonstration of this shift in customer focus, with the local authority allocating a 20 per cent weighting to the social value creation and community investment dimensions of the bid assessment process. This significant weighting acknowledged the project's vision based on the principle that social and economic benefits, as well as growth in new homes and jobs, are essential to the future of the borough.

Internal Expertise

Recognising the growth in demand for more tangible social impact evaluation and the ability to better design, forecast and quantify social value creation, we have developed in house expertise to undertake social impact measurement for programs, projects and bids across the organisation. Social Impact Measurement or Social Return on Investment (SROI) enables us to capture the outcomes and value beyond the traditional balance sheet.

Skilling and Training

We have a long and strong tradition of skilling and training our workforce and supporting the communities in which we have a presence through improved education and employment opportunities. This year was no exception, with our commitment to skilling and training evident around the world.

Barangaroo Skills Exchange (BSX)

In Sydney, the Barangaroo Skills Exchange (BSX) has delivered skills training to 10,872[1] site workers to date. It was established to provide significant skilling and training to onsite workers for the construction of Barangaroo South.

The SROI evaluation estimates the BSX has created over $78.5 million[2] in socio-economic value for all stakeholders during the three years of operation (2013-2015). For every $1 invested in the program, $11.76 net additional social and economic benefit was generated.[3]

Since its inception, we have delivered 113,306 total learning outcomes and 20,387[1] new accredited skills qualifications. 26,003[4] students are currently learning about the project, including safety leadership training, basic digital literacy, construction trades and skill sets.

More Milestones at Our Skilling & Employment Centre in St Marys

Since 2005, the Skilling & Employment Centre has assisted more than 4,500 people to achieve jobs. 1,600 people have undertaken skilling courses that support job readiness in the areas of: construction, first aid, computer skills, networking, resume preparation, and interview techniques.

Safety Supervisor Apprenticeship Program (SSAP) in Malaysia

In collaboration with Malaysia's, Construction Industry Development Board (CIDB), we developed the Safety Supervisor Apprenticeship Program (SSAP). As the first formal apprenticeship collaboration between the public and private sectors in Malaysia, the program focuses on the safety needs of the construction industry.

The structured program provides industry recognised training (encompassing both theoretical and onsite training components) through an integrated approach by Lendlease and CIDB. Apprentices who successfully complete the SSAP will receive a formal CIDB and Lendlease SSAP qualification. The successful completion also earns the trainee various certifications from the Department of Occupational Safety and Health (DOSH) and National Institute of Occupational Safety.

Training Academy at Paya Lebar Quarter

At Paya Lebar Quarter, we aimed to raise the bar in worker engagement and set new standards for the construction industry in Singapore. To do this, we introduced the Training Academy. Open to all workers, the daily courses covered low risk awareness and high risk tolerance topics including Frontline Leaders, Incident & Injury Free and Cranes & Lifting. With over 25,500 hours completed in FY17, new standards for worker competency have been established in the Singapore construction market.

Southwark Construction Skills Centre at Elephant Park

We were proud to open the Southwark Construction Skills Centre at Elephant Park on 8 September 2016. The Centre is a partnership between Lendlease and Southwark Council and aims to train up to 1,000 people each year. The skills centre is made up of seven modular buildings located at the entrance to the Elephant Park site and includes classrooms, a building workshop and an outdoor training yard.

1. Data collected and reported by TAFE NSW.
2. Barangaroo Skills Exchange Social Return on Investment Analysis Summary Highlights. Assured by Social Value International.
3. Barangaroo Skills Exchange Social Return on Investment Analysis Summary Highlights.
4. Internal data capture not audited.

Lendlease Foundation Springboard Social Return on Investment Case Study

Springboard is a five day personal development experience for our employees that incorporates a highly interactive and rewarding volunteering component.

This year, in addition to the usual pre and post program survey feedback, a Social Return on Investment (SROI) assessment was undertaken on the Springboard program, for the period of FY14 to FY16. The assessment evaluated the social value created for key stakeholders of the program.

The SROI Report documents a social return on investment ratio of: $1: $3.60. For every $1 invested: Springboard created $3.60 of social and economic value.[1]

Much of the value is created for our employees who attend the program, through personal and professional development, as well as cultural awareness. However, Springboard also creates value for Lendlease through employee retention, wellbeing and driving connections across the international business. In the Tasman Peninsula, community youth and adult volunteers were also found to benefit from improved intergenerational communication and social bonds, with the local businesses experiencing a direct economic benefit from Springboard's investment in the region.

1. The Report has been independently verified, having received a Statement of Report Assurance from Social Value International in February 2017.

Sustainability – Community Engagement

Lendlease Foundation

Community engagement is critical to informing what is valued by the people in the places we create, just as progressive and active community partnerships are essential to helping us deliver and scale that value, to create meaningful and sustained social impact. For more than 30 years, the Lendlease Foundation, has provided an important vehicle for the Company to realise its community engagement and partnership objectives.

Two of Lendlease Foundation's leading programs are Community Day and Springboard, which together with a range of other fresh ideas, programs and partnerships are all helping to shape our social impact agenda and bring health and happiness not only to our employees, but to their families and the communities where we live and work.

Community Day

This year, over 5,000 people participated in Community Day across 262 projects, around the world. Our projects ranged from renovating buildings for those struggling with homelessness or domestic violence, to restoring important green spaces, and assisting children with special needs. This annual international event, is an opportunity for our employees to work alongside their colleagues, community partners, families and suppliers.

Springboard

Springboard is one of Lendlease Foundation's flagship programs and is unique to Lendlease. Each year, approximately 250 employees from around the world have the chance to participate in this intensive five day personal development experience, structured to help employees deal with personal change, explore hidden potential, develop greater confidence and self awareness and live a more sustainable life. The program is also designed to generate a positive legacy for our community partners by offering a highly interactive and rewarding volunteering and community engagement component to the Springboard experience. FY17 was the third year the program has taken place in the Tasman Peninsula community of Tasmania, Australia, with a continued commitment in place until the end of FY18.

Recognising Volunteering Efforts through Community Grants

Volunteering our time and skills positively impacts both us and our communities. To recognise and reward the volunteering efforts of our employees, Lendlease Foundation runs Community Grants programs around the world to aid charities and communities in which our employees volunteer their time. In the Australian region this year, 20 community groups were given a much needed financial boost for addressing community need in one or more of the following areas:

- Community development
- Diversity & Inclusion
- Skilling, training and employment
- Health & Wellbeing

Addressing Community Challenges in the Americas

The Lendlease (US) Community Fund (LLCF) is a non profit organisation that focuses its efforts on supporting military men and women who live in homes or stay in hotels Lendlease has built, as well as supporting the communities where Lendlease employees work and live.

LLCF supports community growth and development by funding projects that address community challenges in the areas of housing, education, health, economic development and environmental sustainability, and creates or supports programming that improves the quality of life for military families.

In partnership with Lendlease's Privatisation of Army Lodging (PAL) program, LLCF has contributed nearly $60,000 to various causes at PAL installations to date.

Environment at the Centre of Paya Lebar Quarter's Community Creation

Originally from India, the Banyan tree received its name from the Baniyas (or Indian traders) who sat below the tree's valuable shelter conducting their business. Village meetings and other useful community gatherings would also take place in its shade.

In Singapore, as part of the Paya Lebar Quarter (PLQ) project, a series of initiatives are underway to create an active, green and engaged community. One such initiative, called Project Banyan, is aimed at respecting the life of a Banyan tree located on the site by giving it a new lease of life in the Paya Lebar community.

This initiative involves cultivating cuttings from the original Banyan tree to be cared for by the project team and community until PLQ is completed. At least 20 of the saplings will be grown and nurtured at the PLQ site offices, with the best Banyan sapling to be replanted in the new public realm and the remaining saplings to be gifted back to the local community.

Enterprise Educational Workshops in the United Kingdom

Our business in Europe has demonstrated its commitment to education and the local community through collaboration with Enabling Enterprise. To date, the engagement has seen the United Kingdom business welcome more than 200 primary school students to over 10 educational workshops at our offices or project sites.

The workshops involve our employees sharing their expertise to coach the children through a series of exciting activities that mimic the processes of design, costing materials, construction and pitching for investment – all of which highlight the roles of numeracy and literacy in the working world. The program is aimed at inspiring the students, feeding their inquisitive minds, challenging their thoughts and driving creativity and innovation.

Community Day 2016

Community Grants recipients, Camp Quality Queensland

Sustainability – Community Engagement

Reconciliation Action Plan

Our vision for reconciliation remains one that drives all our employees to acknowledge and celebrate the proud heritage of Australia's First Peoples and promotes opportunities for career development, sustainable business growth and economic participation of Aboriginal and Torres Strait Islander Australians.

Our second Reconciliation Action Plan (RAP), 'Building Respect: Past, Present, Future 2016 – 2018', was launched in November 2016. The RAP has achieved an 'Elevate' status by Reconciliation Australia, positioning Lendlease within the elite group of leaders driving reconciliation in our sector. Lendlease is one of 20[1] corporate organisations in Australia to achieve this level of leadership, recognising our willingness to significantly invest in reconciliation.

The RAP identifies how, by providing sustainable opportunities in education, employment and business for Aboriginal and Torres Strait Islander people, the economic benefits flow both ways. As a builder, developer and manager of assets all over Australia, we also recognise the importance of engaging with the traditional owners and custodians of the land to incorporate Indigenous culture, heritage and values at the heart of these assets.

Our Elevate RAP builds upon our key learnings through the opportunities and successes since we released our first RAP in 2011.

With Australian Federal and State Governments increasingly specifying mandatory Indigenous employment, training and economic participation targets as part of their Indigenous Participation Policies for procurement, and with financial penalties for non compliance, our approach provides us with an opportunity to meet our obligations in this area. At the same time, we are working to build capacity in the industry to respond and 'raise the bar'.

'Building Respect: Past, Present, Future 2016 – 2018' features a clear set of goals applying to all our Australian operations:

1. All Lendlease employees in Australia will be invited to participate in cultural awareness and engagement learning.

- We are advanced in delivering face to face learning, and we are working towards achieving our 2018 goal of providing 100 per cent of Australian employees with cultural learning experiences through online and immersion opportunities.
- We have supported the development of Arrilla Digital, an online cultural awareness and learning platform that will be made available to all Australian employees to provide a baseline of cultural understanding.

2. We will increase the number of Aboriginal and Torres Strait Islander employees in our Australian business.

- Approximately two per cent of all Lendlease Australian employees are Indigenous.
- We have four formal partnerships with organisations that work to improve attendance and completion rates of young Indigenous people at school, university and other further education institutions. This will help us to create a future pipeline of Indigenous Lendlease employees.

3. We will increase procurement from, and support the development of, Aboriginal and Torres Strait Islander businesses in Australia.

- Lendlease was announced as a finalist in two categories of the 2017 Supply Nation National Indigenous Procurement Awards – Corporate Partner of the Year and Procurement Professional of the Year.
- Procurement from certified Indigenous business (products and services) was in excess of $26 million in FY17.

Gymea Bringing RAP to Life

We have developed and are beginning to implement the Gymea strategy, where a cohort of prequalified Indigenous suppliers will be strategically aligned to Lendlease business units to drive contract opportunities to increase capacity and grow these businesses over a five year timeframe.

CareerTrackers

CareerTrackers is a national not for profit organisation that creates internship opportunities for Indigenous university students.

We have had 74 CareerTrackers interns working across our Lendlease businesses since 2011. Of these interns, eight have completed their studies and converted to full time employment at Lendlease, 16 are currently working casually whilst studying and 10 have secured a place on the 2018 Graduate Program.

Bourke NSW Aboriginal Community

We are working with the Bourke NSW Aboriginal Community as part of a collective collaboration, including the participation and support of the NSW Government, to prove that a justice reinvestment approach can prevent more young Aboriginal people from entering the justice system.

The project aims to reduce the $4 million annual cost to the NSW Government by incarcerating fewer young people from Bourke.

1. As at 30 June 2017.

Gymea Indigenous Suppliers

Barangaroo Street Fair 2016

04

Risk

Lendlease's Nashville office, Nashville

RISK GOVERNANCE AND MANAGEMENT

Lendlease has an overarching and multi layered approach to the identification, management and mitigation of external, corporate and operational risk to support our five pillars of value.

The Lendlease risk management approach recognises the nature and level of risk that the Company is willing to accept to achieve its strategic goals and key performance targets to create securityholder value.

The objectives of our approach to risk management include:

- Ensuring that there is alignment of Board and management to drive informed and consistent decision making;
- Effective and efficient allocation of capital and resources;
- Providing a clear understanding of risk limits and where zero tolerance applies;
- Providing context for the identification, reporting and management of risks;
- Creating a workplace culture of risk awareness.

Risk awareness, improvement and governance are key elements of the Lendlease approach.

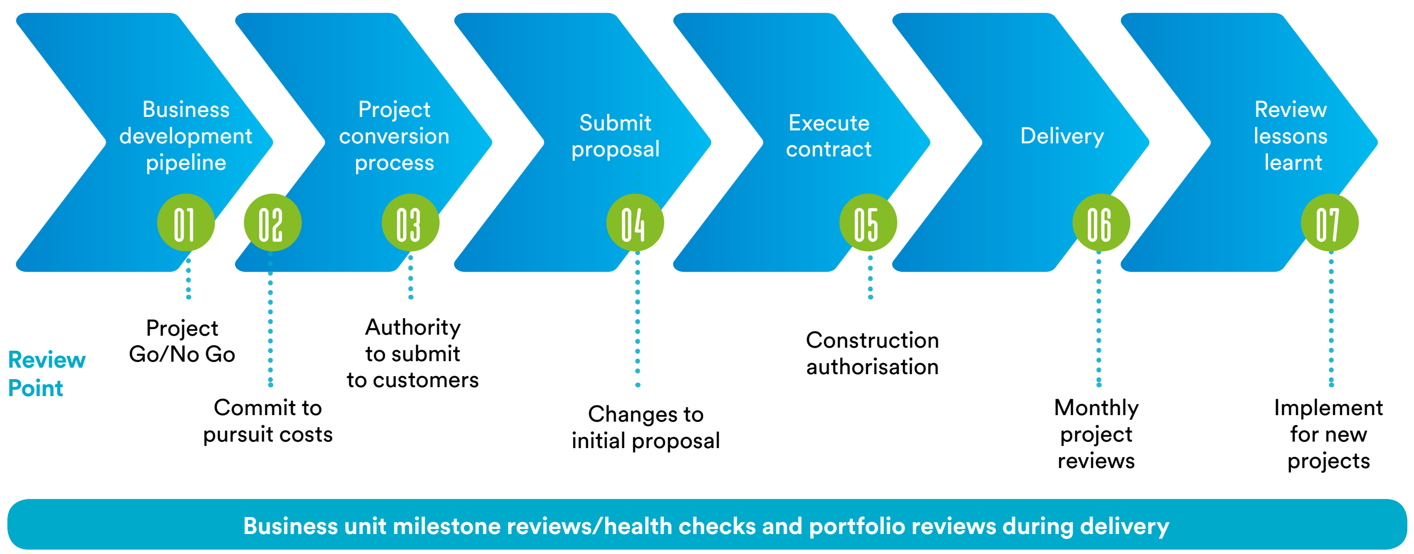
Accountability and responsibility for risk governance and management is held at various levels across the business including the Board and Board Committees, Group Leadership, Regional Leadership, Business Units and Specialist Functions such as Risk, Internal Audit and Centre of Excellence.

Our Risk Management Approach is supported by:

Structure	
Board Risk Management & Audit Committee	Reviews the effectiveness of the Group's Enterprise Risk Management system and seeks assurances that material risks are identified and appropriate risk management processes are in place.
Group Risk Function	Liaises with regional Chief Executive Officers and risk specialists on both business specific and enterprise wide risks in order to assist the Group's businesses to further develop their risk management processes.
Internal Audit	Formal processes provide supplementary assurance to operational businesses.
External Audit	Formal independent regular reviews.
Policy and Procedure	
Board Approval Process	The Board has matters that are reserved for its determination under the Risk Appetite of Lendlease, and further, under the Limits of Authority. The Board Approval Process is set up so decisions and commitments of a predetermined magnitude require express Board approval, thereby supporting sound governance and continued alignment with strategy.
Investment Committees	Investment Committees are in place at regional and Group levels in order to assess and approve the feasibility of potential projects.
Limits of Authority	Limits of Authority are in place to outline matters that are specifically reserved for determination by the Board and those matters that are delegated to Board Committees, Global Leadership Team or other management.
Risk Tools	
Risk Management Platform	Lendlease uses a risk management platform throughout all our regions to allow consistent risk identification and assessment.

Stage Gates

Across our property and construction businesses, the conversion and delivery of projects is governed by a number of gates utilising proprietary and in house developed systems.



KEY RISKS AND MITIGATION

External Environment	Explanation	Mitigation	Pillars of Value
Macro Conditions	Lendlease's business activities are impacted by prevailing economic conditions in the regions in which Lendlease operates. The changes in the global political environment and the increased frequency of unpredicted events creates greater uncertainty in the global economic environment.	We have a strong pipeline of long dated integrated projects and a solid base of recurring earnings through our global Investments platform. We are focused on further diversifying the business through targeted growth opportunities in our gateway cities where we can achieve our target returns and are able to implement our Global Minimum Requirements (GMRs).	
Capital Markets	Property and infrastructure development and investment is capital intensive and dependent on access to both equity and debt capital from third parties. Development and construction activity is dependent on access to forms of credit support for performance.	We manage our capital prudently across debt, equity and third party capital partners and remain focused on maintaining our credit rating.	
Political Environment	In each of our operating regions we work with governments as a major customer and stakeholder and as such, our business is susceptible to changes in the political environment.	We have dedicated resources for government relations proactively liaising with all sides of politics to support policies for long term property and infrastructure projects.	
Competitive Dynamics	The extent to which we are facing competition in our existing markets and sectors, and the threat of new competition.	We are one of a few companies globally that is offering end to end property and infrastructure solutions with a strong urbanisation delivery capability. We have a strong reputation for delivering our projects safely and we are a trusted partner. Our strong track record and access to capital along with our extensive integrated capabilities are also difficult to replicate.	
Climate Change and Resilience	The world is experiencing the impacts of climate change. These impacts are likely to increase in the future and pose an increased risk to the safety of communities as well as having the potential to damage real estate and infrastructure.	We are committed to reducing our contribution to human induced climate change. We continually assess the impact of climate change on our operations and create mitigation plans for our communities and business generally. Our capability in this space is a source of competitive advantage for our business.	
Materials and Supply Chain	We understand that our environmental, social and governance goals and targets extend beyond our direct business operations to our supply chain. We work with suppliers to maintain continuous improvement and compliance with environmental, social and ethical considerations.	The environmental performance of any supplier and the sustainability of products and services is considered in the Group's selection process.	
Technology	The emergence of digital business will disrupt current ways of working and offer opportunities for Lendlease to innovate. These opportunities also illustrate areas of cyber risk, and the increasing dependence in technology will only see a rise in this risk in the short term.	Innovation and disruption is a core element of our 'Focus & Grow' Strategy. Growth in this area encourages our people to adopt leading edge technologies to deliver innovative solutions for our customers and also provides avenues to new revenue streams in our target growth areas. Cyber resilience and greater adoption of technology continue to be key focus areas globally.	
Internal Environment	**Explanation**	**Mitigation**	**Pillars of Value**
Delivery of Earnings	Our ability to continue to deliver earnings across Development, Construction and Investments.	Our GMRs allow the business to minimise risks of incidents and onsite injuries which in turn has increased productivity onsite. Strategies have been developed to mitigate the risk of settlement defaults within our residential business, and our non residential developments are mostly forward funded. We are diversifying our portfolio to provide for a portion of our operating EBITDA is recurring in nature.	
Maintaining Strong Relationships	Customer and stakeholder focus is critical to delivering resilient products efficiently and on cost.	We are building an international framework for consistent customer relationship management to enhance our strong engagement with customers.	
Training, Skills and Employment	The skills, experience and capabilities of our people influence our ability to deliver quality projects and to deliver the Group's strategy.	We continue to invest in the learning and development of our people to attract, retain and grow the best people. We provide construction and property industry training through academies and various training programs.	
Eliminating Incidents and Injuries	The safety of our people, our supply chain, and the members of the public we interact with is paramount. As we undertake larger, more complex projects we must continue to evolve our approach to managing health and safety.	We empower our people to use informed judgement to manage their health and safety risks using our GMR Framework and have also introduced a Health & Wellbeing Framework to address the risks associated with mental health issues.	

05

Performance & Outlook

Sydney Darling Exchange, Sydney
Artist impression as at 2017 (image subject to change and further design development and planning approval)

GROUP HIGHLIGHTS

We delivered a strong result for securityholders for the year ended 30 June 2017, with Profit after Tax of $758.6 million, up nine per cent on the prior year.

Earnings per Security was 130.1 cents, up eight per cent on the prior year, and the distribution for the year of 66.0 cents per stapled security was up 10 per cent on the prior year.

EBITDA of $1,201.8 million was up 14 per cent on the prior year, driven by strong growth across all three operating segments.

The result was underpinned by strong performance across the Australian region, accounting for more than three quarters of Group operating EBITDA. Key highlights in the region included strong contributions from both the Development and Investments segments.

Both commercial and residential development were strong in Australia.

In commercial, key highlights included significant leasing progress across the commercial development portfolio and the completion of Tower One at Barangaroo South. We sold down a majority interest in the Circular Quay Tower development in Sydney. Tenant commitments underpinned the forward sale of three office towers at Brisbane Showgrounds in Brisbane, and Melbourne Quarter and Victoria Harbour in Melbourne.

In residential, apartment buildings completed in Australia and Europe which drove a record 2,533 apartment completions for the year, more than double the prior year result.

The Australian Investments segment also performed strongly across key components. The Retirement Living portfolio recorded strong underlying performance, and funds under management grew by 11 per cent on the prior year to $26.1 billion, while co-investments delivered solid income growth over the year.

The Americas Construction segment, which delivered more than $100 million of EBITDA, was the largest contributor from our international operations. This result represented an 87 per cent increase on the prior year and was driven by both strong revenue growth and performance upside on a number of projects that were closed out during the year.

Corporate EBITDA costs declined by eight per cent on the prior year to $154.4 million, with productivity savings realised during the year. Depreciation and amortisation costs were up on the prior year by 19 per cent to $98.2 million, reflecting higher occupancy and technology related costs.

Net finance costs declined by 12 per cent on the prior year due to lower average net debt over the year. Net debt ended the year at $912.8 million, while the average cost of debt during the year was 4.9 per cent.

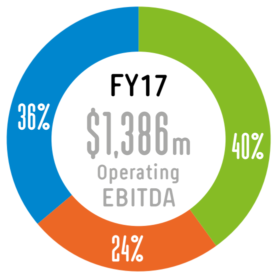
Net operating and investing cash flows across the Group were $216.1 million for the year. Cash inflows included proceeds received following the practical completion of Tower One at Barangaroo South, apartment settlements on buildings completed in both Australia and Europe, and proceeds from the sell down of a majority interest in the Circular Quay Tower development in Sydney. These inflows were offset by continued investment in the development pipeline, with an increasing focus on our urbanisation pipeline in international gateway cities.

The positive cash outcome supported the maintenance of our strong balance sheet, with gearing at 5.0 per cent, cash and cash equivalents of $1.2 billion and total liquidity of $3.5 billion, representing cash and cash equivalents and undrawn debt facilities, all improvements on the position from the prior year.

Key Financials

FINANCIAL		FY16	FY17	Percentage Movement
Key Metrics				
Revenue[1]	$m	15,105.3	16,671.0	10%
EBITDA	$m	1,054.9	1,201.8	14%
Profit after Tax (PAT)	$m	698.2	758.6	9%
Operating and Investing cash flow	$m	853.6	216.1	(75%)
Net assets	$m	5,614.7	6,166.5	10%
Net debt	$m	1,052.4	912.8	(13%)
Effective tax rate[2]	%	19.1	24.7	29%
Key Returns				
Earnings per Security	cents	120.1	130.1	8%
Distribution per Security	cents	60.0	66.0	10%
Weighted avg Securities	no.(m)	581.4	583.0	-

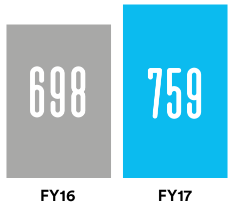
EBITDA Mix



Development Construction Investments

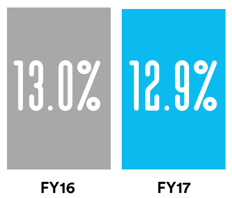
Profit after Tax

$758.6 MILLION



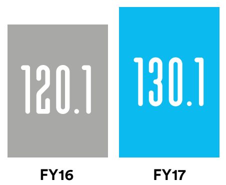
Return on Equity

12.9%



Earnings per Security

130.1 CENTS



1. Includes finance revenue.
2. Lendlease's approach to tax and its policies are contained on the website (http://www.lendlease.com/investor-centre/taxation). Details on tax balances are included within the Consolidated Financial Statements.

PORTFOLIO MANAGEMENT FRAMEWORK

During the year we introduced a refreshed Portfolio Management Framework, which is designed to:

- Maximise long term securityholder value through a well diversified, risk adjusted portfolio;
- Leverage the competitive advantage of our integrated model;
- Optimise our business relative to the outlook for our markets on a long term basis; and
- Provide financial strength to execute our strategy and maintain a strong financial profile with flexibility to withstand shocks

As a part of this framework, we set target guidelines on a number of key metrics, which are set out in the table below.

During the year ended 30 June 2017, our Return on Equity was 12.9 per cent, which is at the upper end of the 10 to 14 per cent target range. This return was achieved using moderate financial leverage with gearing well below the 10 to 15 per cent target range.

The distribution for the year of 66.0 cents per stapled security, represents a payout ratio of 51 per cent for the year, consistent with the target 40 to 60 per cent payout ratio. Other key metrics for the year were broadly in line with the target guidelines. The regional capital mix in Australia reduced during the year to the top end of the target guideline mix. The re-weighting of geographic capital exposure away from Australia is expected to continue over the medium term with an increasing focus on our international markets in order to achieve portfolio diversification.

GROUP OUTLOOK

We are well placed for future success. Earnings visibility remains strong with a record amount of Development work already secured, a substantial Construction backlog and a solid base of recurring earnings from our Investments segment. Our integrated capabilities across property and infrastructure provide a sustainable competitive advantage, while diversity by business and geography is expected to support resilience across the business model.

The development pipeline of $49.3 billion provides significant earnings visibility provided we execute well. The origination focus in recent years has turned towards our target international gateway cities, and the urbanisation projects secured in these cities are now starting to move into production. Capital and subsequent earnings are expected to re-balance towards our international operations as these projects move further into delivery.

Our Construction backlog revenue remains stable at $20.6 billion, with approximately $10 billion of preferred work globally at balance date. The focus over the medium term will be on improving underlying performance across the segment. The pipeline outlook remains strong particularly in the transport infrastructure space for the Australian Engineering business.

The $26.1 billion of funds under management and $3.3 billion of investments in our Investments segment provide a solid base of recurring earnings. These positions are expected to continue to grow as we deliver on our development pipeline.

Financial strength will remain a priority for us to provide the flexibility to fund our existing and future development pipeline alongside capital partners. Operational excellence will be pursued through a rigorous approach to risk management, an unwavering commitment to safety, health and sustainability and a disciplined approach to origination.

CAPITAL FRAMEWORK	Target	FY16	FY17
Group Metrics			
Return on Equity	10-14%	13.0%	12.9%
Dividend payout ratio	40-60%	50.0%	51.0%
Gearing	10-15%	6.5%	5.0%
EBITDA Mix			
Development	35-45%	40%	40%
Construction	20-30%	23%	24%
Investments	30-40%	37%	36%
Segment Returns			
Development	9-12% ROIC[1,2]	11.7%	13.7%
Construction	3-4% EBITDA	2.4%	2.7%
Investments	8-11% ROIC[1,2]	11.2%[2]	11.7%
Segment Invested Capital Mix			
Development		48%	48%
Investments		52%	52%
Regional Invested Capital Mix			
Australia	50-70%	74%	70%
Asia	5-20%	8%	10%
Europe	5-20%	12%	12%
Americas	5-20%	6%	8%

Development Pipeline

$49.3 BILLION

Construction Backlog

$20.6 BILLION

Funds Under Management

$26.1 BILLION

1. Target segment returns are through-cycle returns based on a rolling three to five year timeline.
2. Return on Invested Capital (ROIC) is calculated using the annual operating Profit after Tax divided by the arithmetic average of beginning, half and year end invested capital. FY16 Investments ROIC has been restated to include half year end invested capital in the calculation.

DEVELOPMENT PERFORMANCE

The Development segment delivered EBITDA of $552.4 million, up 10 per cent on the prior year. The segment accounted for 40 per cent of Group operating EBITDA. Development Return on Invested Capital was 13.7 per cent for the year, above the target range.

The result was underpinned by strong performance in the Australian operations which delivered 27 per cent growth in EBITDA on the prior year. EBITDA for the European region was down following a strong result in the prior year. Asia and the Americas remained in the investing phase during the year. The strong result in Australia was supported by a number of highlights across both commercial and apartment development.

Office developments in Sydney and Melbourne drove a strong commercial result. More than 90,000 square metres of office leasing was achieved on the Eastern Seaboard. In addition to securing tenants, our development risk was further mitigated by funding support from capital partners.

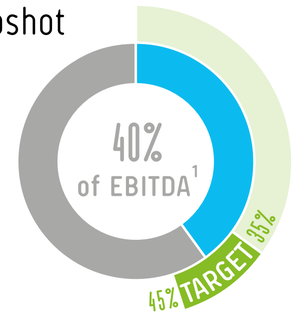
Significant leasing progress was made at Tower One at Barangaroo South, with new tenant commitments secured during the year (including Heads of Terms) taking the commercial leasing in the tower to approximately 80 per cent. Tower One reached practical completion during the year, making all three office towers now operational. This shift to operational status across the towers facilitated the release of previously eliminated development profit. Also at Barangaroo South, the International House Sydney development, Australia's first engineered timber commercial office building, completed during the year and is fully leased.

We sold down a majority interest in the Circular Quay Tower development in Sydney, while tenant commitments underpinned the forward sale of three office towers at Brisbane Showgrounds in Brisbane, and Melbourne Quarter and Victoria Harbour in Melbourne.

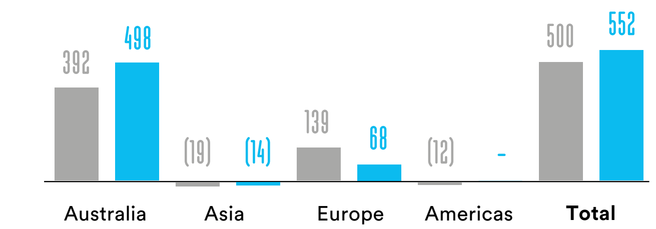
In Australia, apartment buildings completed during the year, which drove a record 1,807 apartment completions. These included buildings at Darling Square in Sydney, Victoria Harbour and Toorak Park in Melbourne and Brisbane Showgrounds in Brisbane. Land lot completions across our Australian masterplanned communities of 3,060 was down 10 per cent on the prior year, largely a result of production and related planning delays.

In Europe, 726 apartment units were completed primarily at International Quarter London and Elephant Park. A further 1,124 presold apartment units in London will carry into FY18. In addition, a joint venture partner was introduced to the residential development project at Wandsworth in London.

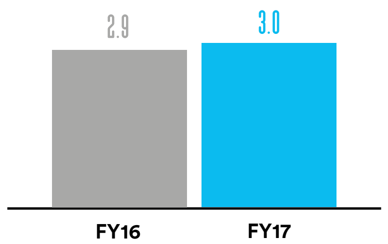
Segment Snapshot



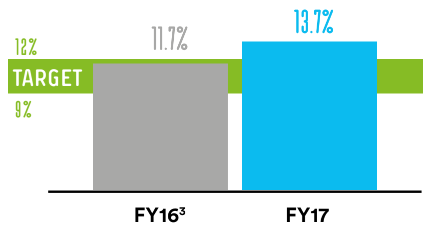
EBITDA by Region ($m)



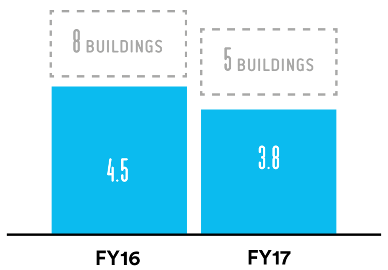
Invested Capital[2] ($b)



Return on Invested Capital

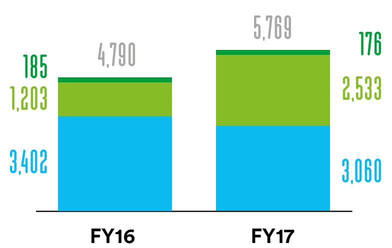


Commercial Commencements ($b)



Development End Value

Residential Completions (Units)



Communities Apartments Retirement[4]

1. Represents the proportion of EBITDA from operating businesses.
2. Represents securityholder equity plus net debt.
3. Return on Invested Capital (ROIC) is calculated using the annual operating Profit after Tax divided by the arithmetic average of beginning, half year and year end invested capital.
4. Retirement completions exclude resales; development activity only.

DEVELOPMENT OUTLOOK

The Development segment pipeline of $49.3 billion provides significant earnings visibility. This comprises $34.6 billion of urbanisation projects and $14.7 billion in Communities and Retirement projects.

Across the urbanisation pipeline, we now have 13 major commercial buildings and 21 apartment buildings in delivery. There is a further $24.3 billion of secured urbanisation pipeline to be converted and delivered in future years, representing over 18,000 apartment units and approximately 513,000 square metres of commercial space.

These projects are typically held in capital efficient structures, providing flexibility around delivery timing in line with market cycles. We aim to deliver between 1,000 to 2,000 apartment units and commence two to three major commercial buildings per annum.

The Australian operations are expected to remain a key contributor to the Development segment earnings going forward with a $30.9 billion pipeline in the region, including $16.2 billion of urbanisation projects.

The more recent origination focus on the international operations is expected to result in a growing offshore contribution over the medium term. The development pipeline across the international regions represents $18.4 billion in urbanisation projects. In the past year, London was the only international gateway city in which we completed major development product.

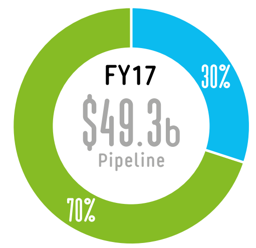
This is expected to increase to six gateway cities over coming years based on buildings currently in delivery. In addition to being diversified by location, the buildings in delivery are diversified across sectors with office, retail, residential for sale and residential for rent.

We are well placed to further grow the development pipeline with an ongoing focus on the international regions.

We are currently preferred on the approximate $7 billion Haringey Development Vehicle in London, which is expected to be secured within the next 12 months.*

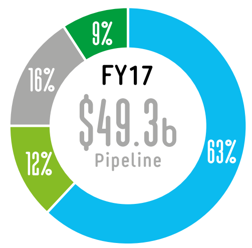
* The Haringey Development Vehicle is subject to contractual and financial close. Approximate number as at 30 June 2017 based on exchange rate at period end.

Pipeline by Product



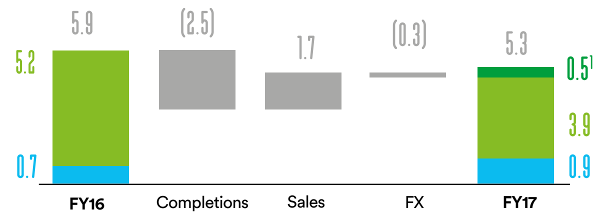
Communities Urbanisation

Pipeline by Region



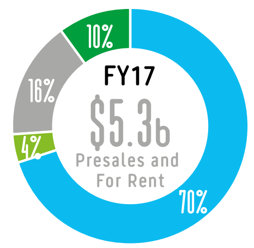
Australia Asia Europe Americas

Movement in Residential Presales and For Rent ($b)



Communities (presales) Apartments for Sale (presales) Apartments for Rent[1]

Residential Presales and For Rent by Region



Australia Asia Europe Americas

Commercial Building Completion Profile

Project	Capital Model	sqm ('000)[2]	Building	FY18	FY19	FY20	FY21
International Quarter London	Fund through[3]	73	Stage 1 Commercial (2 buildings)	●			
Paya Lebar Quarter	Joint venture	84	Commercial (3 buildings)		●		
		29	Retail		●		
Tun Razak Exchange	Joint venture	154	Retail				●
Darling Square	Fund through[3]	26	Commercial	●			
		37	Hotel	●			
Melbourne Quarter	Fund through[3]	26	One Melbourne Quarter		●		
Victoria Harbour	Fund through[3]	38	839 Collins Street		●		
Circular Quay Tower[4]	Joint venture	55	Commercial				●
Brisbane Showgrounds	Fund through[3]	15	25 King		●		

● Indicates expected building completion date during the year.

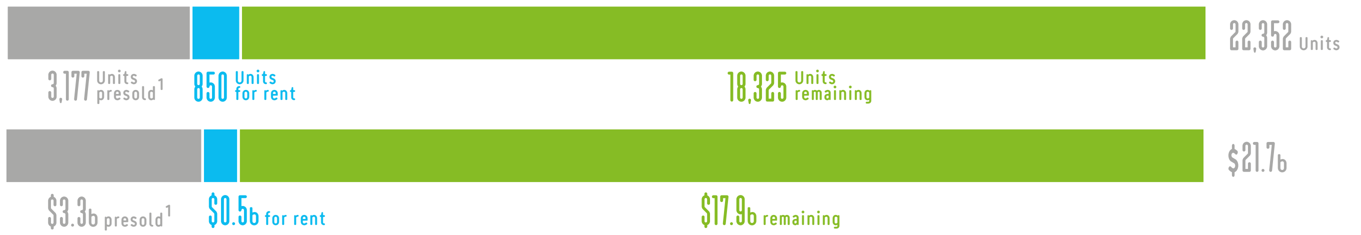
1. Represents the estimated end value of the Apartments for Rent product commenced in the Americas during the year.
2. Floor space measured as Net Lettable Area.
3. A funding model structured through a forward sale to a capital partner resulting in staged payments prior to building completion.
4. Circular Quay Tower construction start remains subject to certain preconditions.

DEVELOPMENT PIPELINE

Urbanisation Pipeline Profile

Apartments

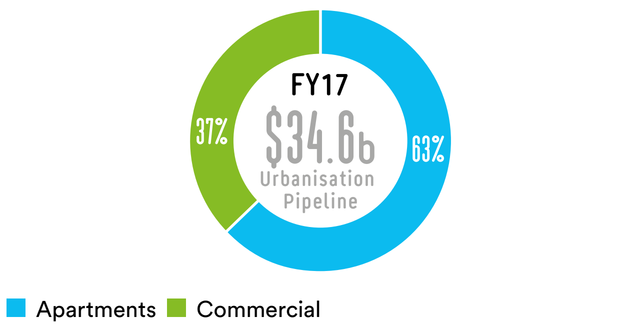
21 major apartment buildings in delivery across 3,177 presold units and 850 units for rent, estimated completion FY18 to FY19



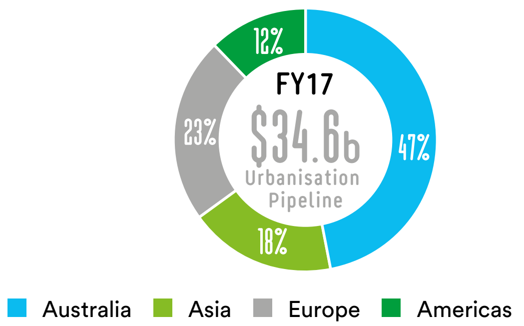
Commercial

13 major buildings in delivery, estimated completion FY18 to FY21

Urbanisation Pipeline by Product ($b)



Urbanisation Pipeline by Region ($b)



Communities Pipeline Profile[3]

1. Represents presales balance on buildings in delivery only.
2. Total end value of ~$8.0 billion, with ~$1.5 billion delivered to date.
3. Includes retirement units and built form units to be sold with land lots.

APARTMENT COMPLETION PROFILE

Apartments for Sale

Project	Building	Units[1]	Ownership (%)	Presold (%)	Presales[2] ($m)	Delivery[3] FY18	Delivery[3] FY19
Darling Square, Sydney	Darling House	334	100%	100%	402	●	
	Darling North, Harbour Place and Trinity House	577	100%	100%	808		●
	Darling Rise, Barker House and Arena	391	100%	100%	493		●
Victoria Harbour, Melbourne	883 Collins	528	100%	97%	358	●	
	Collins Wharf 1	321	100%	87%	255		●
Brisbane Showgrounds, Brisbane	South Yard	193	100%	96%	101	●	
Toorak Park, Melbourne	Terrace Homes	18	100%	78%	35	●	
Paya Lebar Quarter, Singapore	Residential	429	30%	49%	228		●
Wandsworth, London	Victoria Drive	110	50%	36%	41	●	●
Elephant Park, London	South Gardens	155	100%	76%	101	●	
	West Grove (Buildings 1 and 2)	593	100%	80%	446		●
Fifth Avenue, New York	277 Fifth Avenue	130	40%	-	-		●
Clippership Wharf, Boston	Building 3	80	100%	50%	42		●

Apartments for Rent

Project	Building	Units	Ownership (%)	Delivery[3] FY18	Delivery[3] FY19
Clippership Wharf, Boston	Buildings 1 and 2	398	100%		●
Riverline, Chicago	Building D	452	79%		●

● Indicates profit expected to be earned in the year

1. Excludes completions recognised in FY17.
2. Closing presales balance as at 30 June 2017.
3. Based on expected completion date of underlying buildings, subject to change in delivery program.

CONSTRUCTION PERFORMANCE

The Construction segment delivered EBITDA of $338.3 million, up 17 per cent on the prior year. Revenue grew by five per cent and the EBITDA margin improved by 30 basis points to 2.7 per cent during the year. While the margin recovered, it remains below our target range.

Australia remains the largest contributor to earnings despite EBITDA being down 13 per cent to $201.4 million during the year, with the result impacted by the performance across a small number of projects and increased bidding activity.

In Building, several high profile and large scale projects were successfully completed over the course of the year. International Convention Centre Sydney is a world class conference, exhibition and entertainment facility. Both the Sunshine Coast University Hospital and Bendigo Hospital also completed during the year, providing more than 1,000 new hospital beds. Tower One at Barangaroo South, the third and final office tower, also reached completion.

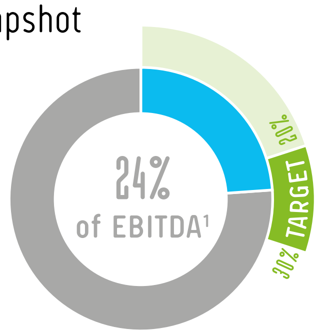
Engineering revenue accelerated during the year as delivery activity increased. We continued to invest in the business during the year, including associated bid costs for the anticipated higher level of work over the medium term. The full benefit of this investment is expected to be realised over future periods.

The Americas recorded a strong recovery, with EBITDA up 87 per cent on the prior year to $105.4 million. Building completions included two high rise apartment buildings in New York: the prominent 432 Park Avenue, opposite Central Park, and 56 Leonard Street. The strong result in the region was supported by performance upside on several projects that were closed out over the year.

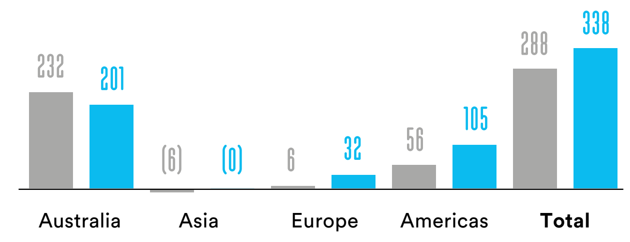
The European business has begun to recover from challenging market conditions in recent years, generating EBITDA of $31.7 million. This was a solid outcome, given that the prevailing industry conditions continue to be challenging. Further volume is required for the business to achieve scale and improve returns.

Given the challenges associated with third party work in Asia, apart from a few niche areas, we remain focused on delivering the internal development pipeline in the region.

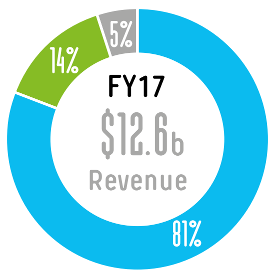
Segment Snapshot



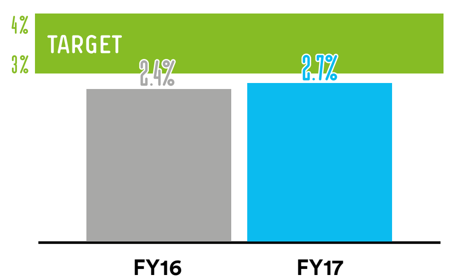
EBITDA by Region ($m)



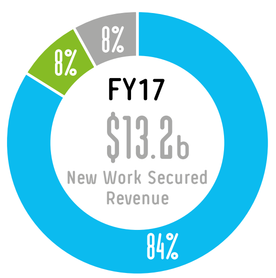
Revenue by Product



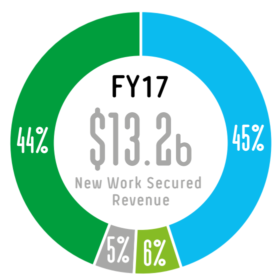
EBITDA Margin



New Work Secured by Product

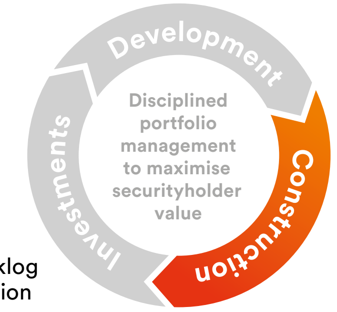


New Work Secured by Region



1. Represents the proportion of EBITDA from operating businesses.

CONSTRUCTION OUTLOOK



The outlook for the Construction segment remains solid with backlog revenue of $20.6 billion. Backlog was broadly flat with $13.2 billion of new work secured during the year. The backlog position is well diversified by geography, sector and customer.

There was a strong rise in the amount of work in preferred bidder status during the year, closing at approximately $10 billion. We are well placed to convert a significant portion of this work into backlog revenue over the coming year.

The Building business in Australia enjoyed a number of major project wins during the year including Western Sydney Stadium, Sunshine Plaza redevelopment and 839 Collins Street at Victoria Harbour. Subsequent to balance date we were also preferred on Sydney Metro Station, Martin Place.

The decline in Engineering backlog revenue reflects the timing of major bid activity during the year in Australia. We remain optimistic regarding the medium term pipeline outlook for the business, particularly in the transport sector.

Post balance date, the Cross Yarra Partnership, of which we are an equal third partner, was selected as preferred bidder on the approximate $6 billion Melbourne Metro Tunnel project. We were also awarded the approximate $500 million Ballarat Line Upgrade project as part of a consortium.

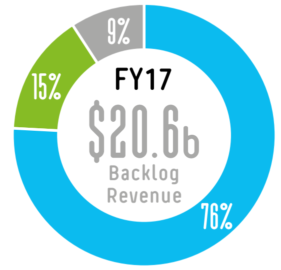
In the Americas, we have an established Construction business with a strong market share in our target sectors. The majority of the current backlog is relatively lower risk construction management activity.

We are seeking to extend our proven delivery capability into design and construct contracts that are typically higher margin projects, such as the Jacob K. Javits Convention Center in New York.

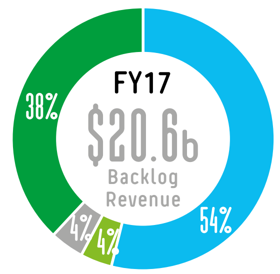
In Europe, the backlog revenue has declined, however the region is in a preferred position on a number of major projects which we expect to convert over the coming year. During the year, we were named a panel member on Scape Group's approximately $11 billion construction framework for public sector projects and we are in a preferred position to deliver Google's Headquarters in London.

The strong internal development pipeline is expected to provide a solid backdrop for the Construction segment across all our regions. In particular, the Asia region remains predominantly focused on delivery of the internal pipeline.

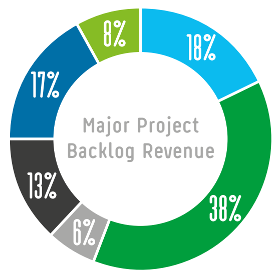
Backlog by Product



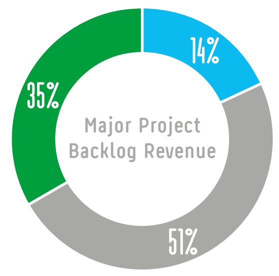
Backlog by Region



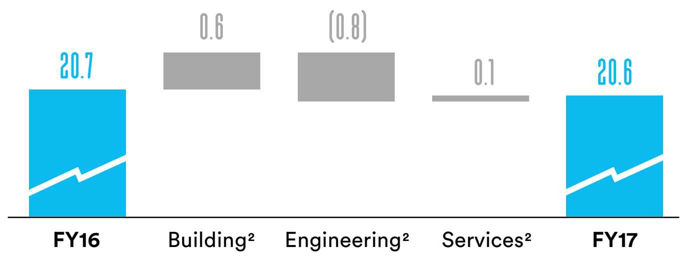
Backlog[1] by Sector



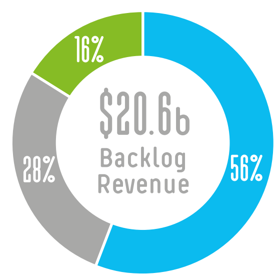
Backlog[1] by Client



Backlog Revenue Movement by Product ($b)



FY17 Backlog Realisation



1. Includes all Construction projects with backlog greater than $100.0 million, which represents 78 per cent ($16.1 billion) of secured backlog.
2. Includes the impact of movement in foreign exchange rates, where applicable.

INVESTMENTS PERFORMANCE

The Investments segment delivered EBITDA of $495.3 million, up eight per cent on the prior year. The segment accounted for 36 per cent of Group operating EBITDA, providing a solid base of recurring style earnings. Investments Return on Invested Capital was 11.7 per cent, above the target range.

Ownership EBITDA earnings, increased by nine per cent to $379.2 million during the year. Ownership earnings are derived from our investment positions in Retirement Living, co-investments and infrastructure including equity in the US Military Housing operations. The value of our investments increased by 11 per cent to $3.3 billion during the year.

The Retirement Living business delivered a strong contribution, underpinned by an average 11 per cent rise in unit prices on resales during the year. The underlying growth in the portfolio, combined with the acquisition of two additional retirement villages, resulted in the value of the Retirement Living portfolio rising to $1.7 billion[1].

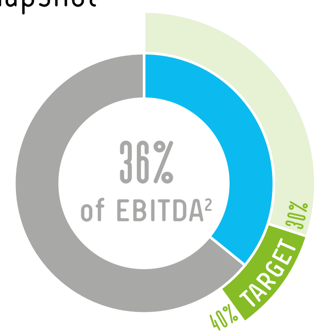
Higher investment income was derived during the year from our investment in Lendlease International Towers Sydney Trust and Lendlease One International Towers Sydney Trust, with the underlying commercial assets now having all moved into the operational phase. The equity returns from our US Military Housing operations also remained solid.

Operating EBITDA earnings increased by seven per cent to $116.1 million during the year. Funds under management were up 11 per cent to $26.1 billion, generating solid fund and asset management fee growth. The completion of Tower One at Barangaroo South was a key contributor to fund platform growth during the year. The US Military Housing operations continued to contribute a stable base of asset management earnings to the operating platform.

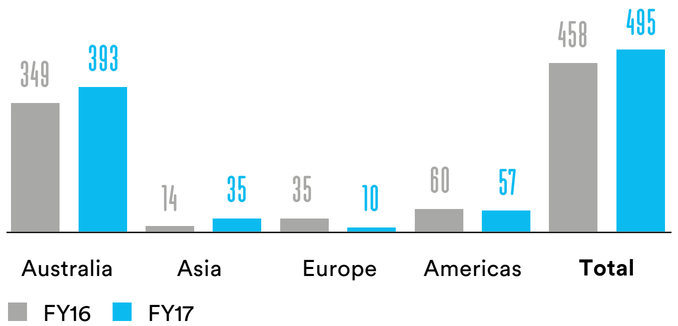
The Asia result in the prior year was impacted by a reduction in the value of our 25 per cent direct investment in 313@somerset in Singapore. In Europe, we divested our interest in the Lendlease Private Financial Initiative/Public Private Partnerships Infrastructure Fund LP in the prior year. These items impacted the year on year movement in these regions.

New equity of approximately $0.9 billion was raised during the period. This was mainly attributable to equity commitments relating to the sell down of the Circular Quay Tower development in Sydney. We maintain a strong network of capital partners who provide additional capacity for us to develop our pipeline of opportunities, as well as supporting a solid base of recurring income.

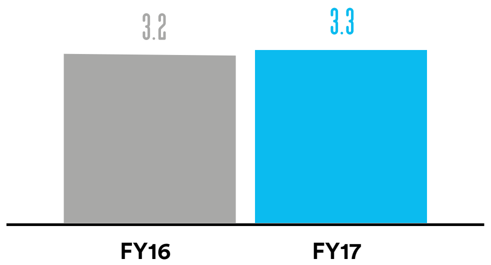
Segment Snapshot



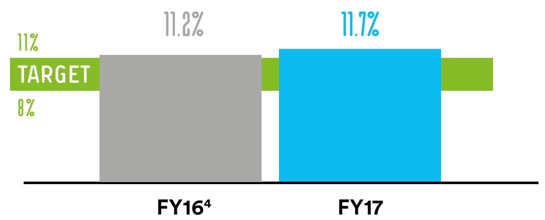
EBITDA by Region ($m)



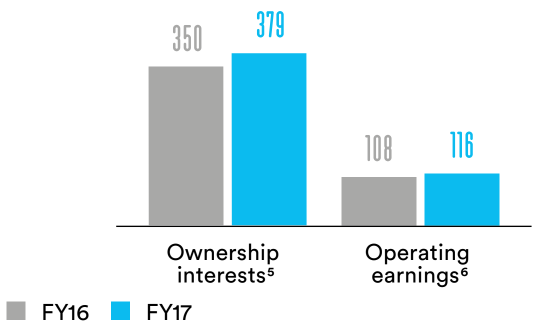
Invested Capital³ ($b)



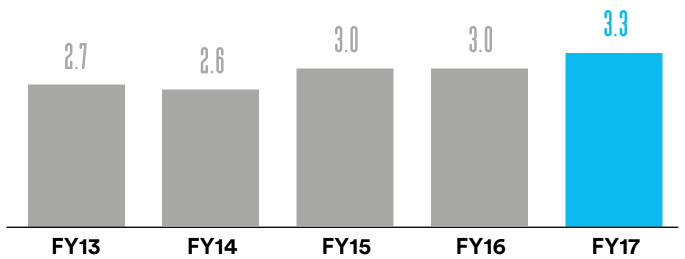
Return on Invested Capital



Investments EBITDA by Activity ($m)

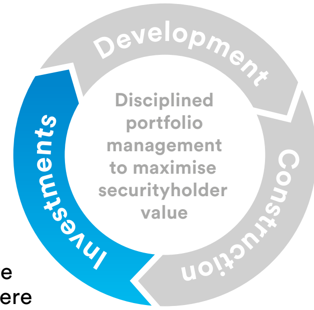


Growth in Investments ($b)



1. Excludes capital relating to Retirement development activities.
2. Represents the proportion of EBITDA from operating businesses.
3. Securityholder equity plus net debt. Underlying investments value of $3.0 billion in FY16 and $3.3 billion in FY17.
4. Return on Invested Capital (ROIC) is calculated using the annual operating Profit after Tax divided by the arithmetic average of the beginning, half year end and year end invested capital. FY16 Investments ROIC restated reflecting inclusion of half year end invested capital in calculation.
5. Returns derived from co-investments, the Retirement Living business and equity returns from US Military Housing.
6. Earnings derived from the investment management platform and the management of US Military Housing operations.

INVESTMENTS OUTLOOK



The Investments segment remains well placed to continue to deliver a solid base of recurring style earnings in the target range of 30 to 40 per cent of Group operating EBITDA. The integrated business model and internal development pipeline is likely to remain the main source of future growth for the segment.

We closed the year with $26.1 billion in funds under management (FUM), with more than $3 billion of additional secured FUM based on urbanisation projects currently in delivery. The further conversion of the urbanisation pipeline together with our strong network of third party capital, will provide future opportunities to continue to grow the platform.

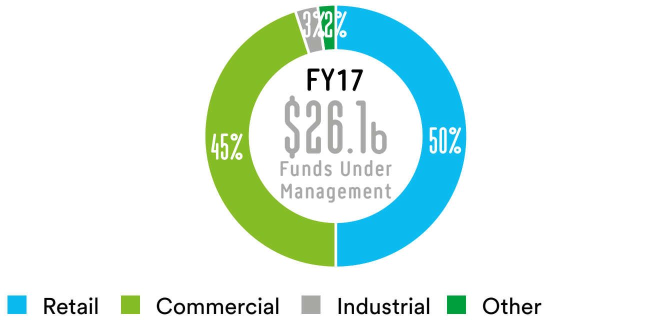
The funds platform is well diversified across both geographies and sectors. The growth in the urbanisation pipeline across our international regions is expected to support future offshore growth in the Investments segment. This will include opportunities in the traditional asset classes we have exposure to, in addition to new asset classes including residential for rent and telecommunications infrastructure.

In the Americas, we currently have 850 residential for rent apartment units across three residential buildings in delivery. This is a well established institutional asset class in the United States. Potential opportunities for residential for rent in London are also being explored. While the market is in its early stages, some of our urbanisation projects are well suited to this asset class.

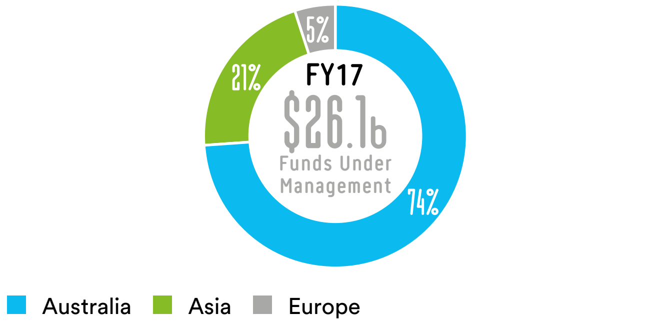
Telecommunications infrastructure in the United States is a sector where we can deploy our integrated model. We have recently begun the development of telecommunications towers, and over time it is expected we will seek to introduce third party capital to support the growth of the business.

Investments managed on behalf of the Group closed the year at $3.3 billion. We had $1.5 billion co-invested across the fund platform, providing strong alignment with investors and a high quality income stream. The Retirement Living business largely accounts for the remainder of our current allocation to the Investments segment. Consistent with our business model, we are exploring the potential introduction of capital partners into this business to support future business growth.

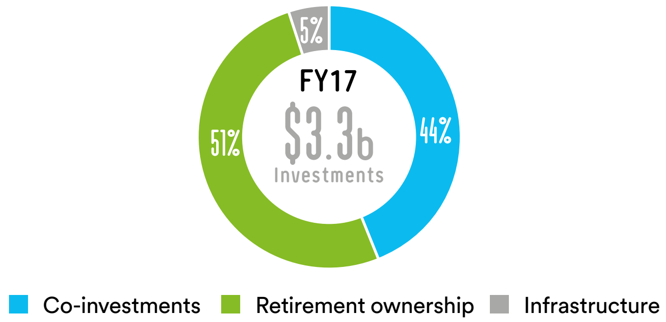
Funds Under Management by Asset Class



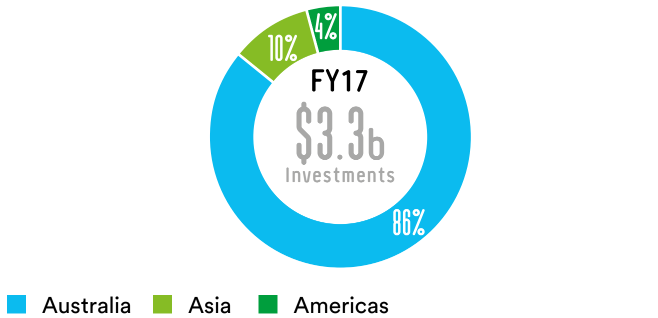
Funds Under Management by Region



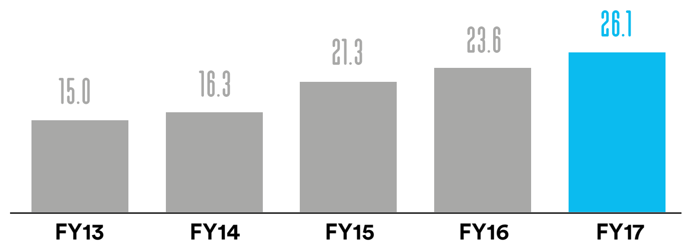
Investments¹ by Product



Investments¹ by Region



Growth in Funds Under Management ($b)



Funds Under Management roll forward ($b)

1. Represents the Group's assessment of market value.
2. Includes the impact of movement in foreign exchange rates.

FINANCIAL POSITION AND CASH FLOW MOVEMENTS

Financial Position	FY16 $m	FY17 $m	Percentage Movement
Cash and cash equivalents	1,008.4	1,249.2	24%
Inventories	4,602.9	5,127.4	11%
Equity accounted investments	1,152.6	834.6	(28%)
Investment properties	5,940.7	6,967.4	17%
Other assets (including financial)	5,888.3	6,675.6	13%
Total assets	**18,592.9**	**20,854.2**	**12%**
Borrowings and financing arrangements	2,031.3	2,152.4	6%
Other liabilities (including financial)	10,946.9	12,535.3	15%
Total liabilities	**12,978.2**	**14,687.7**	**13%**
Net assets	**5,614.7**	**6,166.5**	**10%**

Inventories

Inventories increased by 11 per cent on the prior year due to an increase in work in progress in relation to key Development projects including Darling Square in Sydney, Elephant Park in London and Tun Razak Exchange Lifestyle Quarter in Kuala Lumpur.

Equity Accounted Investments

Equity Accounted Investments decreased by 28 per cent on the prior year following a change in the accounting classification of our investments in the Lendlease International Towers Sydney Trust and Lendlease One International Towers Sydney Trust. This was due to all underlying assets now having moved to the operational phase post completion. These investments are now reported within Other Financial Assets in the Statement of Financial Position.

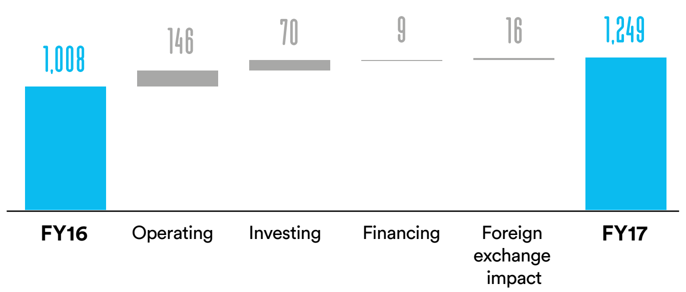
Investment Properties

Investment Properties increased primarily due to acquisitions and valuation growth on the Retirement Living properties on a gross basis. This increase was partly offset by an increase in Resident Liabilities reported through Other Liabilities. Investment properties also grew due to acquisition of a telecommunication tower portfolio in the Americas.

Other Assets (including Financial)

Other Assets increased by 13 per cent on the prior year largely driven by the change in accounting classification of our investments in the Lendlease International Towers Sydney Trust and Lendlease One International Towers Sydney Trust as noted above.

Cash Movements ($m)



Operating

Positive operating cash flow of $146.0 million was primarily due to the cash proceeds received following the practical completion of Tower One at Barangaroo South and apartment settlements in Australia and Europe. During the year, we also completed two PLLACes[1] transactions; one within the European Apartment business in the first half and a second transaction within the Australian business in June 2017. These items were offset by increased contributions in development projects in production.

Investing

Net cash inflow from investing activities during the year was primarily due to proceeds received from the sell down of a majority interest in the Circular Quay Tower development and proceeds from the divestment of the New Zealand Retirement Living business, which completed in the prior financial year. This is offset by capital expenditure and acquisition of telecommunication assets in the Americas.

Financing

Net cash inflow from financing activities during the year was driven mainly by repayments on the Club Revolving Credit Facility offset by proceeds from the S$300.0 million bond issued in April 2017.

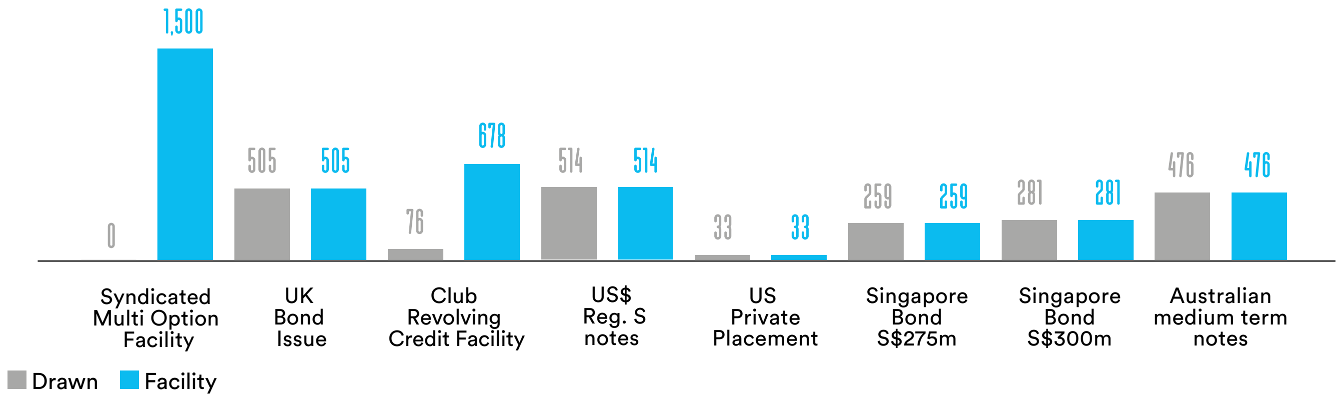
1. Transactions involve selling the presold apartment contracts for a specific development project to a third party for cash consideration.

GROUP FUNDING AND DEBT FACILITIES

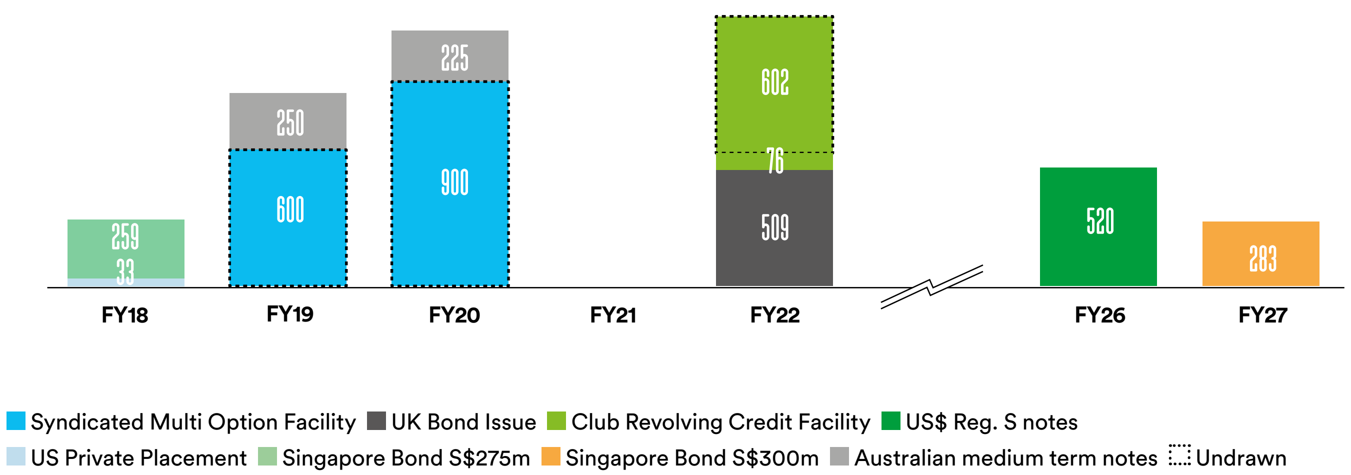
		FY16	FY17	Percentage Movement
Net debt	$m	1,052.4	912.8	(13%)
Borrowings to total equity plus borrowings	%	26.6	25.9	(3%)
Net debt to total tangible assets, less cash	%	6.5	5.0	(23%)
Interest coverage	times	8.0	10.3	29%
Average cost of debt including margins	%	4.6	4.9	7%
Average debt duration	years	5.3	5.1	(4%)
Debt mix fixed: floating	ratio	91:9	96:4	
Undrawn facilities	$m	2,172.6	2,225.2	2%

Our net debt and gearing position reduced during the year, driven by the positive net operating and investing cash flow position. As a result, both gearing and interest cover improved as at 30 June 2017. The increase in our average cost of debt reflects lower drawings under floating rate bank facilities during the year. Average debt duration remains over five years due to the extension of the Club Revolving Credit Facility to FY22 and issuance of a new S$300.0 million 10 year 3.9 per cent bond.

Debt Facilities[1] ($m)



Debt Maturity Profile[2] ($m)



1. Values are shown at amortised cost.
2. Values are shown at gross facility value.

06

Governance

River Point, Chicago
Artist impression as at 2017 (image subject to change and further design development and planning approval)

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BOARD OF DIRECTORS' INFORMATION

We are committed to exceptional corporate governance policies and practices which are fundamental to the long term success and prosperity of the Lendlease Group. In 2017 the Board reviewed its corporate governance and reporting practices and the Corporate Governance Statement is available on the Lendlease website at: www.lendlease.com/au/company/governance. Membership of the Board as at 28 August 2017 is set out below. For detailed information on the skills, experience and qualifications of each of the Directors refer to pages 86 to 89 of the Annual Report.

The Corporate Governance Framework is regularly assessed and amended as required to remain current. During the year, there was no change to the Board Governance Framework from the previous year. The Board's four permanent committees continue to assist, advise and make recommendations to the Board on matters falling within their areas of responsibility. The Board delegates authority for all other functions and matters necessary for the day to day management of the Group to the Group Chief Executive Officer, who delegates to senior management as required. Limits of Authority are in place which outline the matters specifically reserved for determination by the Board and those matters delegated to Board Committees or Group Executive Management. These Limits of Authority are reviewed on an annual basis.

1. **D A Crawford AO Chairman** (Independent Non Executive Director)
2. **S B McCann Group Chief Executive Officer and Managing Director** (Executive Director)
3. **C B Carter AM** (Independent Non Executive Director)
4. **P M Coffey** (Independent Non Executive Director)
5. **P M Colebatch** (Independent Non Executive Director)
6. **D P Craig** (Independent Non Executive Director)
7. **S B Dobbs** (Independent Non Executive Director)
8. **J S Hemstritch** (Independent Non Executive Director
9. **D J Ryan AO** (Independent Non Executive Director)
10. **M J Ullmer** (Independent Non Executive Director)
11. **N M Wakefield Evans** (Independent Non Executive Director)

BOARD SKILLS AND EXPERIENCE MATRIX

The Directors have a range of local and international experience and expertise, as well as specialised skills to assist with decision making and leading the Group for the benefit of securityholders. The table below sets out the skills and experience considered by the Board to be important for its Directors to have collectively.

Skills/ Experience[1]	Comments	Total
Governance	A commitment to and experience in setting corporate governance polices, practices and standards.	11
Industry Experience	Possesses industry knowledge, exposure and experience in the core Lendlease operating segments of Development, Construction and/or Investments. This includes advisory roles for these industries.	8
International Operations	Exposure to international regions either through experience gained directly in the region or through management of regional client and other stakeholder relationships.	10
Health & Safety	Experience in programs implementing safety, mental health and physical wellbeing, on site and within business. Monitoring the proactive management of workplace health and safety practices.	8
Sustainability	Ability to identify economically, socially and environmentally sustainable developments. Ability to set and monitor sustainability aspirations.	9
Strategy	Developing, setting and executing strategic direction. Experience in driving growth and executing against a clear strategy.	11
Risk Management	Experience in anticipating and evaluating risks that could impact business. Recognising and managing these risks by developing sound risk governance policies and frameworks.	11
Legal	Experience in the identification and resolution of legal and regulatory issues and having the ability to assist the Board on these matters.	5
Human Resources	Experience in building workforce capability, setting a remuneration framework which attracts and retains a high calibre of executives, promotion of diversity and inclusion.	11
Executive Leadership	Skills gained whilst performing at a Senior Executive level for a considerable length of time including delivering superior results, dealing with complex business models, projects and issues.	11
Financial Acumen	Understands the financial drivers of a business. Experience in financial reporting and corporate financial management.	11
Technology	Strong technology background including: online communications, change management, Information Technology workplace knowledge, security and data analysis skills.	6

1. In facilitating the skills matrix, each Director undertook a self assessment of their skills and experience.

Engagement by the Board

The Chairman maintains an active and extensive engagement program to represent the interests of Lendlease at various industry functions and bodies. He acts as a spokesperson for Lendlease and regularly meets with customers, investors, Governments and media.

In addition to these industry events, the Chairman and Board members also meet regularly with local Lendlease management and employees. These events typically take the form of employee 'meet and greet' sessions or smaller networking session targeting high potential or diverse employees. The Board members encourage employees to ask questions at these sessions and they provide the opportunity for open and honest debate on organisation culture.

The Board views 'industry experience' as skills or experience gained in the core Lendlease operating segments of Development, Construction and/or Investments.

70% of Directors

HAVE EXPERIENCE IN ONE OR MORE OF THE CORE SEGMENTS

GENDER DIVERSITY

Female Directors 18% at August 2017 > Target of 30% by end 2018

The Lendlease Board has adopted the Australian Institute of Company Directors initiative to improve gender diversity on the Board by committing to a target of 30 per cent female Board members by the end of 2018.

DIRECTORS' EXPERIENCE IN GOVERNANCE, RISK MANAGEMENT AND STRATEGY

100% experience

DIRECTORS' AVERAGE TENURE

1–3 YEARS	3–6 YEARS	6–9 YEARS	9+ YEARS
3	4	1	3

The Board considers that it has an appropriate mix of new, mid and longer tenured Directors. The average term of the Board is six years.

BOARD REGIONAL PROGRAM 2016 – 2017

The Board program is formulated to reflect the geographic spread of the Lendlease businesses, with Board meetings scheduled in Australia and each of the regions where Lendlease operates.

Generally, a Board program runs over two or three days and comprises formal meetings, business briefings, presentations from external sources, project site visits and networking events with employees and key stakeholders. Board members attend program activities in addition to formal meetings. Where deeper project reviews are required, the program may take up to five days or site visits may take place outside of a scheduled Board program by individual Directors. The varied program enables Directors to obtain a deeper understanding of the activities and operations within each region.

This covers the program from 1 January 2016 to 31 July 2017.

AUSTRALIA

- Darling Square and International Convention Centre Sydney, Darling Harbour (May 2016)
- Safety Induction Tour of International Towers Sydney, Tower Three and precinct (August 2016)
- International House Sydney, Barangaroo South – Cross Laminated Timber building (August 2016)
- Victoria Harbour Sales Centre and precinct and 889 Collins Street apartment (May 2017)
- Caulfield to Dandenong Rail (June 2017)
- Review of Engineering businesses (January 2017)
- Board networking forum (August 2016)
- Networking session with CareerTrackers interns (January 2017)

ASIA

- Mitsubishi Estate mixed use development including residential, office premises and co-working lab (October 2016)
- Softbank Telecommunications Towers (October 2016)
- Board networking forum (October 2016)

Board Project Assessment – Milano Santa Giulia, Milan

In June 2017, Dan Labbad, Chief Executive Officer, International Operations and Europe, gave a presentation on the International Operations structure and contribution to the Group. As part of the presentation he spoke of a new opportunity, 'Milano Santa Giulia', located in Milan, one of 17 gateway cities identified by Lendlease for the pursuit of urbanisation projects. This opportunity was to enter a joint venture where we would develop the first phase, known as the 'south area', and offer Lendlease exclusivity on the second phase, known as the 'north area'.

Prior to approving the opportunity, the Board considered the project at several meetings in 2016 and 2017 as part of the overall international strategy and as a stand alone project.

The Board received a number of papers and updates on the opportunity and challenged the rationale for pursuing this project. Several issues in connection with the project were considered at each of the meetings. A number of Board members attended a 'deep dive' session in April 2017 in Milan with senior management to gain deeper insight into the strategic opportunity.

Presentations by senior management and a visit to the site were included as part of the 'deep dive' session. The assessment of Milano Santa Giulia is an example of how the Board oversees management delivery against strategy through its program activities.

EUROPE

- International Quarter London, Stratford (January 2016)
- Elephant & Castle, London (July 2016)
- Rathbone Square, London (July 2016)
- Milano Santa Giulia urbanisation precinct (April 2017)
- Board networking forum supporting employee diversity and regional top talent (July 2016)

AMERICAS

- 56 Leonard Street, New York (April 2016)
- Columbia Manhattanville, New York (April 2016)
- Riverline, Chicago (April 2016)
- Clippership Wharf, Boston (April 2016)
- Regional reviews of Chicago and Boston businesses (April 2016)
- 277 Fifth Avenue , 217 West 57th Street, 220 Central Park South, Columbia Mind & Brain Institute, New York (July 2017)
- Board networking forum supporting employee diversity and regional top talent (April 2016 and July 2017)

FOCUS AREAS FOR THE BOARD SUPPORTING THE DELIVERY OF THE GROUP'S STRATEGIC PRIORITIES

The Board recognises that the pillars of value, supported by disciplined governance and risk management, contribute to performance and drive the long term value of our business. During the year, in addition to the responsibilities and tasks set out in the charter documents, the Board and Board Committees deliberated on the following specific matters and undertook a number of activities in support of the value pillars.

Health & Safety

Material Issue: Ability to operate safely across our operations and projects.

The Board and Sustainability Committee undertook these activities as part of a review of the Lendlease Health & Safety Framework, an unwavering commitment to health and safety, and to help the Group move towards operating incident and injury free.

- Endorsed a global direction towards empowered safety thinking and 'informed judgement decision making'.
- Undertook face to face re-certification training for the new Global Minimum Requirements (GMRs) for safety.
- Tested the Health & Safety culture through regular visits of Lendlease projects.
- Reviewed the Lendlease Health & Safety business management system and the processes for receiving and considering information regarding incidents, hazards and risks.

Financial

Material Issues: Delivering securityholder returns. Maintaining strong capital management to enable investment in our future pipeline.

The following activities were undertaken by the Board and the Risk Management and Audit Committee to help fulfil the Board's oversight responsibilities in relation to the Group's risk management and internal control systems, and to help create sustainable returns for securityholders.

- Endorsed and provided feedback on the approach to Integrated Reporting.
- Approved a refreshed corporate reporting strategy to improve disclosure and reporting.
- Approved a refreshed Portfolio Management Framework to maximise long term securityholder value through a well diversified, risk adjusted portfolio.
- Reviewed the Group Return on Equity target in order to maintain sustainable cycle returns, based on a rolling three to five year timeline.
- Continued to review cyber resilience and security planning for the Company by endorsing the areas of focus for cyber security planning.
- Approved investment in relevant technology to further protect and enhance the Group's cyber security approach.

Our Customers

Material Issues: Understanding our customers and responding to changes in the market. Ability to deliver customer driven solutions.

The Board undertook the following activities as part of its support of the Group's customer focused approach.

- Continued to support the integrated model approach to deliver major urbanisation projects in partnership with local government councils such as Elephant Park in Elephant & Castle and the Haringey Development Vehicle in London.
- Approved the strategy to explore options in the retirement sector in other regions to support the global trend of ageing population.
- Endorsed the use of new technologies in the way we construct buildings, in order to create great experiences for our customers.
- Engaged with securityholders through meetings and events including the Annual General Meeting and webcasts.

Our People

Material Issues: Ability to attract and retain the best people. Ensuring we have the right capability across the organisation.

The Board, People and Culture Committee and Nomination Committee undertook the following activities to help create an engaged, diverse and capable workforce.

- Oversaw a research project to support effective knowledge management and capability development to optimise a knowledge management model.
- Attended Board and employee networking sessions in all the regions to engage in discussion with employees around workplace culture.
- Continued to review the Executive Reward Strategy to see if enhancements can be made to further support the 'Focus & Grow' Strategy.
- Following consultation with securityholders and stakeholders, reviewed the current market practice for the allocation basis for Long Term Incentive awards and approved a move to face value allocation methodology for FY17.
- Refreshed the membership of the Risk Management and Audit Committee by appointing David Craig as the new Chairman.
- Appointed a new Non Executive Director, Philip Coffey, to the Board.
- Continued to review Board composition and support the target of 30 per cent female Board members by the end of 2018.

Sustainability

Material Issues: Ability to manage and optimise our sustainability performance by delivering economic, social and environmentally sustainable outcomes.

The Board and Sustainability Committee engaged in the following activities to help deliver environmental, social and economic value.

- Endorsed Lendlease's second Reconciliation Action Plan (RAP) and the goals to embed the RAP into business processes.
- Received a presentation on the nationally recognised CareerTrackers Indigenous Internship Program and attended a networking session with CareerTrackers interns.
- Requested and received a report on the Social Return on Investment assessment of the Springboard program to evaluate social value created for key stakeholders of the program.
- Continued to receive presentations from each of the Business Chief Executive Officers on the ways that sustainability is embedded into each of the businesses.
- Supported the embedding of the Health & Wellbeing Framework across the Group which supports healthier minds, bodies, places and cultures. Demonstrated support by participating in programs such as yoga in the workplace and a mindfulness exercise.

BOARD OF DIRECTORS INFORMATION

1. D A Crawford AO

Chairman
(Independent Non Executive Director)

Term of Office

Mr Crawford joined the Board in July 2001 and was appointed Chairman in May 2003.

Skills, Experience and Qualifications

Mr Crawford has extensive experience in risk management and business reorganisation. He has acted as a consultant, scheme receiver and manager, and liquidator to many large and complex corporations. Mr Crawford was previously Australian National Chairman of KPMG. He was appointed an Officer of the Order of Australia (AO) in June 2009 in recognition for service in various fields including to businesses as a Director of public companies, particularly through the review and restructure of national sporting bodies, and to the community through contributions to arts and educational organisations.

Mr Crawford holds a Bachelor of Commerce and Bachelor of Laws from the University of Melbourne and is a Fellow of the Institute of Chartered Accountants.

Listed Company Directorships (held within the last three years)

- Chairman and Non Executive Director of South32 Limited (appointed May 2015)
- Former Non Executive Director of BHP Billiton Limited (appointed May 1994, retired November 2014)

Other Current Appointments

- Chairman of Australia Pacific Airports Corporation Limited

Board Committee Memberships

- Member of the Nomination Committee

2. S B McCann

Group Chief Executive Officer and Managing Director (Executive Director)

Term of Office

Mr McCann was appointed Group Chief Executive Officer (CEO) in December 2008 and joined the Board as Managing Director in March 2009.

Skills, Experience and Qualifications

Mr McCann joined Lendlease in 2005. Prior to his current role, Mr McCann was Group Finance Director, appointed in March 2007 and CEO for Lendlease's Investment Management business from September 2005 to December 2007.

Mr McCann has more than 25 years' experience in real estate, funds management, investment banking and capital markets transactions. Prior to joining Lendlease, Mr McCann spent six years at ABN AMRO, where his roles included Head of Property, Head of Industrial Mergers & Acquisitions and Head of Equity Capital Markets for Australia and New Zealand. Previous roles also include Head of Property at Bankers' Trust, four years as a Mergers & Acquisitions lawyer at Freehills and four years in taxation accounting.

Mr McCann holds a Bachelor of Economics (Finance major) and a Bachelor of Laws from Monash University in Melbourne, Australia.

Other Directorships and Positions

- Nil

3. C B Carter AM

(Independent Non Executive Director)

Term of Office

Mr Carter joined the Board in April 2012.

Skills, Experience and Qualifications

Mr Carter is one of the founding partners of The Boston Consulting Group in Australia, retiring as a Senior Partner in 2001, and continues as an advisor with that company. He has over 30 years of experience in management, consulting and advising on organisational strategy and governance issues. His career has included major projects in Australia and overseas. Mr Carter has wide industry knowledge on corporate governance issues and has carried out Board performance reviews for a number of companies. He has co-authored a book on Boards, 'Back to the Drawing Board'.

Mr Carter holds a Bachelor of Commerce from Melbourne University and a Master of Business Administration from Harvard Business School, where he graduated with Distinction and as a Baker Scholar. He is a Fellow of the Australian Institute of Company Directors.

Listed Company Directorships (held within the last three years)

- Non Executive Director of SEEK Limited (appointed March 2005)
- Non Executive Director of Wesfarmers Limited (appointed October 2002, retired November 2014)

Other Current Appointments

- President of Geelong Football Club
- Director of World Vision Australia

Board Committee Memberships

- Chairman of the Nomination Committee
- Member of the People and Culture Committee
- Member of the Sustainability Committee

5. P M Coffey

(Independent Non Executive Director)

Term of Office

Mr Coffey joined the Board in January 2017.

Skills, Experience and Qualifications

Mr Coffey served as the Deputy Chief Executive Officer (CEO) of Westpac Banking Corporation, from April 2014 until his retirement in May 2017. As the Deputy CEO, Mr Coffey had the responsibility of overseeing and supporting relationships with key stakeholders of Westpac including industry groups, regulators, customers and government. He was also responsible for the Group's Mergers & Acquisitions function. Prior to this role, Mr Coffey held a number of executive positions at Westpac including Chief Financial Officer and Group Executive, Westpac Institutional Bank. He has successfully led operations based in Australia, New Zealand, United States and the United Kingdom and Asia and has extensive experience in financial markets, funds management, balance sheet management and risk management. He began his career at the Reserve Bank of Australia and has also held executive positions at Citibank.

Mr Coffey holds a Bachelor of Economics (Hons) from the University of Adelaide and has completed the Executive Program at Stanford University Business School. He is a graduate member of the Australian Institute of Company Directors and Senior Fellow of the Financial Services Institute of Australasia.

Other Current Appointments

- Chairman of the Westpac Bicentennial Foundation
- Non Executive Director of Hastings Management Pty Ltd

Board Committee Memberships

- Member of the Nomination Committee

4. P M Colebatch

(Independent Non Executive Director)

Term of Office

Mr Colebatch joined the Board in December 2005.

Skills, Experience and Qualifications

Mr Colebatch has held senior management positions in insurance and investment banking, and was formerly on the Executive Board of Swiss Reinsurance company, Zurich. He was previously on the Executive Board of Credit Suisse Group, Zurich, where he was Chief Financial Officer, and was subsequently CEO of Credit Suisse Asset Management.

Mr Colebatch has a Bachelor of Science and Bachelor of Engineering from the University of Adelaide, a Master of Science from Massachusetts Institute of Technology and a Doctorate in Business Administration from Harvard University.

Listed Company Directorships (held within the last three years)

- Non Executive Director of Man Group plc (appointed September 2007)

Other Current Appointments

- Board of Trustees for the Prince of Liechtenstein Foundation and the LGT Group Foundation

Board Committee Memberships

- Member of the Nomination Committee
- Member of the Risk Management and Audit Committee

6. D P Craig

(Independent Non Executive Director)

Term of Office

Mr Craig joined the Board in March 2016.

Skills, Experience and Qualifications

Mr Craig was the Chief Financial Officer (CFO) of Commonwealth Bank of Australia, one of the world's largest banks by market capitalisation, until he retired on 30 June 2017. He is a business leader with a successful international career spanning over 35 years developed in finance, accounting, audit, risk management, strategy and Mergers & Acquisitions. As the Commonwealth Bank CFO, he was responsible for leading the finance, treasury, property, security, audit and investor relations teams, and liaised with a wide range of external stakeholders including equity and debt investors, regulators, government, media and customers.

Mr Craig's previous leadership roles have included CFO at Australand, Global Transition Finance Leader for IBM Business Consulting Service and the Global CFO for PwC Consulting.

Mr Craig holds a Bachelor of Economics from the University of Sydney, is a Fellow of the Institute of Chartered Accountants, Australia and a member of the Australian Institute of Company Directors.

Other Current Appointments

- Non Executive Director of the Financial Executives Institute of Australia
- Non Executive Director of the Victor Chang Cardiac Research Institute

Board Committee Memberships

- Chairman of the Risk Management and Audit Committee
- Member of the Nomination Committee

BOARD OF DIRECTORS INFORMATION

7. S B Dobbs

(Independent Non Executive Director)

Term of Office

Mr Dobbs joined the Board in January 2015.

Skills, Experience and Qualifications

Mr Dobbs was Senior Group President, Industrial and Infrastructure at Fluor Corporation until his retirement in June 2014. Since joining Fluor in 1980, Mr Dobbs was responsible for a wide diversity of markets including infrastructure, mining, telecommunications, transportation, heavy manufacturing, healthcare, water and alternative power. He served the company in numerous locations including the United States, China, Europe and Southern Africa.

Mr Dobbs is an industry expert in Public Private Partnerships and Private Finance Initiatives and has served as an advisor on these issues to a number of Government ministries. He was a Governor of industry forums related to engineering and construction at the World Economic Forum from 2008 to 2014 and served as Vice Chair of the Forum's Global Agenda Council on Infrastructure in 2013 and 2014.

Mr Dobbs holds a Doctorate in Engineering from Texas A&M University and is a registered professional engineer (retired).

Listed Company Directorships (held within the last three years)

- Non Executive Director of Cummins Inc (appointed October 2010)

Board Committee Memberships

- Member of the Nomination Committee
- Member of the Risk Management and Audit Committee
- Member of the Sustainability Committee

8. J S Hemstritch

(Independent Non Executive Director)

Term of Office

Ms Hemstritch joined the Board in September 2011.

Skills, Experience and Qualifications

Ms Hemstritch has extensive senior executive experience in information technology, communications, change management and accounting. She also has broad experience across the financial services, telecommunications, government, energy and manufacturing sectors and in business expansion in Asia.

During a 25 year career with Accenture and Andersen Consulting, Ms Hemstritch held a number of leadership positions within the company and was Managing Director Asia Pacific for Accenture from 2004 until her retirement in 2007. Ms Hemstritch was a member of Accenture's Global Executive Leadership Team and oversaw the management of Accenture's business in the Asia Pacific region which spanned 12 countries and included 30,000 personnel.

Ms Hemstritch has a Bachelor of Science in Biochemistry and Physiology from the University of London and is a Fellow of the Institutes of Chartered Accountants in Australia and in England and Wales. She is a Member Chief Executive Women Inc.

Listed Company Directorships (held within the last three years)

- Non Executive Director of Telstra Corporation Limited (appointed August 2016)
- Non Executive Director of Tabcorp Holdings Ltd (appointed November 2008)
- Non Executive Director of the Commonwealth Bank of Australia (appointed October 2006, retired March 2016)
- Non Executive Director of Santos Limited (appointed February 2010, retired May 2016)

Other Current Appointments

- Member of the Advisory Board of Herbert Smith Freehills Global LLP
- Chairman of Victoria Opera Company Ltd
- Council of the National Library of Australia

Board Committee Memberships

- Chairman of the People and Culture Committee
- Member of the Nomination Committee

9. D J Ryan AO

(Independent Non Executive Director)

Term of Office

Mr Ryan joined the Board in December 2004.

Skills, Experience and Qualifications

Mr Ryan has a background in commercial banking, investment banking and operational business management. He has previously held senior executive management positions in investment banking, as well as being the Chairman or a Non Executive Director of a number of listed public companies.

Mr Ryan has been immersed in all aspects of corporate life. From a corporate activity viewpoint he has been actively engaged in mergers, acquisitions, divestments, initial public offerings, equity and debt financing and raising including heavily structured recourse and non recourse transactions. In many cases he has been the Chair of the Due Diligence Committees that were formed to provide assurance and verifications to the stakeholders of these processes.

Mr Ryan has a Bachelor of Business from the University of Technology in Sydney, Australia, and is a Fellow of the Australian Institute of Company Directors and CPA Australia.

Listed Company Directorships (held within the last three years)

- Non Executive Director of GTN Ltd (appointed June 2016)

Other Current Appointments

- Chairman of Sunshine Coast Destination Limited
- Director of First American Title Insurance Company of Australia Pty Ltd
- Director of First Mortgage Services Pty Ltd

Board Committee Memberships

- Member of the Nomination Committee
- Member of the People and Culture Committee
- Member of the Sustainability Committee

10. M J Ullmer

(Independent Non Executive Director)

Term of Office

Mr Ullmer joined the Board in December 2011.

Skills, Experience and Qualifications

Mr Ullmer brings to the Board extensive strategic, financial and management experience accumulated over his career in international banking and finance. He was the Deputy Group Chief Executive Officer of the National Australia Bank (NAB) from 2007 until he retired from the Bank in August 2011. He joined NAB in 2004 as Finance Director and held a number of key positions including Chairman of the subsidiaries Great Western Bank (United States) and JB Were. Prior to NAB, Mr Ullmer was at Commonwealth Bank of Australia, initially as Group Chief Financial Officer and then Group Executive with responsibility for Institutional and Business Banking. Before that he was a Partner at accounting firms KPMG (1982 to 1992) and Coopers & Lybrand (1992 to 1997).

Mr Ullmer has a degree in mathematics from the University of Sussex. He is a Fellow of the Institute of Chartered Accountants and a Senior Fellow of the Financial Services Institute of Australia.

Listed Company Directorships (held within the last three years)

- Non Executive Director of Woolworths Limited (appointed January 2012)

Other Current Appointments

- Chairman of the Melbourne Symphony Orchestra
- Trustee of the National Gallery of Victoria

Board Committee Memberships

- Chairman of the Sustainability Committee
- Member of the Nomination Committee
- Member of the Risk Management and Audit Committee

11. N M Wakefield Evans

(Independent Non Executive Director)

Term of Office

Ms Wakefield Evans joined the Board in September 2013.

Skills, Experience and Qualifications

Ms Wakefield is an experienced Non-Executive Director and was a Mergers & Acquisitions (M&A) lawyer for 29 years at King & Wood Mallesons where she was a partner for nearly 20 years. She has extensive experience as an equity capital markets and M&A lawyer, has been involved in a number of significant and ground breaking M&A transactions and has advised some of the largest companies in Australia, Asia and globally. She has had extensive international experience having worked in New York and Hong Kong, and is well known in Asia where she was the Managing Partner, International at King & Wood Mallesons, Hong Kong. In October 2012, Ms Wakefield Evans was included in the Australian Financial Review and Westpac Group's inaugural list of 'Australia's 100 Women of Influence.' She is a member of Chief Executive Women Inc.

Ms Wakefield Evans holds a Bachelor of Jurisprudence and Bachelor of Laws from the University of New South Wales and is a qualified lawyer in Australia, Hong Kong and the United Kingdom.

Listed Company Directorships (held within the last three years)

- Non Executive Director of Macquarie Group Limited (appointed February 2014)
- Non Executive Director of Toll Holdings Limited (appointed May 2011, retired June 2017)

Other Current Appointments

- Director of Bupa Australia
- Director of O'Connell St & Associates
- Director of Asialink (University of Melbourne)
- Director of UNSW Foundation Limited
- Director of Australian Institute of Company Directors

Board Committee Memberships

- Member of the Nomination Committee
- Member of the Risk Management and Audit Committee
- Member of the Sustainability Committee

General Counsel and Company Secretary Qualifications and Experience

K Pedersen

Ms Pedersen was appointed as Group General Counsel in January 2013. Before that she was General Counsel and Company Secretary for other large property and construction companies. Ms Pedersen has a Masters of Law from the University of Technology, Sydney and a Bachelor of Commerce/Bachelor of Laws from the University of New South Wales.

W Lee

Ms Lee joined Lendlease in September 2009 and was appointed as a Company Secretary of Lendlease in January 2010. Prior to her appointment, Ms Lee was a Company Secretary for several subsidiaries of a large financial institution listed on the Australian Securities Exchange. She has over 10 years of company secretarial experience. Ms Lee has a Bachelor of Arts and a Bachelor of Laws from the University of Sydney, a Graduate Diploma in Applied Corporate Governance and is a Fellow of the Governance Institute Australia.

Officers Who Were Previously Partners of the Audit Firm

KPMG or its predecessors was appointed as Lendlease's auditor at its first Annual General Meeting in 1958.

Mr Crawford was a Partner and Australian National Chair of KPMG. He resigned from this position on 28 June 2001 prior to his appointment as a Director of Lendlease on 19 July 2001. Mr Ullmer was also a Partner at KPMG from 1982 until October 1992.

BOARD OF DIRECTORS INFORMATION

Interests in Capital

The interests of each of the Directors (in office at the date of this report) in the Stapled Securities of the Group at 28 August 2017 is set out below.

Director	Securities Held Directly 2017	Securities Held Beneficially/ Indirectly 2017[1]	Total 2017	Securities Held Directly 2016	Securities Held Beneficially/ Indirectly 2016[1]	Total 2016
D A Crawford	926	80,437	81,363	887	78,501	79,388
S B McCann	380,243	364,754	744,997	480,849	346,345	827,194
C B Carter		15,000	15,000		15,000	15,000
P M Coffey[2]		4,810	4,810	-	-	-
P M Colebatch	6,712	11,611	18,323	5,144	13,179	18,323
D P Craig		14,870	14,870		14,870	14,870
S B Dobbs		8,000	8,000		2,000	2,000
J S Hemstritch		20,000	20,000		20,000	20,000
D J Ryan		37,200	37,200		36,172	36,172
M J Ullmer		50,000	50,000		50,000	50,000
N M Wakefield Evans		16,131	16,131		12,517	12,517

1. Includes securities in the Retirement Plan beneficially held by D A Crawford, P M Colebatch and D J Ryan.
2. P M Coffey was appointed to the Board in January 2017.

Directors' Meetings

Board Meetings

The Board meets as often as necessary to fulfil its role. Directors are required to allocate sufficient time to the Group to perform their responsibilities effectively, including adequate time to prepare for Board meetings. During the financial year ended 30 June 2017 fourteen Board meetings were held. Five of these meetings were held in Australia, two in the United Kingdom and one in Asia. In addition, six meetings were held via teleconference to discuss specific matters, and matters were dealt with as required by circular resolution. Five Board subcommittee meetings were also constituted to deal with specific matters.

The Board recognises the essential role of Committees in guiding the Company on specific issues. Committees address important corporate issues, calling on senior management and external advisors prior to making a final decision or making a recommendation to the full Board.

There are four permanent Committees of the Board.

Risk Management and Audit Committee

The Risk Management and Audit Committee consists entirely of Non Executive Directors. The principal purpose of the Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Group's risk management and internal control systems, accounting policies and practices, internal and external audit functions and corporate reporting. During the financial year ended 30 June 2017, four meetings of the Risk Management and Audit Committee were held.

People and Culture Committee

The People and Culture Committee's agenda reflects the importance of human capital to the Group's strategic and business planning and it assists the Board in establishing appropriate policies for people management and remuneration across the Group. During the financial year ended 30 June 2017, six meetings of the People and Culture Committee were held.

Sustainability Committee

The Sustainability Committee consists entirely of Non Executive Directors. The Committee assists the Board in monitoring the decisions and actions of management in achieving Lendlease's aspiration to be a sustainable organisation. During the financial year ended 30 June 2017, four meetings of the Sustainability Committee were held.

Nomination Committee

The Nomination Committee consists entirely of Non Executive Directors. The Committee assists the Board by considering nominations to the Board which provide for an appropriate mix of expertise, skills and experience on the Board. During the financial year ended 30 June 2017, all eight meetings of the Nomination Committee were held in conjunction with scheduled Board meetings and all Non Executive Directors routinely attended.

Attendance at Meetings of Directors 1 July 2016 to 30 June 2017

The number of Board and Board Committee meetings held, and the number of meetings attended by each Director during the 2017 financial year, are set out in the tables below.

	Membership	Number of Meetings Held[1]	Number of Meetings Attended
Board	D A Crawford (Chairman)	14	14
	S B McCann (CEO)	14	14
	C B Carter	14	14
	P M Coffey[2]	7	7
	P M Colebatch	14	13
	D P Craig	14	14
	S B Dobbs	14	14
	J S Hemstritch	14	14
	D J Ryan[3]	14	13
	M J Ullmer	14	14
	N M Wakefield Evans[4]	13	13
Board Subcommittee Meetings[5]	D A Crawford (Chairman)	3	3
	S B McCann (CEO)	3	3
	C B Carter	3	3
	P M Coffey	1	1
	P M Colebatch	2	2
	D P Craig	1	1
	S B Dobbs	3	3
	J S Hemstritch	3	3
	M J Ullmer	4	4
Nomination Committee	C B Carter (Chairman)	8	8
	D A Crawford	8	8
	P M Coffey	4	3
	P M Colebatch	8	7
	D P Craig	8	8
	S B Dobbs	8	8
	J S Hemstritch	8	8
	D J Ryan	8	8
	M J Ullmer	8	8
	N M Wakefield Evans	8	8
People and Culture Committee	J S Hemstritch (Chairman)	6	6
	C B Carter	6	6
	D J Ryan	6	6
	Standing Invitees:		
	D A Crawford	6	6
	S B McCann	6	6
Risk Management and Audit Committee	D P Craig (Chairman)[6]	4	4
	D J Ryan[6]	1	1
	P M Colebatch	4	3
	S B Dobbs	4	4
	M J Ullmer	4	4
	N M Wakefield Evans	4	4
	Standing Invitees:		
	D A Crawford	4	4
	S B McCann	4	4
Sustainability Committee	M J Ullmer (Chairman)	4	4
	C B Carter	4	4
	S B Dobbs	4	4
	D J Ryan	3	3
	N M Wakefield Evans	4	4
	Standing Invitees:		
	D A Crawford	4	4
	S B McCann	4	3

1. Reflects the number of meetings held during the time the Director held office during the year. Six out of the 14 meetings were out of schedule Board teleconferences constituted to address specific issues.
2. P M Coffey was appointed to the Board with effect from 1 January 2017. The number of meetings attended reflects the number of meetings since P M Coffey's appointment.
3. D J Ryan was unable to attend the out of schedule Board teleconference as this was called at short notice to address a specific issue.
4. N M Wakefield Evans had a conflict of interest for one of the out of schedule Board teleconferences. She did not attend that meeting nor did she receive any of the materials for that meeting.
5. Four subcommittees of the Board were convened during the reporting period to address specific issues. Only the subcommittee members attended the relevant meeting.
6. D P Craig took over as Chairman of the Risk Management and Audit Committee upon the retirement of D J Ryan as Chairman and a Member of the Risk Management and Audit Committee in August 2016. Accordingly, D J Ryan only attended one meeting of the Risk Management and Audit Committee during the reporting period.

REMUNERATION REPORT

Message from the Board

Welcome to the 2017 Remuneration Report where we explain how performance has been linked to reward outcomes for Key Management Personnel (KMP) at Lendlease this year.

Lendlease has developed and embedded a competitive Executive Reward Strategy to deliver long term outperformance and with the aim of having the right people to lead the Group over the long term. Our approach to executive reward has been a key factor in driving our success.

Our Executive Reward Strategy, which consists of a framework and policy that governs how the key senior employees in the organisation are remunerated, has supported the achievement of Lendlease's strategy by:

- Driving strong individual and team performance;
- Emphasising medium to long term performance, which recognises the investment cycle of a group such as ours;
- Forging clear alignment between Senior Executives and securityholders; and
- Considering the interests of both internal and external stakeholders.

For securityholders, this performance has been illustrated in Lendlease's Total Securityholder Return (TSR) of 188.9 per cent over the past five years, compared to 91.5 per cent for the ASX 100 accumulation index over the same period (see graph below). This has been supported by the design of incentives for the Chief Executive Officer (CEO) and Senior Executives.

Short Term Incentive (STI) outcomes are strongly linked to business performance. During the year, Lendlease delivered Profit after Tax above the target set by the Board, progressed strategic initiatives and delivered strong operational outcomes including improvements in broader measures of safety performance. However, tragically, during 2017 there were two fatal incidents recorded, the first corporate reportable fatalities for four years. These incidents have been accounted for in the Board's determination of the overall incentive pool, the Board's assessment of the STI payable to the CEO, and in STIs paid to other executives based on either accountability or having a responsibility for the safety outcomes of the Group.

We are pleased to report that we received 98 per cent of votes cast in favour of our Remuneration Report at the 2016 Annual General Meeting (AGM).

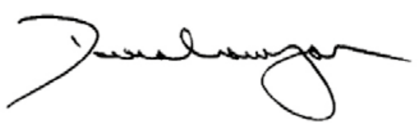
Changes in 2017

There were no major changes introduced in 2017, however the Board has been actively reviewing the Executive Reward Strategy to see if enhancements can be made to further support the 'Focus & Grow' Strategy and drive continued success.

Following stakeholder feedback, the Board resolved to allocate and disclose future Long Term Incentive (LTI) awards using face value.

We have also reviewed the presentation and content of the Remuneration Report in order to simplify the report and align it with our overall approach to integrated reporting.

We look forward to your comments on both our remuneration arrangements and the Remuneration Report.

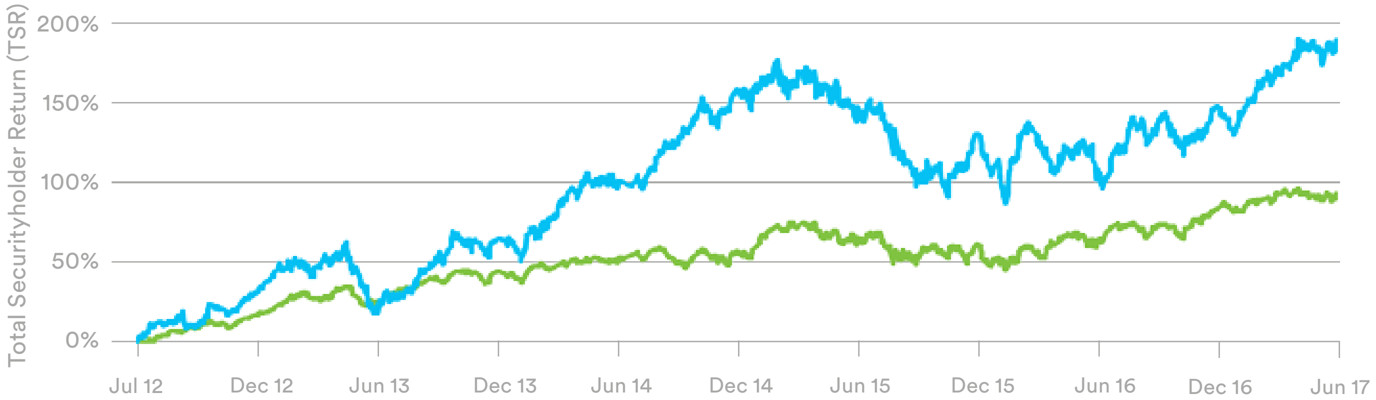


David Crawford, AO
Chairman

Jane Hemstritch
Chairman, People and Culture Committee

Comparative Total Securityholder Return Performance

LLC vs ASX 100



Source: Bloomberg

Contents

This report forms part of the Directors' Report and has been audited in accordance with the *Corporations Act 2001*.

REMUNERATION REPORT continued

Executives and Non Executive Directors Covered by this Report

The following Executives and Non Executive Directors were considered Key Management Personnel (KMP) for the year ended 30 June 2017 and are covered by this report.

CEO and Senior Executives

Current Executives

Stephen McCann	Group Chief Executive Officer and Managing Director (CEO)
Tarun Gupta	Group Chief Financial Officer
Denis Hickey	Chief Executive Officer, Americas
Daniel Labbad	Chief Executive Officer, International Operations and Chief Executive Officer, Europe
Anthony Lombardo	Chief Executive Officer, Asia
Kylie Rampa	Chief Executive Officer, Property Australia

Former Executives

Rodney Leaver	Chief Executive Officer, Asia until 30 April 2016 and ceased employment with the Group on 14 July 2016
Robert McNamara	Group Chief Risk Officer until 31 March 2017

Note: the term Senior Executives when used throughout this report refers to all the Executives listed above, unless specifically stated otherwise.

Non Executive Directors

Current Non Executive Directors

David Crawford	Independent Chairman
Colin Carter	Independent Non Executive Director
Philip Coffey	Independent Non Executive Director (appointed 1 January 2017)
Phillip Colebatch	Independent Non Executive Director
David Craig	Independent Non Executive Director
Steve Dobbs	Independent Non Executive Director
Jane Hemstritch	Independent Non Executive Director
David Ryan	Independent Non Executive Director
Michael Ullmer	Independent Non Executive Director
Nicola Wakefield Evans	Independent Non Executive Director

a. Executive Remuneration at Lendlease and 2017 Performance

Lendlease's Executive Reward Strategy on a Page

The following provides a high level overview of the key aspects of Lendlease's Executive Reward Strategy, guiding principles and remuneration components.

Vision	To create the best places.
Strategic Direction	To be the leading international property and infrastructure company.

Underpinned by

Our Executive Reward Strategy	A remuneration framework which attracts and retains high calibre executives needed to deliver on the strategy and aligns rewards with sustainable performance.

Applying principles of

Executive Reward Strategy Principles	**Simplicity** Simple, transparent and easy to communicate.	**Responsiveness** Considers the interests of internal and external stakeholders.	**Balance** A significant portion of remuneration is at risk, but can be earned by achieving outstanding performance.	**Governance and Risk Management** Clear practices that minimise potential conflicts of interest and enable effective decision making by the Board and management.

Delivered through remuneration components of

Key Remuneration Components	Fixed remuneration.	Short Term Incentives (STI) delivered as cash.	STI delivered as deferred securities.	Long Term Incentives (LTI).

With business and operational risks managed by

Business and Operational Risk	Performance hurdles that appropriately reflect the 'long tail' of risk and profitability in our business.	Robust forfeiture and malus provisions and deferral of incentives for up to four years.	Substantial Mandatory Securityholding for the CEO and Senior Executives.	Key Performance Indicators that focus on key operational risks including safety.	Qualitative overlay built into performance assessment to provide a balanced and holistic assessment.	Board discretion to reward good decisions, account for unforeseen circumstances and appropriately manage windfall gains.

While aligning management and securityholders through

Alignment with Securityholders	Mandatory securityholding for the CEO and Senior Executives.	Use of Total Securityholder Return and Return on Equity as LTI performance hurdles.	Significant deferral of incentives into Lendlease securities.

Driving performance through Short Term Incentives

Short Term Incentives	**Industry specific measures** To focus management on building a healthy development pipeline and backlog (which are key to long term sustainable value creation).	**Financial measures** That measure both the quality and growth in earnings and have a qualitative overlay that reviews the overall financial health of the business.	**Strategic, operational and people measures** To focus management on a balance of measures that underpin the growth and sustainability of the Group including operational efficiency, safety and leadership.

And long term securityholder value creation through Long Term Incentives

Long Term Incentives	**Performance period of three to four years** Reflects an appropriate balance between reward that motivates executives while reflecting the long term 'tail' of profitability and risk associated with 'today's decisions'.	**Relative Total Securityholder Return** Only rewards the CEO and Senior Executives for delivering returns that are greater than a securityholder could achieve in the market and encourages management to maintain a strong focus on securityholder outcomes.	**Average Return on Equity** An important long term measure of how well the management team generates earnings from capital invested and rewards decisions in respect of developing, managing, acquiring and disposing of assets.

While maintaining the highest standards of governance

Governance	The Board holds ultimate discretion.	Strict protocols in place for interactions with the Board's remuneration advisor.

REMUNERATION REPORT continued

a. Executive Remuneration at Lendlease and 2017 Performance continued

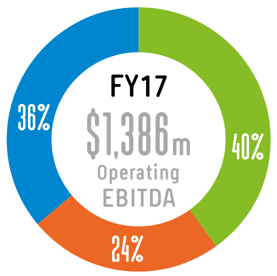
2017 Performance & Outlook

For a detailed analysis of our Group and segment Performance & Outlook, please refer to pages 64 to 75. We have included a summary here.

Key Financials

FINANCIAL		FY16	FY17	Percentage Movement
Key Metrics				
Revenue[1]	$m	15,105.3	16,671.0	10%
EBITDA	$m	1,054.9	1,201.8	14%
Profit after Tax (PAT)	$m	698.2	758.6	9%
Operating and Investing cash flow	$m	853.6	216.1	(75%)
Net assets	$m	5,614.7	6,166.5	10%
Net debt	$m	1,052.4	912.8	(13%)
Effective tax rate[2]	%	19.1	24.7	29%
Key Returns				
Earnings per Security	cents	120.1	130.1	8%
Distribution per Security	cents	60.0	66.0	10%
Weighted avg Securities	no.(m)	581.4	583.0	-

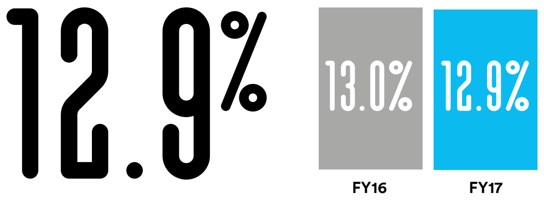
EBITDA Mix



Development | Construction | Investments

Profit after Tax

Return on Equity



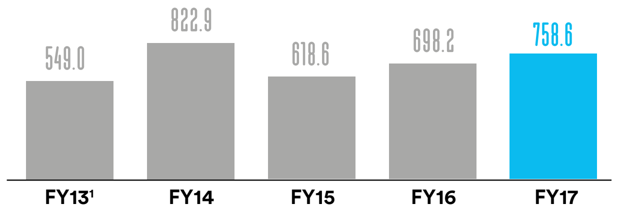
Earnings per Security

1. Includes finance revenue.
2. Lendlease's approach to tax and its policies are contained on the website (http://www.lendlease.com/investor-centre/taxation). Details on tax balances are included within the Consolidated Financial Statements.

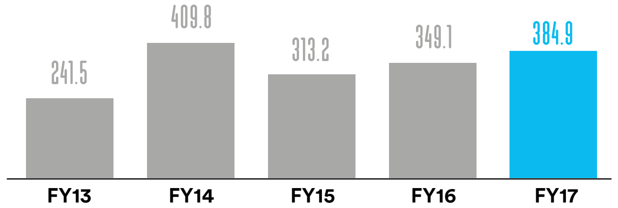
Five Year Performance Summary

The graphs below outline some key indicators of Group performance over the past five years.

Statutory Profit after Tax Attributable to Securityholders (A$m)

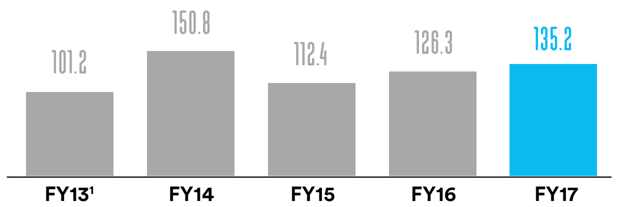


Total Dividends/Distributions (A$m)[2]

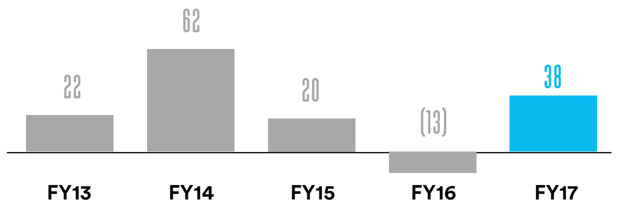


Earnings per Stapled Security (EPSS) (cents)[3]

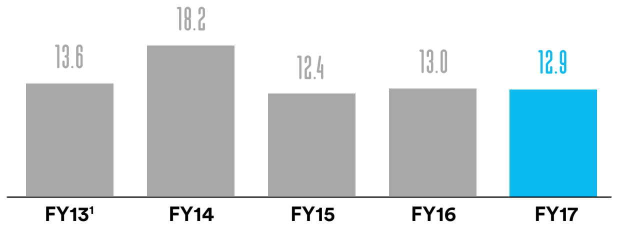
(Excluding Treasury Securities)



Annual Total Securityholder Return (%)[4]



Return on Equity (ROE) (%)[5]



Performance and Funding for Short Term Incentives

Incentives are funded by an incentive pool which represents a maximum that can be spent on incentives. Using an incentive pool provides for a fair sharing of profits between securityholders and employees by capping the amount of profits that can be paid to employees. It also forges a strong link between Group performance and Short Term Incentive (STI) outcomes because STI outcomes are influenced (up or down) by the available pool.

Group Profit after Tax (PAT) is one factor that determines the overall size of the STI pool. An assessment of overall profit make up, the quality and sustainability of earnings and other financial and non financial factors are also considered.

Group PAT was above target for 2017. Following an overall assessment of performance and in particular acknowledging the two fatal incidents which occurred, the Board approved an overall incentive pool that will deliver lower average STI awards compared to 2016, whilst PAT increased by 8.7 per cent.

CEO Scorecard and Performance in 2017

STI outcomes are based on both individual performance against personal Key Performance Indicators (KPIs) and on the performance of the Group (and the respective region for executives with regional responsibility). Personal KPIs for the Chief Executive Officer (CEO) and Senior Executives are contained in a scorecard. The Board has a rigorous process for the setting of scorecards at the beginning of the year and for the evaluation of scorecards at the end of the year. In 2017 a simpler approach to goal setting was introduced for Senior Executives, which focused efforts on fewer critical financial, people and strategic objectives.

They include items such as:
- Financial performance;
- Health and safety;
- Delivery of key projects;
- Sale of key assets;
- Embedding operational excellence; and
- Investing in people.

The Board also assesses the CEO and Senior Executives against Lendlease's defined:
- Leadership capabilities (including health and safety, sustainability and diversity);
- Values; and
- Leadership behaviours.

In this way, the STI outcome rewards 'what' is achieved as well as 'how' it is achieved.

Lendlease is committed to the safety and wellbeing of all of its employees. The Board considers safety leadership behaviours and outcomes in assessing the overall performance of the CEO and each Senior Executive. While the assessment is not structured formulaically or as a 'gateway' measure, expectations are clearly communicated to the CEO and Senior Executives that poor health and safety outcomes may lead to reduction in STI outcomes for the year.

The two fatal incidents in 2017 have been considered in assessing the CEO's STI award. Notwithstanding the increase to PAT and continuing strong scorecard results, these incidents have contributed to the CEO's STI award for 2017 being 100 per cent of the CEO's target compared to an award of 125 per cent of target in 2016.

The Board's assessment of the CEO's scorecard is included over the page.

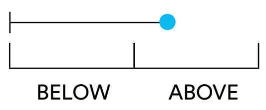
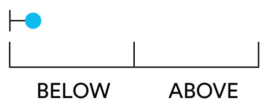
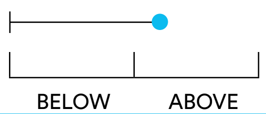
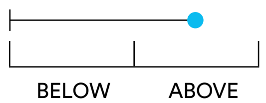
1. 2013 has been adjusted to reflect the impact of first time adoption of the revised AASB 119 *Employee Benefits* standard and the new AASB 11 *Joint Arrangements* standard in 2014, with retrospective adjustment from 1 July 2012.
2. A$165.8 million company unfranked dividend was declared subsequent to the reporting date for June 2017.
3. EPSS (Earnings per Stapled Security) is calculated using the weighted average number of securities on issue excluding treasury securities. EPSS, including treasury securities, is reported in the Performance & Outlook section of this report.
4. Represents the movement in the Group's security price, distribution yield and any return on capital during the financial year.
5. ROE is calculated as the annual Statutory Profit after Tax attributable to securityholders divided by the arithmetic average of beginning, half year and year end securityholders' equity.

REMUNERATION REPORT continued

a. Executive Remuneration at Lendlease and 2017 Performance continued

CEO Scorecard and Performance in 2017 continued

The Board has assessed the Chief Executive Officer's 2017 scorecard and made an overall judgement as to whether the scorecard results fully reflect performance and appropriate management of risk. Following the Board's assessment, the CEO's STI awarded for the year ended 30 June 2017 was A$1,750,000 (being the combined cash and deferred components of his STI), which equated to 100 per cent of the CEO's target STI award. Refer to the table Remuneration Awarded by the Board on page 101 to see the total remuneration awarded to the CEO for 2017.

PERFORMANCE MEASURES for year ended 30 June 2017	PILLARS OF VALUE	REASON CHOSEN	RESULT	PERFORMANCE ASSESSMENT
Financial performance				
A range of financial measures that include specific targets for: - Profit after Tax - EBITDA $ - EBITDA Margin - Return on Equity - Cashflow from operating and investing - Overheads An assessment of the overall financial health of the business: - Comparing the quality of the result in comparison with the targets set		A breadth of financial measures, in combination with the forward looking assessment of the financial health of the business, focuses the Chief Executive Officer on the delivery of financial results in the short term whilst taking decisions with an emphasis on the long term interests of securityholders.		A summary of the result against each financial measure is below: **Profit after Tax** – Ahead of Target – Actual Profit after Tax was $758.6 million, up 8.7 per cent on FY16 and ahead of target **EBITDA $** – Ahead of Target – An increase of $146.9 million, up 13.9 per cent on FY16 and ahead of target **EBITDA Margin** – On Target – 7 per cent which was slightly ahead of target **Return on Equity** – On Target – At 12.9 per cent the result was towards the upper end of the stated target range of 10 to 14 per cent **Cashflow** – Ahead of Target – Strong management of settlement risks and cashflow **Overheads** – Ahead of Target – Business efficiencies delivered that saw overheads lower than targeted The Group continues to deliver results in line with its Portfolio Management Framework achieving or exceeding all financial measures outlined above, with strong Return on Invested Capital (ROIC) performance in the Development and Investments segment and an improving Construction EBITDA margin. These results, combined with a very strong balance sheet that provides future capacity (gearing at 5 per cent and cash and cash equivalents of $1.2 billion), support the Board's assessment of the Group's financial performance as strong.
Non financial performance				
Health & Safety		We are committed to the health and safety of our people. The Critical Incident Frequency Rate (CIFR) helps us assess how effective we are at eliminating life threatening incidents.		The CIFR has decreased 26 per cent compared to FY16 – ahead of the 15 per cent target. Notwithstanding the very positive outcome during 2017, there were two fatal incidents recorded, the first corporate reportable fatalities for four years. These tragic incidents in 2017 have been considered in assessing the CEO's overall performance and STI outcome.
Strategic initiatives focused on capital allocation and alternative sources of capital		Effective capital management drives longer term securityholder returns.		The Portfolio Management Framework has been refreshed to provide greater discipline around capital allocation and target financial returns. Key outcomes included a targeted increased weighting to international markets as well as to higher recurring earnings through our Investments segment. During the year, three commercial fund transactions were completed with existing and new capital partner relationships and a number of capital solutions were completed across the Development pipeline, demonstrating increasing breadth and diversification across capital sources.
Customers & Innovation		Satisfied customers drive long term value. Innovation contributes to better performance – capturing and responding to disruption creates opportunity.		Customer is embedded into relevant metrics across all parts of the business with strong progress in customer engagement and focus across all business and senior leadership teams. The Group built capability across more than 300 employees to support innovation. Our innovation laboratory and funding have supported some of the following initiatives during FY17: - Affordable housing - Online apartment sales - Intelligent work sites - Design Make factory established driving innovation in building materials and offsite fabrication.
People		Having the right people in leadership roles is critical to long term success. The CEO sponsors key people initiatives and supports the internal movement of resources. The CEO actively promotes diversity and inclusion to grow capability.		The average number of unique successors for senior leadership roles has increased across most business units. 29 per cent of regional leadership team successors are female – a 16 per cent increase on the prior year. The Group continues to invest in tailored talent development programs for Project Directors and other targeted groups. Attrition of critical talent (those individuals identified in targeted groups) is 7.2 per cent, which is well within the target range of less than 10 per cent. Progress has been made on reshaping the organisation to streamline decision making and communication and generate cost benefits through improved spans of control. The Group continues to address the issue of gender pay equity and the Group Chief Executive Officer is a leading member of the Property Male Champions of Change group.
Sustainability		Capital investors, policy makers, customers and communities are seeking partners who can deliver efficient, healthy, resilient, culturally and socially inclusive outcomes that deliver long term value.		Barangaroo South continues to deliver world class sustainable outcomes. International House Sydney is the first timber commercial office building in Australia to achieve a 6 Star Green Star rating. Meaningful progress towards achieving a 20 per cent reduction for energy, water and waste by 2020 (against FY14 baseline) has been achieved. Results for FY17 as at March 2017 are as follows:[1] – Energy (18% reduction) – Water (6% reduction) – Waste (15% reduction) Lendlease achieved recognition at the 91st percentile of scores on the Dow Jones Sustainability Index. Lendlease maintained a leadership position against these Global Real Estate Sustainability Benchmarks (GRESB): – APPF Commercial was ranked Australia/New Zealand sector leader for the third year in a row and ranked 3rd of 759 funds globally. – In Asia, in the private retail funds category, five Lendlease funds took the top spots.

1. The above performance is as at March 2017 and is a cumulative measure. Full FY17 performance will be subjected to Limited Assurance by KPMG and be available on www.lendlease.com in October 2017.

REMUNERATION REPORT continued

b. Executive Remuneration Outcomes and Disclosures

Comparison of Remuneration Tables

In this section, the value of remuneration for the CEO and each Senior Executive is included. In addition to the required statutory table (based on the accounting disclosures), we have included a further table setting out the Remuneration Awarded and a graph showing the Actual Remuneration Received to provide a more complete illustration of our approach to executive remuneration. An explanation of the differences between the tables is set out below.

Disclosure	Awarded Table and Remuneration Received Graph	Statutory
Period covered	Remuneration disclosed will relate to both the time in their current role (as KMP) and any other role they have held at Lendlease during the financial year.	Only shows remuneration for the time the executive was KMP.
Fixed remuneration	Includes the contractually awarded amount of Total Package Value/Base Salary from 1 September 2016 or later. It excludes annual leave and long service leave accruals. For individuals employed for part of the year, only remuneration paid during the employment period is included.	The Statutory disclosures include a value for cash salary, non monetary benefits, superannuation and other long term benefits in line with statutory remuneration disclosure requirements. Non monetary benefits also includes the movement in annual leave accrual.
Short Term Incentive (STI) cash	The cash portion of the 2017 STI award that will be paid in September 2017 in respect of the 2017 financial year.	The cash portion of the 2017 STI award that will be paid in September 2017 in respect of the 2017 financial year.
STI Deferred	In the Remuneration Awarded table, the deferred securities portion of the STI earned in respect of the year ended 30 June 2017 but deferred until September 2018 and September 2019.	The accounting expense attributed to this financial year for Deferred STI granted in September 2015 and September 2016.
Long Term Incentive (LTI)	In the Remuneration Awarded table, the estimated fair value and face value of 2017 LTI grants made in September 2016. These vest in September 2019 and September 2020 and are subject to relative Total Shareholder Return (TSR) and average Return on Equity (ROE) hurdles (explained in detail on page 111).	The accounting expense attributed to this financial year for LTI awards made in the 2013, 2014, 2015, 2016 and 2017 financial years.
Prior STI and LTI Awards	In the Remuneration Received graph, the value of any Deferred STI awards and LTI awards which vested during this financial year. The value shown represents the value of the awards at the grant date. The Deferred STI awards which vested in September 2016 were granted in September 2014 and September 2015. The LTI's which vested in September 2016 were granted in September 2012 and September 2013.	
Security Price Growth and Distributions	In the Remuneration Received graph, the value of security price growth between the grant date and the vesting date and the value of distributions for the same period for prior STI and LTI awards.	

Remuneration Awarded by the Board for the Year Ended 30 June 2017

The Remuneration Awarded by the Board to the CEO and Senior Executives during this year is set out in the table below.

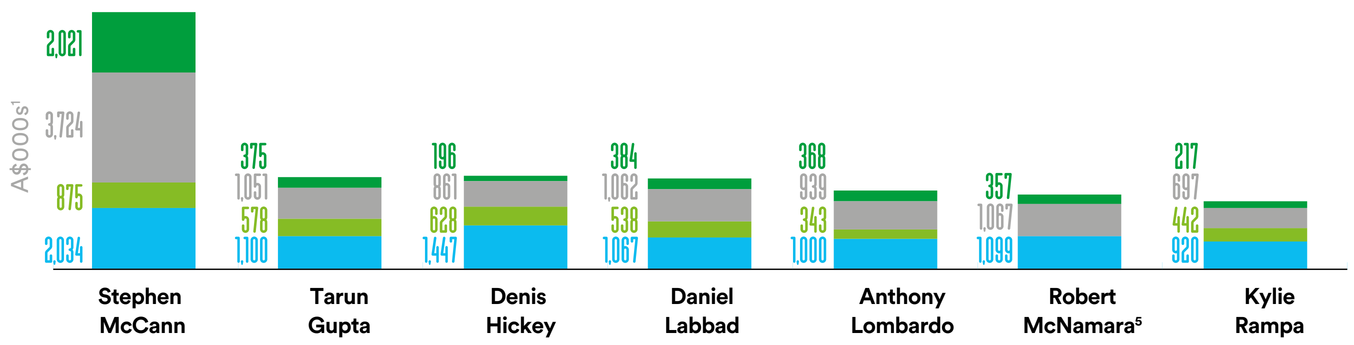
A$000s[1]	SHORT TERM		'AT RISK' – DEFERRED TO FUTURE PERIODS					STI OPPORTUNITY	
Name	Fixed Remuneration[2]	STI Cash[3]	STI Deferred	LTI Fair Value[4]	Total Potential Remuneration[4] (Fair Value)	LTI Face Value[4]	Total Potential Remuneration[4] (Face Value)	% of Target STI Paid	% of Maximum STI Paid
Stephen McCann	2,034	875	875	2,300	6,084	3,303	7,087	100%	67%
Tarun Gupta	1,100	578	660	625	2,963	897	3,235	125%	83%
Denis Hickey	1,447	628	648	425	3,148	610	3,333	105%	70%
Daniel Labbad	1,067	538	627	520	2,752	747	2,979	130%	87%
Anthony Lombardo	1,000	343	343	500	2,186	718	2,404	80%	53%
Robert McNamara[5]	1,099	-	-	500	1,599	718	1,817	0%	0%
Kylie Rampa	920	442	469	360	2,191	517	2,348	110%	73%

Actual Remuneration Received during 2017

The graph below outlines the Actual Remuneration Received by the CEO and by Senior Executives during the year.

Actual Remuneration received is different from:

- The Remuneration Awarded by the Board in 2017 as Actual Remuneration includes remuneration for this and previous years, whereas the Remuneration Awarded is wholly in respect of the current year; and
- The Statutory Remuneration disclosures (on page 102) which are prepared in accordance with the relevant accounting standards.



1. All executives are paid in local currency but reported in the above table and graph in AUD based on the following 12 month average historic foreign exchange rates: GBP 0.60 (applied to Daniel Labbad), SGD 1.05 (applied to Anthony Lombardo), USD 0.76 (applied to Robert McNamara and Denis Hickey).
2. Fixed remuneration includes the contractually awarded amount of Total Package Value (including the value of any benefits salary sacrificed) but excludes any allowances or non monetary benefits.
3. STI cash refers to the portion of the STI award for the year ended 30 June 2017 that will be paid in cash in September 2017. As outlined on page 108, the STI cash portion reflects half of the STI awarded up to an executive's target STI and one third of the STI awarded above their target.
4. LTI awards were granted on 1 September 2016. LTI allocation was made on a fair value basis in FY17. The value in the table above reflects the estimated fair value as distinct from the accounting fair value used in the Statutory Disclosures on page 102. The allocation was made on a fair value basis to provide a value per performance security reflective of the target value in the hands of the executives based on an estimate of the impact of the performance hurdles. Refer to page 111 for a detailed explanation of the rationale and allocation methodology. Face value is calculated using the security price at the date of grant (A$13.49). Following stakeholder feedback, the Board has resolved to allocate and disclose future LTI awards using face value.
5. Robert McNamara was KMP until 31 March 2017 when he ceased to be Chief Risk Officer. The amounts in the table represent the total remuneration awarded or received and are not pro rated for his time as KMP.

REMUNERATION REPORT continued

b. Executive Remuneration Outcomes and Disclosures continued

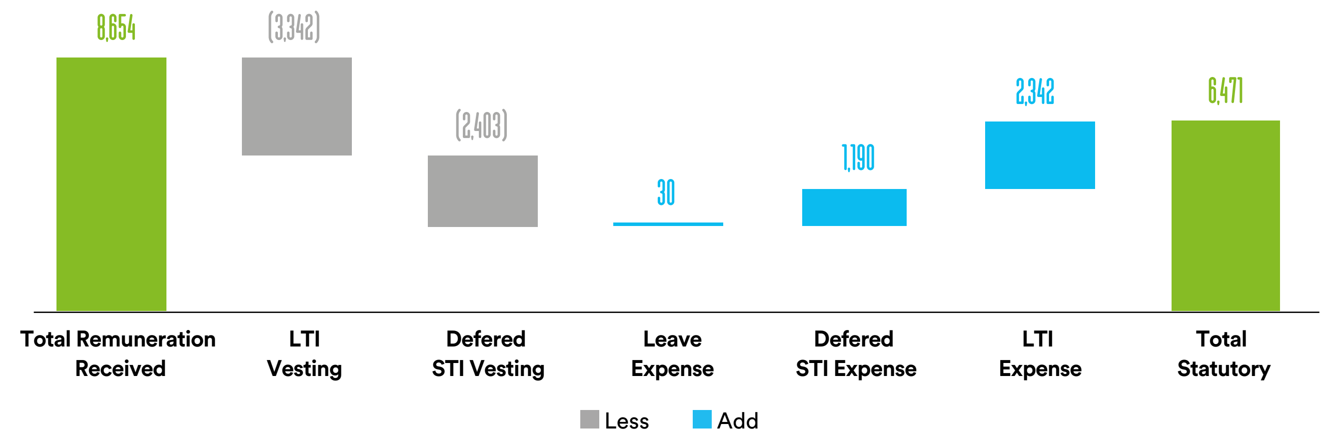
Statutory Disclosures – Remuneration of the Chief Executive Officer and Senior Executives for the Years Ended 30 June 2017 and 2016

A$000s[1]		SHORT TERM BENEFITS			POST-EMPLOYMENT BENEFITS	SECURITY BASED PAYMENTS[6]			
Name	Year	Cash Salary[2]	STI Cash[3]	Non Monetary Benefits[4]	Superannuation[5]	LTI	STI Deferred	Other Long Term Benefits[7]	Total
Chief Executive Officer									
Stephen McCann	2017	2,014	875	-	20	2,342	1,190	30	6,471
	2016	2,015	1,021	26	19	2,006	1,423	30	6,540
Senior Executives									
Tarun Gupta	2017	1,080	578	-	20	533	725	16	2,952
	2016	1,064	611	6	19	411	708	16	2,835
Denis Hickey	2017	1,503	628	98	11	395	686	-	3,321
	2016	1,648	654	177	11	296	739	-	3,525
Daniel Labbad[8]	2017	1,088	538	47	117	456	585	-	2,831
	2016	1,306	573	65	179	373	717	-	3,213
Anthony Lombardo	2017	1,000	343	246	-	496	551	-	2,636
	2016	1,288	506	54	16	413	559	15	2,851
Kylie Rampa[9]	2017	900	442	3	20	264	575	13	2,217
	2016	135	82	-	3	33	78	2	333
Former Executives									
Rodney Leaver[10]	2016	1,236	-	70	-	668	(83)	-	1,891
Robert McNamara[11]	2017	1,099	-	211	7	1,198	906	-	3,421
	2016	1,389	688	420	8	372	745	-	3,622

1. All executives are paid in local currency but reported in the above table in AUD based on the following 12 month average historic foreign exchange rates: GBP 0.60 (applied to Daniel Labbad), SGD 1.05 (applied to Rodney Leaver and Anthony Lombardo), USD 0.76 (applied to Robert McNamara and Denis Hickey).
2. Cash salary includes the payment of cash allowances such as motor vehicle allowance and holiday pay on termination.
3. Short Term Incentive (STI) Cash refers to the portion of the STI award for the year ended 30 June 2017 that will be paid in cash in September 2017. As outlined on page 108, the STI cash portion reflects half of the STI awarded up to an executive's target STI and one third of the STI awarded above their target.
4. Non monetary benefits may include items such as car parking, relocation and expatriate benefits (such as house rental, health insurance, shipping of goods and tax return preparation), motor vehicle costs, travel benefits and annual leave.
5. Superannuation includes the value of pension contributions for non Australian based executives.
6. The amounts for security based payments reflect the accounting expense on a fair value basis.
7. Other long term benefits represent the accrual of long term leave entitlements (e.g. long service leave).
8. Superannuation benefit includes an allowance paid in lieu of pension contributions.
9. Kylie Rampa became KMP on 1 May 2016 when she was appointed to the role of Chief Executive Officer, Property Australia. The information for 2016 reflects her remuneration for the time she was KMP being the period 1 May 2016 to 30 June 2016.
10. Rodney Leaver was KMP up until 30 April 2016 when he ceased to be CEO, Asia. The information for 2016 reflects his remuneration for the time he was KMP, being the period 1 July 2015 to 30 April 2016. The security based payment expense for the 2016 period has been recalculated, in line with accounting standards, to reflect full entitlement to the unvested LTI securities (but still subject to the original vesting conditions) through to the date on which he ceased to provide services to the Group.
11. Robert McNamara was KMP until 31 March 2017 when he retired. The information for the current year represents remuneration whilst he was KMP, being the period 1 July 2016 to 31 March 2017. The security based payment expense for 2017 reflects the full entitlement to the unvested LTI securities and Deferred STI (but which are still subject to the original vesting conditions).

Reconciliation of 2017 Statutory Remuneration with Actual Remuneration Received for the CEO

The following table shows the difference between the CEO's Actual Remuneration Received (page 101) and the Statutory Remuneration disclosure (page 102).



Long Term Incentive Performance

During the current year, two LTI awards were subject to performance testing. The outcomes are shown below.

2013 Award

The 2013 LTI award (granted in September 2012) was subject to a relative Total Securityholder Return (TSR) performance hurdle over a three and four year performance period (50 per cent each).

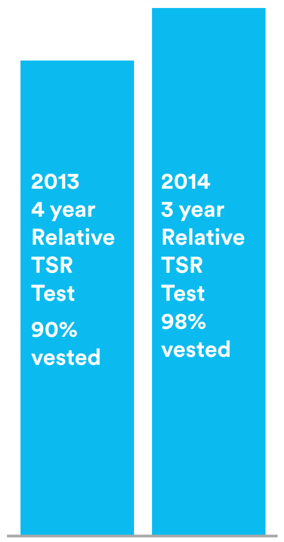
The four year relative TSR test was conducted in September 2016. Lendlease's relative TSR performance achieved the 70th percentile when compared to the comparator group. As a result, 90 per cent of the tested award vested.

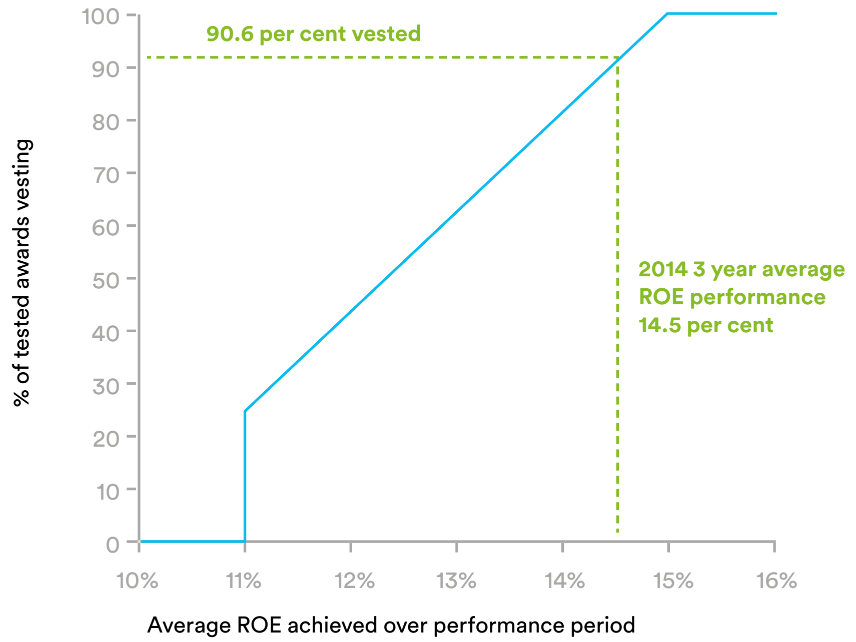
2014 Award

The 2014 LTI award (granted in September 2013) is subject to a Relative TSR performance hurdle and an average Return on Equity (ROE) performance hurdle. Each hurdle is tested over a three and four year performance period.

The three year Relative TSR test was conducted in July 2016. Lendlease's relative TSR performance achieved the 74th percentile when compared to the comparator group. As a result, 98 per cent of the tested award vested.

The three year average ROE test was also conducted in July 2016. Lendlease's three year average ROE performance was 14.5 per cent. As a result, 90.6 per cent of the tested award vested.





REMUNERATION REPORT continued

c. Remuneration Governance

Robust governance is a critical part of Lendlease's approach to executive remuneration.

Board

The Board has overall responsibility for executive remuneration at Lendlease. The Board assesses the performance of, and determines the remuneration outcome for, the Chief Executive Officer.

People and Culture (P&C) Committee

The Committee's agenda reflects the importance of human capital to the Group's strategic and business planning and it assists the Board in establishing appropriate policies for people management and remuneration across the Group. A description of the P&C Committee's scope can be found on page 90.

Management

Management makes recommendations to the P&C Committee in relation to developing and implementing the Executive Reward Strategy and structure. The CEO also provides his recommendations on fixed pay and Short Term Incentive (STI) outcomes for his direct reports for approval by the P&C Committee.

Independent Remuneration Advisor (PwC)

The Board has appointed PwC as its independent remuneration advisor. Strict governance protocols were observed to ensure PwC's advice to the P&C Committee was made free from undue influence by Key Management Personnel (KMP). During the year, PwC did not provide a remuneration recommendation as defined in section 9B of the *Corporations Act 2001*.

PwC provided advice on aspects of the remuneration of the KMP including commentary on positioning of the CEO's and Senior Executives' remuneration against the market.

The following arrangements were made to ensure that PwC's advice was free of undue influence:

- PwC was engaged by, and reported directly to, the Chair of the P&C Committee;
- The agreement for the provision of remuneration consulting services was executed by the Chair of the P&C Committee on behalf of the Board;
- Reports delivered by PwC were provided by PwC directly to the Chair of the P&C Committee; and
- PwC was permitted, where approved by the P&C Committee Chair, to speak to management to understand company processes, practices and other business issues and obtain management's perspectives.

As a consequence, the Board is satisfied that advice and market data provided by PwC was made free from undue influence from any of the KMP.

Setting Remuneration Levels

We benchmark our remuneration mix and levels to confirm we provide market competitive total rewards for on target performance, and total rewards above the market median if outstanding performance is achieved

Remuneration is reviewed annually by the P&C Committee for the Chief Executive Officer and Senior Executives (or during the year if there are any role changes or new executive appointments).

Primary sources of data	The P&C Committee typically uses a number of sources for benchmarking CEO and Senior Executive remuneration including: • Data provided by the Board's remuneration advisor, PwC, about remuneration for similar roles in companies of a similar size: – for Australian based executives, we refer to companies listed on the ASX that are ranked between 26 and 75 by market capitalisation (excluding companies domiciled overseas and property trusts where management is not typically employed by the trust); – comparable roles in ASX listed companies with revenue of between 50 and 200 per cent of Lendlease's revenue; and – relevant local comparator groups for executives based in other countries. • Publicly available data for comparable roles at organisations in Australia such as CIMIC (formerly Leighton), Mirvac and Stockland; and • Published remuneration surveys, remuneration trends and other data sourced from Mercer, Aon Hewitt, FIRG, Hay Group, Avdiev and others.
Market positioning	Fixed remuneration is set with reference to the market median and 75th percentile. The positioning will depend upon the specific nature of the role, the individual's performance and the overall remuneration mix. The remuneration outcomes for each Senior Executive will also take into consideration the target remuneration mix in the Executive Reward Strategy.
Application of data to Lendlease CEO and Senior Executives	The P&C Committee has applied a number of principles when applying remuneration benchmarks to Lendlease roles. These principles include: • Understanding the relative size, scale and complexity of the organisations in the data set (so that a fair comparison can be made to organisations with similar global breadth and operational complexities as Lendlease); • Understanding the relative size, scale and complexity of the roles in the data set; • Recognising an individual's tenure, position, experience and performance; • Differentiating risk profiles between roles when reviewing pay mix; • Considering key talent, including an emphasis on where we source talent from and where we lose talent to; and • Considering internal relativities, role and/or person criticality and key talent and succession risk. In addition to the above, when setting remuneration levels, the P&C Committee takes into account Group and regional performance and the positioning of the Senior Executive relative to the market.

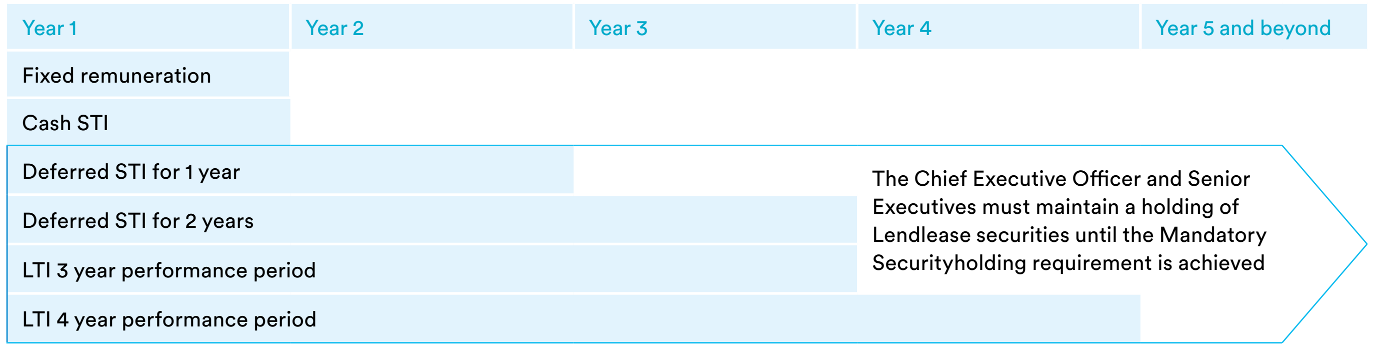
REMUNERATION REPORT continued

c. Remuneration Governance continued

Remuneration Mix

Securityholder alignment and longer term focus through significant incentive deferral

The remuneration mix is structured so that a substantial portion of remuneration is delivered as Lendlease securities through either Deferred Short Term Incentives (STI) or Long Term Incentives (LTI). This, along with the Mandatory Securityholding requirement (set out on page 107), aligns the interests of executives with securityholders. Remuneration Awarded (refer to page 101) to executives is delivered over a period of up to four years, over which time executives are exposed to movements in the security price on any deferred amounts.



The remuneration mix has been specifically designed to align to the execution of Lendlease's business strategy

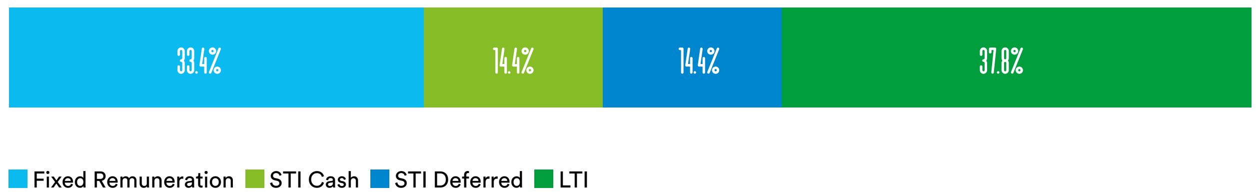
The Executive Reward Strategy provides for a target remuneration mix that links remuneration outcomes to the execution of business strategy over the short (one year), medium (two to three years) and long (three to four years) term. The target remuneration mix for FY17 for the Group CEO is shown below.

Percentage of Total Target Remuneration

The FY17 Actual remuneration mix for the Group CEO is compared to the target remuneration mix for the same period.

Group CEO FY17 Actual

Group CEO FY17 Target



The target remuneration mix for FY17 for Senior Executives is shown below.

	Fixed Remuneration	STI cash	Deferred STI	LTI
Senior Executives	40% – 55%	20% – 25%	20% – 25%	20%

The remuneration mix reflects the desired remuneration mix for the Chief Executive Officer and Senior Executives. To the extent that any Senior Executive is not currently paid in line with this preferred remuneration mix, it is intended that future adjustments to remuneration will be made so as to, over a period of time, move the Senior Executive toward the desired remuneration mix (while taking into account the market benchmarking outlined on page 105). Market adjustments in 2017 have been focused on moving Senior Executives towards this desired remuneration mix and substantial progress has been made in this area.

The Board has continued to shift the mix of total target remuneration towards LTI, and for the CEO, LTI has increased from 36 per cent in FY16 to 38 per cent in FY17.

Mandatory Securityholding

The Mandatory Securityholding requires the CEO and Senior Executives to hold a minimum amount of Lendlease securities so that they have a significant personal investment in Lendlease. Along with the Deferred STI and LTI, the Mandatory Securityholding provides additional alignment with securityholders and encourages the CEO and Senior Executives to consider long term securityholder value when making decisions.

Since the 2013 financial year, the CEO and other Senior Executives are required to accumulate and maintain a holding of Lendlease securities calculated with reference to their fixed remuneration (divided by the security price to determine a number of securities that must be held). In the case of:

- The CEO – the requirement is 150 per cent of Total Package Value (TPV); and
- Senior Executives – the requirement is 100 per cent of TPV or 100 per cent of base salary for Senior Executives outside of Australia.

The mandatory holding for each Senior Executive is outlined in the Equity Based Remuneration tables on page 118.

Personally held securities may be counted towards the requirement. Unvested deferred securities and unvested LTI awards do not count toward this mandatory holding.

Until such time as the Senior Executive meets the Mandatory Securityholding requirements, Lendlease imposes a disposal restriction on 50 per cent of any Senior Executives' Deferred STI or LTI that vest (for Senior Executives based in Australia). This disposal restriction means that the Senior Executive will not be able to sell these securities until such time as Lendlease agrees to lift the disposal restriction.

Senior Executives based outside of Australia are required to achieve the mandatory holding requirement within six years of their appointment as Key Management Personnel (KMP).

Securities Trading Policy

The Lendlease Securities Trading Policy applies to all employees of the Lendlease Group. In accordance with the policy, Directors and Senior Executives may only deal in Lendlease securities during designated periods. Directors and Senior Executives must not enter into transactions or arrangements that operate to limit the economic risk of unvested entitlements to Lendlease securities. No Director or Senior Executive may enter into a margin loan arrangement in respect of Lendlease securities.

Hedging

Deferred STI and LTI awards are subject to the Securities Trading Policy which prohibits executives from entering into any type of 'protection arrangements' (including hedging, derivatives and warrants) in respect of those awards before vesting.

REMUNERATION REPORT continued

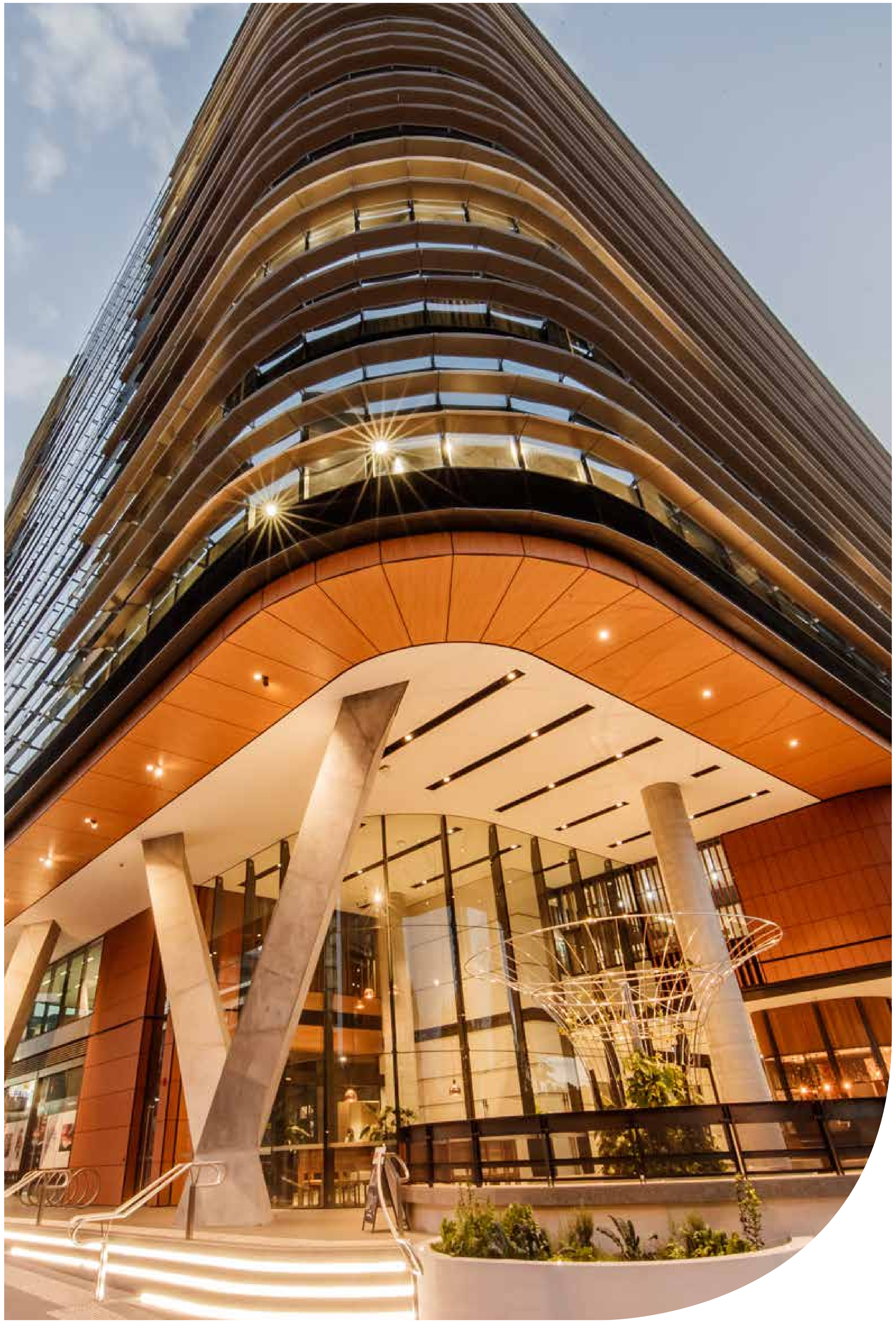
d. How Executive Rewards are Linked to Performance

Short Term Incentives (STI)

STIs are based on performance against a scorecard of financial, strategic and non financial Key Performance Indicators (KPIs) and Group and regional performance

STI design	How the STI works
STI funding	• The pool of funds available to reward executives under the STI plan is determined by direct reference to Group financial performance and, where relevant, regional financial performance. • In determining the pool of funds available, the Board also considers the overall profit make up, the quality and sustainability of earnings and other financial and non financial factors.
STI targets & opportunity	• STIs are based on 'target opportunities' which are set using the remuneration mix outlined on page 106. • The minimum possible STI outcome is zero and the maximum STI outcome is generally limited to 150 per cent of the Chief Executive Officer's (CEO) and Senior Executives' target STI opportunity. A payment above 150 per cent of target may be made if the Group has performed at a level considerably in excess of target and the Senior Executive has made a significant contribution to the result.
STI Key Performance Indicators	• STI outcomes are based on performance during the financial year, primarily measured through the use of the CEO and Senior Executive scorecards. • The CEO 2017 scorecard (approved by the Board) and performance against the scorecard is set out in summary on pages 98 and 99. • Lendlease is committed to the safety and wellbeing of all of its employees. The Board considers safety leadership behaviours and outcomes in assessing the overall performance of the CEO and each Senior Executive. While the assessment is not structured formulaically or as a 'gateway' measure, expectations are clearly communicated to the CEO and Senior Executives that poor health and safety outcomes may lead to reduction in STI outcomes for the year. The two fatal incidents in 2017 have been considered in assessing the CEO's STI for FY17. Notwithstanding the increase to Profit after Tax (PAT) and continuing strong scorecard results, these incidents have contributed to the CEO's STI award being 100 per cent of the CEO's target compared to an award of 125 per cent of target in 2016. • The P&C Committee also assesses each Senior Executive against Lendlease's defined leadership capabilities (including safety, sustainability and diversity), values and behaviours. In this way, the STI rewards 'what' is achieved as well as 'how' it is achieved.
How the STI is delivered	• The STI award is delivered as a mix of cash and Deferred STI. The Deferred STI may be settled in Lendlease securities or in cash as determined by the Board. The significant portion (at least 50 per cent) delivered as Deferred STI encourages executives to deliver sustainable performance. • For STI awards up to 'target', 50 per cent of the STI awarded is paid in cash in September following the end of the performance year. The remaining 50 per cent is deferred. 50 per cent of the deferred portion (i.e. 25 per cent of the total award) vests one year after the grant and the other half of the deferred portion vests after two years. Deferred STI awards are held in an employee share plan trust until vesting. • For 'above target' STI awards, the above target portion is delivered one third as cash and two thirds deferred on the same basis as set out above. • Distributions are not paid on any unvested Deferred STI for the CEO and Senior Executives, however in calculating the amount of Lendlease securities or cash provided on vesting of any Deferred STI, the value of any distributions made during the vesting period is taken into consideration. • The Board's current intention is to deliver Deferred STI as Lendlease securities and Lendlease intends to purchase securities on market around September each year to satisfy these awards.
Malus	• The Board has the discretion to forfeit part or all of any unvested Deferred STI awards prior to their vesting where it transpires that the award(s) would provide a participant with a benefit that was unwarranted or inappropriate.[1] The Board may delay vesting of any unvested Deferred STI in the event it is reviewing whether to exercise discretion to reduce or forfeit unvested awards.
Termination	• Malus provisions work alongside the Deferred STI terms to provide discretion for the Board to adjust unvested awards on termination of employment. In particular: – If an employee is terminated for fraud or other serious misconduct, unvested deferred securities will lapse; – Where an employee is terminated for poor performance, the number of unvested deferred securities can be adjusted downwards; and – Deferred STI awards are forfeited by the individual if they resign during the vesting period. • For 'good leavers', the Deferred STI grant may remain on foot until the original vesting date, subject to the original terms. • In exceptional circumstances (such as death or total and permanent disablement), the Board may exercise its discretion and pay the award at the time of termination of employment.

1. In particular, in circumstances where there has been a material misstatement in the Group's Consolidated Financial Statements or the participant has engaged in misconduct or dereliction of duty.



Brisbane Showgrounds, Brisbane

REMUNERATION REPORT continued

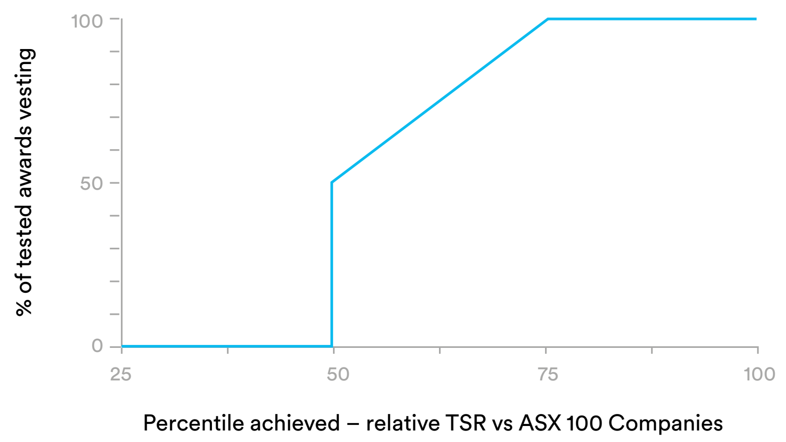
d. How Executive Rewards are Linked to Performance continued

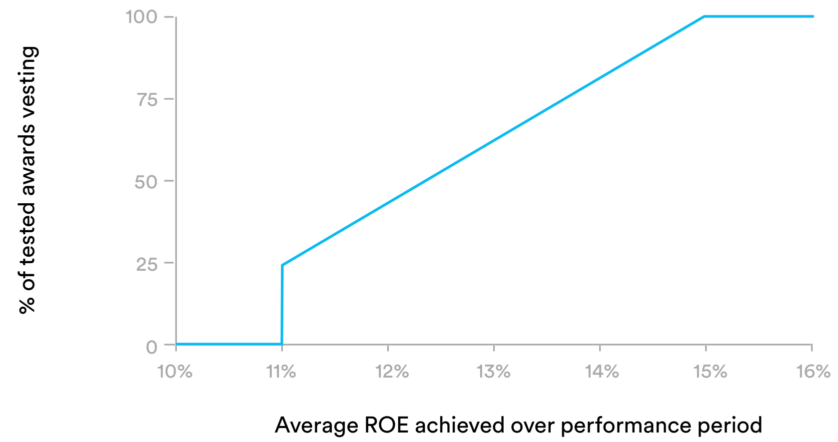
Long Term Incentives (LTI)

LTI is designed to reward our Senior Executives for achievement of long term value creation for securityholders

In this section, we summarise the key features of the 2017 LTI plan (granted September 2016). The same features apply to LTI plans on foot granted in September 2014, 2015 and 2016. The table on page 112 demonstrates the key differences between these awards and other awards that remain on foot.

The key features of the 2017 LTI plan (granted September 2016) are:

LTI design	How the LTI works
Overview	• LTI awards are designed to reward executives for delivering on Lendlease's long term strategy and for delivering sustained long term securityholder value. • LTI awards align the interests of Senior Executives and securityholders because of the Senior Executives' exposure to the Lendlease security price and through performance measures strongly tied to securityholder value. • Half of the LTI will be tested against a relative Total Securityholder Return (TSR) hurdle and half against an average Return on Equity (ROE) hurdle. • Half of the LTI for each performance hurdle is tested after three years and half after four. • Relative TSR is measured against the Standards & Poor's (S&P)/Australian Securities Exchange (ASX) 100 companies. • Average ROE is measured against an absolute measure with progressive vesting when average ROE over the performance period is between 11 and 15 per cent.
Performance securities	• An annual grant of 'performance securities' is made to a limited number of executives. • The allocation for FY17 is made on a fair value basis to provide a value per performance security more reflective of the target value in the hands of the executives. The fair value is based on an estimate of the impact of the performance hurdles. A discount of 35 per cent is applied to the relative TSR portion and a discount of 25 per cent is applied to the ROE portion. This discount was determined to be appropriate after the Board took extensive advice from external valuation experts. • The Board intends that the awards be settled in Lendlease securities, although the award may be settled in cash or other means at the Board's discretion.
Performance period	• 50 per cent of the performance securities are assessed over a three year period. • The remaining 50 per cent of the performance securities are assessed after four years. • There is no retesting on any portion of the LTI grant. If the performance hurdle is not met at the time of testing, the awards are forfeited. • The performance period was chosen as the Board believes that the timeframe appropriately reflects a balance between reward that motivates executives while reflecting the long term 'tail' of profitability and risk associated with 'today's decisions'.
Performance hurdle – Relative TSR	The vesting schedule is shown below: 

LTI design	How the LTI works
Performance hurdle – Average Return on Equity	This is an absolute measure. The vesting schedule is shown below: 
Performance hurdle selection	• The Board believes that these measures, combined with other features of 'at risk' remuneration at Lendlease, provide a suitable link to long term securityholder value creation because: - The use of relative Total Shareholder Return incentivises Senior Executives to deliver returns that outperform what a securityholder could achieve in the market and ensures management maintains a strong focus on securityholder outcomes; and - Return on Equity (ROE) reflects the capital intensive nature of Lendlease's activities and is an important long term measure of how well the management team generates acceptable earnings from capital invested and rewards decisions in respect of developing, managing, acquiring and disposing of assets. • The Group's currently stated ROE target is 10 to 14 per cent which was amended from 11 to 15 per cent when the Group's Portfolio Management Framework was refreshed in October 2016. The amendment was made after the ROE hurdle was set for the 2017 LTI plan. The Board is comfortable that the vesting range (11 to 15 per cent) provides a realistic goal at the lower end (in the context of lower risk free rates of return, cost of capital and market consensus and bearing in mind that only 25 per cent vests on achievement at the low end of the range) and a realistic stretch at the upper end. • The hurdles are reviewed annually by the Board with the aim of setting an average ROE hurdle range that will drive outperformance without incentivising excessive risk taking. The Board also has governance protocols in place to monitor levels of net debt and is conscious of the impact that debt can have on the ROE result. • While the Board appreciates that there are at times different views held by different stakeholders, we believe that these measures provide the appropriate balance between market and non market measures.
Distributions	• Distributions are not paid on unvested performance securities. • In calculating the value of the awards which vest, the value of any distributions made during the performance period is taken into consideration.
Malus	• The Board may adjust the number of performance securities downwards prior to the date of vesting in the case of a material misstatement of the Group's financial accounts. • The Board may adjust the number of LTI awards downwards where the Board reasonably determines that delivery of part, or all of, an LTI award would result in the Senior Executive receiving an inappropriate or unwarranted benefit (having regard to their personal performance, the performance of the Group and all other benefits they have received).
Termination of employment	• If the executive is terminated for cause, the unvested LTI is forfeited. • If the executive is terminated for poor performance, the Board can adjust unvested LTI prior to the vesting date. • For 'good, leavers', including executives who resign but do not engage in activities that are competitive with the Group, the LTI grant may remain on foot subject to the original performance hurdle. • In exceptional circumstances (such as death or total and permanent disability), the Board may exercise its discretion and pay the award at the time of termination of employment.

REMUNERATION REPORT continued

d. How Executive Rewards are Linked to Performance continued

Prior Year Long Term Incentive Awards (2013 plan)

Key features of the 2013 plan (granted 1 September 2012) are the same as the 2017 LTI plan except for the items included in the table below.

LTI design	How the LTI works
Performance hurdle	All Performance Securities are subject to a relative Total Securityholder Return (TSR) performance hurdle. There is no average Return on Equity (ROE) hurdle.
Malus	The Board may adjust the number of performance securities downwards prior to the date of vesting in the case of a material misstatement of the Group's financial accounts.
Termination of employment	For 'good leavers', the LTI grant may be pro rated upon termination of employment and remain on foot subject to the original performance hurdle.

How Risk Management is Incorporated into Executive Reward

The Board has placed a significant focus on incorporating risk management into the reward framework.

Remuneration	How risk management is incorporated into the remuneration component
Short Term Incentive (STI)	• The total value of STI awards is strongly linked to Profit after Tax (PAT) and there are limits on the total incentive pool and individual STI payments. • In determining the pool of funds available, the Board also considers the overall profit make up, the quality and sustainability of earnings and other financial and non financial factors. • STI outcomes are based on performance and are determined based on a scorecard of financial and non financial Key Performance Indicators (KPIs). These KPIs are structured as 'building blocks' to achieve Lendlease's short, medium and long term strategic and business goals. • STI outcomes are modified based upon an assessment of the Senior Executive against Lendlease's defined leadership capabilities (including safety, sustainability and diversity), values and behaviours. In this way, the STI rewards 'what' is achieved as well as 'how' it is achieved. • A significant portion (at least 50 per cent) of the actual STI award is retained and deferred into securities. In this way, Senior Executives continue to be incentivised to drive performance and are exposed to movements in the Lendlease security price. • STI awards are subject to a malus clause which enables the Board to adjust downwards the Deferred STI that vests to an individual in certain circumstances. This provision operates alongside provisions in the Deferred STI terms that allow the Board to adjust unvested awards on termination of employment. In particular: – If an employee is terminated for fraud or other serious misconduct, unvested Deferred STI will be forfeited; and – Where an employee is terminated for poor performance, the Board can adjust the Deferred STI at the time of termination.
Long Term Incentive (LTI)	• 50 per cent of the LTI is assessed over a three year period and 50 per cent is assessed over a four year period. There is no retesting. • As performance is assessed based on a combination of relative TSR and average ROE, any adverse financial, reputational or other events that could occur over the vesting period should be reflected in the number and value of LTI performance securities that ultimately vest. • Malus provisions apply to unvested LTI awards (see page 111).
Mandatory Securityholding	• Senior Executives are subject to a Mandatory Securityholding Policy that requires them to accumulate and maintain a holding of Lendlease securities. This encourages them to take a long term perspective when making decisions and strengthens alignment with securityholders.

e. Executive Contracts

CEO Contract

The Board and the CEO entered into a new employment contract effective 1 September 2013. The key terms are summarised below:

Fixed remuneration	The contract provides for fixed remuneration of A$2,034,000, including superannuation. There has been no change to the CEO's fixed remuneration since this contract was agreed on 1 September 2013.
Incentives	STI and LTI plan participation is at the Board's discretion. The CEO's target Short Term Incentive (STI) for 2017 was A$1,750,000 and target Long Term Incentive (LTI) for 2017 was A$2,300,000 (with the number of awards determined on a fair value basis). This results in a target 2017 remuneration package of A$6,084,000.
Notice periods	The contract has no fixed term. The notice periods under the contract are as follows: Notice by CEO: 6 months Notice by Lendlease: 12 months Payment in lieu of notice: Where the CEO is not employed for the full period of notice, a payment in lieu of notice may be made. The payment in lieu of notice includes pro rata fixed remuneration and the cash value of statutory entitlements and benefits. Non compete period: 12 months Non solicitation period: 12 months Treatment of incentives: The CEO may continue to receive an STI award for the latest financial year based on an assessment of his performance by the Board. LTI awards will be treated in accordance with the plan rules at that time. Deferred STI awards will remain on foot in certain mutually agreed termination circumstances.

Senior Executives' Contracts

Senior Executives are typically employed on contracts that have no fixed term. Benefits may include health/life insurance, car allowances, motor vehicle leases and salary.

All Senior Executives have termination benefits that are within the limit allowed by the *Corporations Act 2001* without securityholder approval.

Termination clauses in each contract describe treatment on termination based on the reason for termination (e.g. resignation, with notice, due to illness, or immediate termination for cause).

The Group may make a payment in lieu of notice. The notice period for each Senior Executive is shown below:

Senior Executives	Notice by Lendlease	Notice by Senior Executive	Treatment on termination with notice by Lendlease
Current Executives			
Tarun Gupta	6 months	6 months	Notice payment is based on Total Package Value. Payment for accrued leave is based on Total Package Value less superannuation.
Denis Hickey	6 months	6 months	Notice payment is based on base salary and other minimum benefits as required by applicable United States legislation.
Daniel Labbad	9 months	6 months	Notice payment and accrued leave is based on base salary.
Anthony Lombardo	12 months	6 months	Notice payment and accrued leave is based on base salary.
Kylie Rampa	6 months	6 months	Notice payment is based on Total Package Value. Payment for accrued leave is based on Total Package Value less superannuation.
Former Executives			
Robert McNamara	3 months	3 months	Notice payment is based on base salary and other minimum benefits as required by applicable United States legislation.

REMUNERATION REPORT continued

f. Equity Based Remuneration

Deferred Securities

In 2017, Deferred Short Term Incentive (STI) awards were granted to the Chief Executive Officer and Senior Executives based on the value of the 2016 STI award that was deferred.

Details of Deferred STI awards are set out in the following table:

Name	Plan	STI Award Performance Year	Grant Date	Vesting Date	Number Granted	Fair Value Per Deferred Security[1] A$	Total Fair Value At Grant Date[1,2] A$	Expense For The Year Ended 30 June 2017 A$	% Vested	% Forfeited
Chief Executive Officer										
Stephen McCann	Deferred STI	2013	Sept 2013	Sept 2016	76,180	8.97	683,335	-	100%	-
	Deferred STI	2014	Sept 2014	Sept 2016	47,414	13.53	641,511	-	100%	-
	Deferred STI	2015	Sept 2015	Sept 2016	43,304	13.47	583,171	-	100%	-
	Deferred STI	2015	Sept 2015	Sept 2017	43,304	13.47	583,171	291,586	-	-
	Deferred STI	2016	Sept 2016	Sept 2017	43,434	13.79	598,964	598,964	-	-
	Deferred STI	2016	Sept 2016	Sept 2018	43,434	13.79	598,964	299,482	-	-
Total					**297,070**		**3,689,116**	**1,190,032**		
Current Senior Executives										
Tarun Gupta	Deferred STI	2014	Sept 2014	Sept 2016	24,834	13.53	336,004	-	100%	-
	Deferred STI	2015	Sept 2015	Sept 2016	26,733	13.47	360,011	-	100%	-
	Deferred STI	2015	Sept 2015	Sept 2017	26,733	13.47	360,011	180,005	-	-
	Deferred STI	2016	Sept 2016	Sept 2017	26,324	13.79	363,013	363,013	-	-
	Deferred STI	2016	Sept 2016	Sept 2018	26,324	13.79	363,013	181,507	-	-
Total					**130,948**		**1,782,052**	**724,525**		
Denis Hickey	Deferred STI	2014	Sept 2014	Sept 2016	22,018	13.53	297,904	-	100%	-
	Deferred STI	2015	Sept 2015	Sept 2016	29,193	13.47	393,139	-	100%	-
	Deferred STI	2015	Sept 2015	Sept 2017	29,193	13.47	393,139	196,570	-	-
	Deferred STI	2016	Sept 2016	Sept 2017	23,642	13.79	326,028	326,028	-	-
	Deferred STI	2016	Sept 2016	Sept 2018	23,642	13.79	326,028	163,014	-	-
Total					**127,688**		**1,736,238**	**685,612**		
Daniel Labbad	Deferred STI	2014	Sept 2014	Sept 2016	23,862	13.53	322,853	-	100%	-
	Deferred STI	2015	Sept 2015	Sept 2016	27,521	13.47	370,623	-	100%	-
	Deferred STI	2015	Sept 2015	Sept 2017	27,521	13.47	370,623	185,311	-	-
	Deferred STI	2016	Sept 2016	Sept 2017	19,302	13.79	266,178	266,178	-	-
	Deferred STI	2016	Sept 2016	Sept 2018	19,302	13.79	266,178	133,089	-	-
Total					**117,508**		**1,596,455**	**584,578**		
Anthony Lombardo	Deferred STI	2014	Sept 2014	Sept 2016	22,765	13.53	308,010	-	100%	-
	Deferred STI	2015	Sept 2015	Sept 2016	20,050	13.47	270,011	-	100%	-
	Deferred STI	2015	Sept 2015	Sept 2017	20,050	13.47	270,011	135,006	-	-
	Deferred STI	2016	Sept 2016	Sept 2017	20,121	13.79	277,473	277,473	-	-
	Deferred STI	2016	Sept 2016	Sept 2018	20,121	13.79	277,473	138,736	-	-
Total					**103,107**		**1,402,978**	**551,215**		

Deferred Securities continued

Name	Plan	STI award Performance Year	Grant Date	Vesting Date	Number Granted	Fair Value Per Deferred Security[1] A$	Total Fair Value At Grant Date[1,2] A$	Expense For The Year Ended 30 June 2017 A$	% Vested	% Forfeited
Kylie Rampa	Deferred STI	2014	Sept 2014	Sept 2016	16,445	13.53	222,501	-	100%	-
	Deferred STI	2015	Sept 2015	Sept 2016	17,636	13.47	237,502	-	100%	-
	Deferred STI	2015	Sept 2015	Sept 2017	17,636	13.47	237,502	118,751	-	-
	Deferred STI	2016	Sept 2016	Sept 2017	22,062	13.79	304,239	304,239	-	-
	Deferred STI	2016	Sept 2016	Sept 2018	22,062	13.79	304,239	152,120	-	-
Total					**95,841**		**1,305,983**	**575,110**		
Former Executive										
Robert McNamara[3]	Deferred STI	2014	Sept 2014	Sept 2016	27,600	13.53	373,428	-	100%	-
	Deferred STI	2015	Sept 2015	Sept 2016	26,911	13.47	362,408	-	100%	-
	Deferred STI	2015	Sept 2015	Sept 2017	26,911	13.47	362,408	181,204	-	-
	Deferred STI	2016	Sept 2016	Sept 2017	26,269	13.79	362,255	362,255	-	-
	Deferred STI	2016	Sept 2016	Sept 2018	26,269	13.79	362,255	362,255	-	-
Total					**133,960**		**1,822,754**	**905,714**		

1. The fair value at grant date is the value of the Deferred STI award (as advised to the Executive).
2. At vesting, the minimum value is nil and the estimate of the maximum value is the fair value multiplied by the number of securities granted.
3. The expense for the year ended 30 June 2017 reflects the full entitlement to Deferred STI which is still subject to the original vesting conditions.

REMUNERATION REPORT continued

f. Equity Based Remuneration continued

Long Term Incentive Awards

Name	Plan (for the year ended)	Grant Date	Vesting Date	Number Granted	Fair Value Per Performance Security[1] A$	Total Fair Value At Grant Date[1,2] A$	Expense For The Year Ended 30 June 2017 A$	% Vested	% Forfeited
Chief Executive Officer									
Stephen McCann	June 2013 LTI (50%)	Sept 2012	Sept 2016	85,965	5.53	475,384	19,808	90%	10%
	June 2014 LTI (50%)	Sept 2013	Sept 2016	140,067	7.71	1,079,924	59,996	95%	5%
	June 2014 LTI (50%)	Sept 2013	Sept 2017	140,069	7.80	1,092,530	273,133	-	-
	June 2015 LTI (50%)	Sept 2014	Sept 2017	106,128	11.14	1,182,266	394,089	-	-
	June 2015 LTI (50%)	Sept 2014	Sept 2018	106,128	11.27	1,195,532	298,883	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2018	101,818	10.34	1,052,289	350,763	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2019	101,818	10.56	1,074,689	268,672	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2019	122,440	11.33	1,386,633	385,176	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2020	122,440	11.44	1,400,714	291,815	-	-
Total				**1,026,873**		**9,939,961**	**2,342,335**		
Current Senior Executives									
Tarun Gupta	June 2013 LTI (50%)	Sept 2012	Sept 2016	18,596	5.53	102,836	4,285	90%	10%
	June 2014 LTI (50%)	Sept 2013	Sept 2016	25,988	7.71	200,375	11,132	95%	5%
	June 2014 LTI (50%)	Sept 2013	Sept 2017	25,990	7.80	202,714	50,679	-	-
	June 2015 LTI (50%)	Sept 2014	Sept 2017	21,226	11.14	236,458	78,819	-	-
	June 2015 LTI (50%)	Sept 2014	Sept 2018	21,226	11.27	239,111	59,778	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2018	23,679	10.34	244,722	81,574	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2019	23,679	10.56	249,932	62,483	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2019	33,272	11.33	376,805	104,668	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2020	33,272	11.44	380,632	79,298	-	-
Total				**226,928**		**2,233,585**	**532,716**		
Denis Hickey	June 2014 LTI (50%)	Sept 2013	Sept 2016	20,009	7.71	154,273	8,571	95%	5%
	June 2014 LTI (50%)	Sept 2013	Sept 2017	20,010	7.80	156,074	39,019	-	-
	June 2015 LTI (50%)	Sept 2014	Sept 2017	18,573	11.14	206,903	68,968	-	-
	June 2015 LTI (50%)	Sept 2014	Sept 2018	18,573	11.27	209,225	52,306	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2018	16,576	10.34	171,313	57,104	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2019	16,576	10.56	174,960	43,740	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2019	22,626	11.33	256,239	71,178	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2020	22,626	11.44	258,841	53,925	-	-
Total				**155,569**		**1,587,828**	**394,811**		
Daniel Labbad	June 2013 LTI (50%)	Sept 2012	Sept 2016	20,146	5.53	111,405	4,642	90%	10%
	June 2014 LTI (50%)	Sept 2013	Sept 2016	25,988	7.71	200,375	11,132	95%	5%
	June 2014 LTI (50%)	Sept 2013	Sept 2017	25,990	7.80	202,714	50,679	-	-
	June 2015 LTI (50%)	Sept 2014	Sept 2017	18,573	11.14	206,903	68,968	-	-
	June 2015 LTI (50%)	Sept 2014	Sept 2018	18,573	11.27	209,225	52,306	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2018	18,943	10.34	195,776	65,259	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2019	18,943	10.56	199,943	49,986	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2019	27,683	11.33	313,510	87,086	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2020	27,683	11.44	316,694	65,978	-	-
Total				**202,522**		**1,956,545**	**456,036**		

LTI Awards continued

Name	Plan (for the year ended)	Grant Date	Vesting Date	Number Granted	Fair Value Per Performance Security[1] A$	Total Fair Value At Grant Date[1,2] A$	Expense For The Year Ended 30 June 2017 A$	% Vested	% Forfeited
Anthony Lombardo	June 2013 LTI (50%)	Sept 2012	Sept 2016	19,216	5.53	106,262	4,428	90%	10%
	June 2014 LTI (50%)	Sept 2013	Sept 2016	25,988	7.71	200,375	11,132	95%	5%
	June 2014 LTI (50%)	Sept 2013	Sept 2017	25,990	7.80	202,714	50,679	-	-
	June 2015 LTI (50%)	Sept 2014	Sept 2017	21,226	11.14	236,458	78,819	-	-
	June 2015 LTI (50%)	Sept 2014	Sept 2018	21,226	11.27	239,111	59,778	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2018	23,679	10.34	244,722	81,574	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2019	23,679	10.56	249,932	62,483	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2019	26,618	11.33	301,449	83,736	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2020	26,618	11.44	304,510	63,440	-	-
Total				**214,240**		**2,085,533**	**496,069**		
Kylie Rampa[3]	June 2013 LTI (50%)	Sept 2012	Sept 2016	15,806	5.53	87,410	3,642	90%	10%
	June 2014 LTI (50%)	Sept 2013	Sept 2016	14,325	7.71	110,450	6,136	95%	5%
	June 2014 LTI (50%)	Sept 2013	Sept 2017	14,326	7.80	111,739	27,935	-	-
	June 2015 LTI (50%)	Sept 2014	Sept 2017	9,552	11.14	106,409	35,470	-	-
	June 2015 LTI (50%)	Sept 2014	Sept 2018	9,552	11.27	107,603	26,901	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2018	9,472	10.34	97,893	32,631	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2019	9,472	10.56	99,977	24,994	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2019	19,165	11.33	217,044	60,290	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2020	19,165	11.44	219,248	45,677	-	-
Total				**120,835**		**1,157,773**	**263,676**		
Former Executive									
Robert McNamara[4]	June 2013 LTI (50%)	Sept 2012	Sept 2016	17,412	5.53	96,286	4,012	90%	10%
	June 2014 LTI (50%)	Sept 2013	Sept 2016	24,011	7.71	185,133	10,285	95%	5%
	June 2014 LTI (50%)	Sept 2013	Sept 2017	24,013	7.80	187,294	54,627	-	-
	June 2015 LTI (50%)	Sept 2014	Sept 2017	19,634	11.14	218,723	85,059	-	-
	June 2015 LTI (50%)	Sept 2014	Sept 2018	19,634	11.27	221,177	119,804	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2018	20,128	10.34	208,023	150,239	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2019	20,128	10.56	212,451	168,190	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2019	26,618	11.33	301,449	301,449	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2020	26,618	11.44	304,510	304,510	-	-
Total				**198,196**		**1,935,046**	**1,198,175**		

1. The fair value at grant date represents an actuarial valuation of the award using assumptions underlying the Black-Scholes methodology to produce a Monte-Carlo simulation model in accordance with Australian Accounting Standards rounded to two decimal places.
2. At vesting, the minimum value is nil and the estimate of the maximum value is the fair value multiplied by the number of securities granted.
3. Numbers reported in 'Number Granted' column differ from 2016 Annual Report due to a production error. The 'Total Fair Value At Grant Date' and 'Expense For The Year Ended 30 June 2016' were correctly reported in the 2016 Annual Report.
4. The expense for the year ended 30 June 2017 reflects the full entitlement to the unvested LTI securities which are still subject to the original vesting conditions.

REMUNERATION REPORT continued

f. Equity Based Remuneration continued

Equity Holdings and Transactions for the Year Ended 30 June 2017

	Year	Number Of Securities Required Under The Mandatory Securityholding as at Period End[1]	Securities Held At Beginning Of Financial Year	Securities Received During The Year[2]	Other Net Change To Securities	Securities Held At End Of Financial Year
Non Executive Directors						
D A Crawford	2017	-	79,388		1,975	81,363
	2016	-	77,858		1,530	79,388
C B Carter	2017	-	15,000		-	15,000
	2016	-	15,000		-	15,000
P M Coffey[3]	2017	-	-		4,810	4,810
P M Colebatch	2017	-	18,323		-	18,323
	2016	-	18,323		-	18,323
D P Craig	2017	-	14,870		-	14,870
	2016	-	-		14,870	14,870
S B Dobbs	2017	-	2,000		6,000	8,000
	2016	-	2,000		-	2,000
J S Hemstritch	2017	-	20,000		-	20,000
	2016	-	20,000		-	20,000
D J Ryan	2017	-	36,172		1,028	37,200
	2016	-	35,312		860	36,172
M J Ullmer	2017	-	50,000		-	50,000
	2016	-	50,000		-	50,000
N M Wakefield Evans	2017	-	12,517		3,614	16,131
	2016	-	4,000		8,517	12,517
Executive Director						
S B McCann	2017	234,000	827,194	417,803	(500,000)	744,997
	2016	195,000	712,487	315,625	(200,918)	827,194
Executives						
T Gupta	2017	84,000	116,850	104,467	(110,830)	110,487
	2016	70,000	75,760	91,090	(50,000)	116,850
D Hickey[4]	2017	112,000	26,271	33,931	(22,000)	38,202
	2016	87,000	22,250	26,021	(22,000)	26,271
D Labbad[4]	2017	100,000	161,139	59,870	(120,782)	100,227
	2016	79,000	100,415	60,724	-	161,139
A Lombardo	2017	80,000	247,308	61,030	(133,658)	174,680
	2016	67,000	173,251	96,057	(22,000)	247,308
K Rampa[5]	2017	70,000	-	34,081	-	34,081
	2016	-	-	-	-	-
Former Executive						
R McNamara[4,6]	2017	-	340,749	57,025	-	397,774
	2016	80,000	267,185	73,564	-	340,749
Total	**2017**		1,967,781	768,207	(869,843)	1,866,145
Total	**2016**		1,573,841	663,081	(269,141)	1,967,781

1. Mandatory Securityholding requirements are reviewed in August each year.
2. For the Executive Director, Executives and Former Executives, securities received relate to security entitlements under employee benefit vehicles.
3. P M Coffey joined the Board in January 2017.
4. Securities received during the period were after withholding tax obligations.
5. K Rampa became a Key Management Personnel (KMP) from 1 May 2016. Mandatory Securityholding requirement for K Rampa was set for the first time in August 2016.
6. R McNamara was a KMP until 31 March 2017.

Loans to Key Management Personnel

No loans were made to Key Management Personnel or their related parties during the current year or prior year.

Other Transactions with Key Management Personnel

From time to time, Directors and executives of Lendlease or its consolidated entities, or parties related to them, may purchase goods from the Consolidated Entity. These purchases are on terms and conditions no more favourable than those entered into by unrelated customers.

g. Non Executive Directors' Fees

Non Executive Directors receive a Board fee and fees for chairing or participating on Board Committees. The Chairman does not receive extra fees for participating in or chairing Committees.

The maximum aggregate remuneration payable to Non Executive Directors is $3.5 million per year, as approved at the 2015 Annual General Meeting.

Board and Committee Fees

	Board	Nomination Committee	People and Culture Committee	Risk Management and Audit Committee	Sustainability Committee
Chair fee $	640,000	36,000	48,000	48,000	48,000
Member fee $	160,000	Nil	36,000	36,000	36,000

During 2016, the Board determined that the fees payable to the Chair and Members of the Sustainability Committee should be aligned with those paid to the Chair and Members of the People and Culture Committee and the Risk Management and Audit Committee. This change recognised the similar workload requirements, complexity and importance of each Committee to Lendlease. The change was effective from 1 July 2016.

As an international company and having regard to the material scale of individual projects, the Board program is formulated to reflect the geographic spread of the Lendlease businesses. Board meetings are scheduled in Australia and in each of the regions where Lendlease operates. Generally, the program runs over two or three days and includes a number of activities outside of the formal meeting. These include business briefings, presentations from external sources, project site visits, client meetings and networking events with employees and key stakeholders. Where deeper project reviews are required, the program may take up to five days.

All Directors are required to travel to attend Board meetings. This can involve significant additional time, particularly when visiting project sites in the regions where Lendlease operates. Where significant additional time has been spent travelling to fulfil the requirements of the program, fees are paid to compensate Directors for the extra time commitment.

The program is an important element of the Board's activities to enable the Directors to obtain the required deep understanding of the operations within the regions.

	Fee (each way) A$
Travel less than 4 hours	Nil
Travel between 4 and 10 hours	2,800
Travel over 10 hours	6,000

Board and Committee fees are paid as cash. Non Executive Directors are no longer entitled to retirement benefits. However, some Directors have retirement benefits or securities accrued previously.

Remuneration of Non Executive Directors for the Years Ended 30 June 2017 and 2016

		SHORT TERM BENEFITS				POST EMPLOYMENT BENEFITS	
A$000s	Year	Base Fees	Committee Chair Fees	Committee Membership Fees	Travel Fees	Superannuation[1]	Total
D A Crawford	2017	640			36	20	696
	2016	640			48	19	707
C B Carter	2017	160	36	72	24	20	312
	2016	160	36	56	48	19	319
P M Coffey[2]	2017	80				10	90
P M Colebatch	2017	160		36	72	20	288
	2016	160		36	59	19	274
D P Craig	2017	160	40	6	30	20	256
	2016	53		12	12	7	84
S B Dobbs	2017	160		72	90	20	342
	2016	160		56	66	19	301
J S Hemstritch	2017	160	48		36	20	264
	2016	160	48		48	19	275
D J Ryan	2017	160	8	66	30	20	284
	2016	160	48	36	48	19	311
M J Ullmer	2017	160	48	36	36	20	300
	2016	160	36	36	48	19	299
N M Wakefield Evans	2017	160		72	30	20	282
	2016	160		56	48	19	283

1. Directors have superannuation contributions paid on their behalf in accordance with superannuation legislation.
2. P M Coffey was appointed to the Board in January 2017.

DIRECTORS' REPORT

The Directors' Report for the financial year ended 30 June 2017 has been prepared in accordance with the requirements of the *Corporations Act 2001*. The information below forms part of this Directors' Report:

- Principal activities on page 8;
- Operating and Financial Review on pages 8 to 75 incorporating the Performance & Outlook on pages 64 to 75;
- Biographical information for the Directors and Company Secretary on pages 86 to 89;
- Officers who were previously partners of the Audit Firm on page 89;
- Directors' interests in capital on page 90;
- Board and Committee meetings and attendance on page 91;
- Remuneration Report on pages 92 to 119; and
- Auditor's Independence Declaration on page 122.

a. Dividends/Distributions

The 2016 final dividend/distribution of $174.7 million (30.0 cents per security, unfranked) referred to in the Directors' Report dated 19 August 2016, was paid on 14 September 2016. Details of dividends/distributions in respect of the current year are as follows:

	A$m
Interim dividends/distributions of 33.0 cents per security (unfranked) paid on 24 March 2017[1]	192.4
Final dividends/distributions of 33.0 cents per security (unfranked) declared by Directors to be payable on 20 September 2017[2]	192.5
Total dividends/distributions	**384.9**

1. Comprised of an unfranked dividend of 29.762322 cents per share paid by the Company and a trust distribution of 3.237678 cents per unit paid by Lendlease Trust.
2. Comprised of an unfranked dividend of 28.419521 cents per share payable by the Company and a trust distribution of 4.580479 cents per unit payable by Lendlease Trust.

b. Significant Changes in State of Affairs

There have been no significant changes in the Group's state of affairs.

c. Events Subsequent to Balance Date

There were no material events subsequent to the end of the financial year.

d. Security Options

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

e. Indemnification and Insurance of Directors and Officers

Rule 12 of the Company's Constitution provides for indemnification in favour of each of the Directors named on pages 86 to 89 of this report; the officers of the Company or of wholly owned subsidiaries or related entities of the Company (Officers) to the extent permitted by the *Corporations Act 2001*. Rule 12 does not indemnify a Director, Company Secretary or Officer for any liability involving a lack of good faith.

In conformity with Rule 12 of the Company's Constitution, the Company has entered into Deeds of Indemnity, Insurance and Access with each of the Directors named on pages 86 to 89 of this report and for offices of the Company and Directors of related entities of the Company. The indemnities operate to the full extent permitted by law and are not subject to a monetary limit. The Company is not aware of any liability having arisen, and no claims have been made during or since the financial year under the Deeds of Indemnity, Insurance and Access.

For unrelated entities in which the Group has an interest, Deeds of Indemnity may be entered into between Lendlease Corporation Limited and the Director or Officer. Since the date of the last report, the Company has not entered into any separate Deeds of Indemnity with a Director or Officer of an unrelated entity.

No indemnity has been granted to an auditor of the Company in their capacity as auditor of the Company.

In accordance with the *Corporations Act 2001*, Rule 12 of 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. Due to confidentiality obligations and undertakings of the policy, no further details in respect of the premium or policy can be disclosed.

f. Environmental Regulation

The Group is subject to various state and federal environmental regulations in Australia.

The Directors are not aware of any material non compliance with environmental regulations pertaining to the operations or activities during the period covered by this report. In addition, the Lendlease Group is registered and publicly reports the annual performance of its Australian operations under the requirements of the *National Greenhouse and Energy Reporting (NGER) Act 2007* and *Energy Efficiency Opportunities (EEO) Act 2006*.

All Lendlease businesses continue to operate an integrated Environment, Health and Safety Management System, ensuring that non compliance risks and opportunities for environmental improvements are identified, managed and reported accordingly.

DIRECTORS' REPORT continued

g. Non Audit Services

During the year, KPMG, the Company's auditor, performed certain other services in addition to its statutory duties.

The Board has considered the other services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Risk Management and Audit Committee, is satisfied that the provision of those services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All other services were subject to the corporate governance procedures adopted by the Group and Risk Management and Audit Committee is satisfied that those services do not impact the integrity and objectivity of the auditor; and
- The other services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

A copy of the Lead Auditor's Independence Declaration, as required under Section 307C of the *Corporations Act 2001*, is included at the end of the Directors' Report.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and other services provided during the year are set out below.

	CONSOLIDATED	
	June 2017 A$000s	June 2016 A$000s
Audit and Other Assurance Services		
Audit services	5,922	5,536
Other assurance services	485	683
Total audit and other assurance services	**6,407**	**6,219**
Non audit services	280	-
Total audit, non audit and other assurance services	**6,687**	**6,219**

h. Rounding Off

Lendlease Corporation Limited is a company of the kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and, in accordance with that Instrument, amounts in the Consolidated 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.

D A Crawford, AO

Chairman

S B McCann

Group Chief Executive Officer and Managing Director

Sydney, 28 August 2017

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Lendlease Corporation Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Lendlease Corporation Limited for the financial year ended 30 June 2017 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Duncan McLennan
Partner

Sydney
28 August 2017

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07

Financial Statements

313@somerset, Singapore

FINANCIAL STATEMENTS

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Lendlease Corporation Limited (the Company) is incorporated and domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2017 comprises the Company and its controlled entities including Lendlease Trust (LLT) (together referred to as the Consolidated Entity or the Group). The Group is a for profit entity and is an international property and infrastructure group. Further information about the Group's primary activities is included in Note 1 'Segment Reporting'. Shares in the Company and units in LLT are traded as one security under the name of Lendlease Group on the Australian Securities Exchange (ASX). The Company is deemed to control LLT for accounting purposes and therefore LLT is consolidated into the Group's financial report. The issued units of LLT, however, are not owned by the Company and are therefore presented separately in the Consolidated Entity Statement of Financial Position within equity, notwithstanding that the unitholders of LLT are also the shareholders of the Company. The consolidated financial report was authorised for issue by the Directors on 28 August 2017.

CONSOLIDATED FINANCIAL STATEMENTS

Income Statement

Year Ended 30 June 2017

		Note	June 2017 A$m	June 2016 A$m
Revenue		4	16,659.0	15,088.5
Cost of sales			(14,841.0)	(13,388.5)
Gross profit			**1,818.0**	**1,700.0**
Share of profit of equity accounted investments		5	77.9	151.6
Other income		6	247.2	256.9
Other expenses			(1,039.5)	(1,136.3)
Results from operating activities			**1,103.6**	**972.2**
Finance revenue		8	12.0	16.8
Finance costs		8	(108.6)	(126.2)
Net finance costs			**(96.6)**	**(109.4)**
Profit before Tax			**1,007.0**	**862.8**
Income tax expense		9	(248.3)	(164.7)
Profit after Tax			**758.7**	**698.1**
Profit after Tax attributable to:				
Members of Lendlease Corporation Limited			645.7	557.8
Unitholders of Lendlease Trust			112.9	140.4
Profit after Tax attributable to securityholders			**758.6**	**698.2**
External non controlling interests			0.1	(0.1)
Profit after Tax			**758.7**	**698.1**
Basic/Diluted Earnings per Lendlease Corporation Limited Share (EPS)				
Shares excluding treasury shares	(cents)	3	115.1	100.9
Shares on issue	(cents)	3	110.8	95.9
Basic/Diluted Earnings per Lendlease Group Stapled Security (EPSS)				
Securities excluding treasury securities	(cents)	3	135.2	126.3
Securities on issue	(cents)	3	130.1	120.1

The accompanying notes form part of these Consolidated Financial Statements.

CONSOLIDATED FINANCIAL STATEMENTS continued

Statement of Comprehensive Income

Year Ended 30 June 2017

	Note	June 2017 A$m	June 2016 A$m
Profit after Tax		**758.7**	**698.1**
Other Comprehensive Income/(Expense) After Tax			
Items that may be reclassified subsequently to profit or loss:			
Movements in fair value revaluation reserve	9b		(1.7)
Movements in hedging reserve	9b	19.0	8.9
Movements in foreign currency translation reserve[1]	9b	(41.0)	16.0
Total items that may be reclassified subsequently to profit or loss[2]		**(22.0)**	**23.2**
Items that will not be reclassified to profit or loss:			
Movements in non controlling interest acquisition reserve	9b	2.8	0.5
Defined benefit plan remeasurements	9b	(11.6)	38.3
Total items that will not be reclassified to profit or loss		**(8.8)**	**38.8**
Total comprehensive income after tax		**727.9**	**760.1**
Total comprehensive income after tax attributable to:			
Members of Lendlease Corporation Limited		615.0	619.5
Unitholders of Lendlease Trust		112.9	140.4
Total comprehensive income after tax attributable to securityholders		**727.9**	**759.9**
External non controlling interests			0.2
Total comprehensive income after tax		**727.9**	**760.1**

1. Includes A$(0.1) million relating to external non controlling interests (June 2016: A$0.3 million).
2. Includes A$(8.6) million (June 2016: A$15.2 million) relating to share of other comprehensive income of Equity Accounted Investments.

The accompanying notes form part of these Consolidated Financial Statements.

Statement of Financial Position

Year Ended 30 June 2017

	Note	June 2017 A$m	June 2016 A$m
Current Assets			
Cash and cash equivalents	15	1,249.2	1,008.4
Loans and receivables	22	2,749.2	2,785.0
Inventories	11	2,152.0	1,923.0
Other financial assets	14	33.0	50.7
Current tax assets			21.6
Other assets		77.9	69.2
Total current assets		**6,261.3**	**5,857.9**
Non Current Assets			
Loans and receivables	22	507.7	285.4
Inventories	11	2,975.4	2,679.9
Equity accounted investments	12	834.6	1,152.6
Investment properties	13a	6,967.4	5,940.7
Other financial assets	14	1,203.3	628.8
Deferred tax assets	9c	129.4	109.5
Property, plant and equipment		425.8	432.3
Intangible assets	32	1,415.1	1,446.8
Defined benefit plan asset	33	64.3	7.5
Other assets		69.9	51.5
Total non current assets		**14,592.9**	**12,735.0**
Total assets		**20,854.2**	**18,592.9**
Current Liabilities			
Trade and other payables	23	5,578.8	4,328.8
Resident liabilities	13b	4,573.0	4,119.5
Provisions		285.6	292.4
Borrowings and financing arrangements	17a	291.9	
Current tax liabilities		6.4	
Other financial liabilities		22.0	83.6
Total current liabilities		**10,757.7**	**8,824.3**
Non Current Liabilities			
Trade and other payables	23	1,772.1	1,909.4
Provisions		58.4	70.6
Borrowings and financing arrangements	17a	1,860.5	2,031.3
Defined benefit plan liability	33		3.4
Other financial liabilities		0.8	9.7
Deferred tax liabilities	9c	238.2	129.5
Total non current liabilities		**3,930.0**	**4,153.9**
Total liabilities		**14,687.7**	**12,978.2**
Net assets		**6,166.5**	**5,614.7**
Equity			
Issued capital	18	1,289.8	1,276.3
Treasury securities		(24.7)	(99.5)
Reserves		(5.3)	98.0
Retained earnings		3,686.6	3,289.6
Total equity attributable to members of Lendlease Corporation Limited		**4,946.4**	**4,564.4**
Total equity attributable to unitholders of Lendlease Trust		1,117.0	1,048.6
Total equity attributable to securityholders		**6,063.4**	**5,613.0**
External non controlling interests		103.1	1.7
Total equity		**6,166.5**	**5,614.7**

The accompanying notes form part of these Consolidated Financial Statements.

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CONSOLIDATED FINANCIAL STATEMENTS continued

Statement of Changes in Equity

Year Ended 30 June 2017

			RESERVES											
	Issued Capital A$m	Treasury Securities[1] A$m	Fair Value Revaluation Reserve A$m	Hedging Reserve A$m	Foreign Currency Translation Reserve A$m	Non Controlling Interest Acquisition Reserve A$m	Other Reserve A$m	Equity Compensation Reserve A$m	Other Compensation Reserve A$m	Retained Earnings A$m	Members of Lendlease Corporation Limited A$m	Unitholders of Lendlease Trust A$m	External Non Controlling Interests A$m	Total Equity A$m
Balance as at 1 July 2015	1,256.3	(89.9)	31.5	(55.3)	(39.9)	(89.4)	111.7	78.7	54.4	2,936.0	4,194.1	968.0	6.1	5,168.2
Total Comprehensive Income														
Profit for the year										557.8	557.8	140.4	(0.1)	698.1
Other Comprehensive Income (Net of tax)			(1.7)	8.9	15.7	0.5				38.3	61.7		0.3	62.0
Total Comprehensive Income	**–**	**–**	**(1.7)**	**8.9**	**15.7**	**0.5**	**–**	**–**	**–**	**596.1**	**619.5**	**140.4**	**0.2**	**760.1**
Other Comprehensive Income (Net of tax)														
Fair value gains			2.0								2.0			2.0
Fair value hedging			(1.0)								(1.0)			(1.0)
Net investment hedging					(9.6)						(9.6)			(9.6)
Effect of foreign exchange movements			(2.7)	(0.1)	25.3	0.6					23.1		0.3	23.4
Effective cash flow hedges				9.0							9.0			9.0
Defined benefit plans remeasurements										38.3	38.3			38.3
Other movements						(0.1)					(0.1)			(0.1)
Other Comprehensive Income (Net of Tax)	**–**	**–**	**(1.7)**	**8.9**	**15.7**	**0.5**	**–**	**–**	**–**	**38.3**	**61.7**	**–**	**0.3**	**62.0**
Transactions with Owners of the Company														
Distribution reinvestment plan (DRP)	20.0										20.0	4.6		24.6
Dividends and distributions										(242.5)	(242.5)	(64.4)		(306.9)
Treasury securities acquired		(49.7)									(49.7)			(49.7)
Treasury securities vested		40.1									40.1			40.1
Fair value movement on allocation and vesting of securities								2.9			2.9			2.9
Asset disposal and transfers				10.8[2]	(30.2)[2]						(19.4)			(19.4)
Other movements									(0.6)		(0.6)		(4.6)	(5.2)
Total other movements through reserves	**20.0**	**(9.6)**	**–**	**10.8**	**(30.2)**	**–**	**–**	**2.9**	**(0.6)**	**(242.5)**	**(249.2)**	**(59.8)**	**(4.6)**	**(313.6)**
Balance as at 30 June 2016	**1,276.3**	**(99.5)**	**29.8**	**(35.6)**	**(54.4)**	**(88.9)**	**111.7**	**81.6**	**53.8**	**3,289.6**	**4,564.4**	**1,048.6**	**1.7**	**5,614.7**
Balance as at 1 July 2016	1,276.3	(99.5)	29.8	(35.6)	(54.4)	(88.9)	111.7	81.6	53.8	3,289.6	4,564.4	1,048.6	1.7	5,614.7
Total Comprehensive Income														
Profit for the year										645.7	645.7	112.9	0.1	758.7
Other Comprehensive Income (Net of tax)				19.0	(40.9)	2.8				(11.6)	(30.7)		(0.1)	(30.8)
Total Comprehensive Income	**–**	**–**	**–**	**19.0**	**(40.9)**	**2.8**	**–**	**–**	**–**	**634.1**	**615.0**	**112.9**	**–**	**727.9**
Other Comprehensive Income (Net of tax)														
Fair value gains			(4.9)								(4.9)			(4.9)
Fair value hedging			6.4								6.4			6.4
Net investment hedging					22.6						22.6			22.6
Effect of foreign exchange movements			(1.5)	(0.3)	(63.5)	2.8					(62.5)		(0.1)	(62.6)
Effective cash flow hedges				19.3							19.3			19.3
Defined benefit plans remeasurements										(11.6)	(11.6)			(11.6)
Other Comprehensive Income (Net of Tax)	**–**	**–**	**–**	**19.0**	**(40.9)**	**2.8**	**–**	**–**	**–**	**(11.6)**	**(30.7)**	**–**	**(0.1)**	**(30.8)**
Transactions with owners of the Company														
Capital contributed by non controlling interests													101.3	101.3
Distribution reinvestment plan (DRP)	13.5										13.5	3.1		16.6
Dividends and distributions										(320.9)	(320.9)	(47.6)		(368.5)
Treasury securities acquired		(4.6)									(4.6)			(4.6)
Treasury securities vested		40.8									40.8			40.8
Fair value movement on allocation and vesting of securities								6.3			6.3			6.3
Asset disposal and transfers			(19.6)[2]	0.1[2]							(19.5)			(19.5)
Other movements		38.6[3]				(0.2)	(5.6)	(11.4)[3]	(53.8)[3]	83.8[3]	51.4		0.1	51.5
Total other movements through reserves	**13.5**	**74.8**	**(19.6)**	**0.1**	**–**	**(0.2)**	**(5.6)**	**(5.1)**	**(53.8)**	**(237.1)**	**(233.0)**	**(44.5)**	**101.4**	**(176.1)**
Balance as at 30 June 2017	**1,289.8**	**(24.7)**	**10.2**	**(16.5)**	**(95.3)**	**(86.3)**	**106.1**	**76.5**	**–**	**3,686.6**	**4,946.4**	**1,117.0**	**103.1**	**6,166.5**

1. Opening balance for number of Treasury Securities at 1 July 2016 was 29.2 million (1 July 2015: 28.8 million) and closing balance at 30 June 2017 was 4.3 million.
2. These movements in reserves were transferred to profit and loss in the year.
3. Other movements in Treasury Securities, Reserves and Retained Earnings relate to the deconsolidation of the Lendlease Retirement Benefit Plan and the disposal of Lendlease securities previously held by the Lendlease Employee Investment Trust. Refer to Note 29B for further detail.

The accompanying notes form part of these Consolidated Financial Statements.

CONSOLIDATED FINANCIAL STATEMENTS continued

Statement of Cash Flows

Year Ended 30 June 2017

	Note	June 2017 A$m	June 2016 A$m
Cash Flows from Operating Activities			
Cash receipts in the course of operations		16,254.6	16,028.4
Cash payments in the course of operations		(15,928.7)	(15,154.9)
Interest received		9.9	12.8
Interest paid		(120.4)	(134.8)
Dividends/distributions received		75.4	90.0
Income tax (paid)/received in respect of operations		(144.8)	11.5
Net cash provided by operating activities	16	**146.0**	**853.0**
Cash Flows from Investing Activities			
Sale/redemption of investments		164.9	330.5
Acquisition of investments		(257.3)	(563.2)
Acquisition of/capital expenditure on investment properties		(244.4)	(25.7)
Net loans from associates and joint ventures		5.7	38.6
Disposal of consolidated entities (net of cash disposed and transaction costs)		548.4	382.5
Disposal of property, plant and equipment		13.1	16.7
Acquisition of property, plant and equipment		(136.4)	(132.7)
Acquisition of intangible assets		(23.9)	(46.1)
Net cash provided by investing activities		**70.1**	**0.6**
Cash Flows from Financing Activities			
Proceeds from borrowings		2,800.6	5,327.6
Repayment of borrowings		(2,576.8)	(5,626.0)
Dividends/distributions paid		(337.9)	(293.2)
Proceeds from sale of treasury securities		106.5	
Other financing activities		(20.9)	(28.8)
Increase in capital of non controlling interest		37.0	
Net cash provided by/(used in) financing activities		**8.5**	**(620.4)**
Other Cash Flow Items			
Effect of foreign exchange rate movements on cash and cash equivalents		**16.2**	**25.1**
Net increase in cash and cash equivalents		**240.8**	**258.3**
Cash and cash equivalents at beginning of financial year		**1,008.4**	**750.1**
Cash and cash equivalents at end of financial year	15	**1,249.2**	**1,008.4**

The accompanying notes form part of these Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Basis of Preparation

The consolidated financial report is a **general purpose** financial report which:

- Has been prepared in accordance with **Australian Accounting Standards** (AASBs) adopted by the Australian Accounting Standards Board, and the *Corporations Act 2001*;
- Complies with **International Financial Reporting Standards** (IFRSs) adopted by the International Accounting Standards Board;
- Is presented in **Australian dollars (A$)**, with all values **rounded off to the nearest tenth of a million dollars** unless otherwise indicated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191; and
- Is prepared under the **historical cost basis** except for the following assets and liabilities which are stated at their fair value: derivative financial instruments, fair value through profit or loss investments, available for sale investments, investment properties, resident liabilities, and liabilities for cash settled share based compensation plans. Recognised assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged. Refer to the specific accounting policies within the notes to the financial statements for the basis of valuation of assets and liabilities measured at fair value.

Significant accounting policies have been:

- Included in the relevant notes to which the policies relate, while other significant accounting policies are discussed in Note 36; and
- Consistently applied to all financial years presented in the Consolidated Financial Statements and by all entities in the Group, except as explained in Note 35 'Impact of New and Revised Accounting Standards'.

The preparation of a financial report that complies with AASBs requires management to make **judgements, estimates and assumptions**.

- This can affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
- Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.
- The significant accounting policies highlight information about **accounting judgements** in applying accounting policies that have the most significant effects on reported amounts and further information about estimated uncertainties that have a significant risk of resulting in material adjustments within the next financial year.

The Group presents assets and liabilities in the Statement of Financial Position as **current** or **non current.**

- Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for sale or use in, the course of the Group's operating cycle. All other assets are classified as non current.
- Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled in the course of the Group's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non current. Further detail on classification of resident liabilities is provided in Note 13 'Investment Properties'.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

Section A: Performance

Profit after Tax (PAT) is the key measure used to assess the Group's performance. This section of the Financial Report focuses on disclosure that enhances a user's understanding of PAT. Segment reporting provides a breakdown of profit and revenue by the operational activity. The key line items of the Income Statement along with their components provide detail behind the reported balances. Group performance will also impact the earnings per stapled security and dividend payout, therefore disclosure on these items has been included in this section. Further information and analysis on performance can be found in the Performance & Outlook section of the Directors' Report.

1. Segment Reporting

Accounting Policies

The Group's segments are Development, Construction and Investments. The Group has identified these operating segments based on internal reports that are reviewed and used by the Group Chief Executive Officer and Managing Director (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

Segment performance is based on PAT. PAT is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain reportable segments relative to other entities that operate within these industries. The Group does not consider corporate activities to be an operating segment.

The operating segments are as follows:

Development

Operates in all four geographic regions. It is involved in the development of communities, inner city mixed use developments, apartments, retirement, retail, commercial assets, and social and economic infrastructure.

Construction

Operates across all four geographic regions to provide project management, design and construction services, predominately in the infrastructure, defence, mixed use, commercial and residential sectors.

Investments

Owns and/or manages investments across all four geographic regions. The Investments segment includes a leading wholesale investment management platform and also includes the Group's ownership interests in property and infrastructure co-investments, Retirement Living and US Military Housing.

Financial information regarding the performance of each reportable segment and a reconciliation of these reportable segments to the financial statements is included below.

Financial Disclosure	PROFIT BEFORE TAX		INCOME TAX BENEFIT/(EXPENSE)		PROFIT AFTER TAX	
	June 2017 A$m	June 2016 A$m	June 2017 A$m	June 2016 A$m	June 2017 A$m	June 2016 A$m
Development	549.4	499.3	(151.6)	(132.9)	397.8	366.4
Construction	303.1	251.3	(91.4)	(60.4)	211.7	190.9
Investments	488.7	454.8	(107.3)	(84.1)	381.4	370.7
Total segment	**1,341.2**	**1,205.4**	**(350.3)**	**(277.4)**	**990.9**	**928.0**
Reconciling Items						
Corporate activities	(334.3)	(342.5)	102.0	112.7	(232.3)	(229.8)
Statutory result attributable to securityholders	**1,006.9**	**862.9**	**(248.3)**	**(164.7)**	**758.6**	**698.2**
External non controlling interests	0.1	(0.1)			0.1	(0.1)
Statutory result	**1,007.0**	**862.8**	**(248.3)**	**(164.7)**	**758.7**	**698.1**

The following tables set out other financial information by reportable segment.

	Segment Revenue[1] A$m	Finance Revenue A$m	Finance Expense A$m	Share of Results EAI[2] A$m	Depreciation and Amortisation A$m	Material Non Cash Items[3] A$m	Non Current Segment Assets[4] A$m	Group Total Assets A$m
Year Ended June 2017								
Development	3,433.0	1.2		39.4	(4.0)	36.7	4,164.5	6,637.9
Construction	12,644.5	0.4	(0.9)	4.7	(34.7)	(45.0)	1,718.2	4,988.2
Investments	566.7	1.6		32.5	(8.3)	(8.0)	7,044.8	8,520.3
Total segment	**16,644.2**	**3.2**	**(0.9)**	**76.6**	**(47.0)**	**(16.3)**	**12,927.5**	**20,146.4**
Corporate activities	26.8	8.8	(107.7)	1.3	(51.2)	6.6	268.4	707.8
Statutory result	**16,671.0**	**12.0**	**(108.6)**	**77.9**	**(98.2)**	**(9.7)**	**13,195.9**	**20,854.2**
Year Ended June 2016								
Development	2,543.9	3.3	(0.2)	91.3	(4.0)	(22.4)	3,314.8	5,667.8
Construction	12,032.4	1.1	(0.1)	3.1	(37.9)	(99.0)	1,641.3	4,499.1
Investments	510.5	4.1	(0.1)	58.3	(6.9)	(21.3)	6,786.0	7,959.4
Total segment	**15,086.8**	**8.5**	**(0.4)**	**152.7**	**(48.8)**	**(142.7)**	**11,742.1**	**18,126.3**
Corporate activities	18.5	8.3	(125.8)	(1.1)	(33.9)	25.6	247.1	466.6
Statutory result	**15,105.3**	**16.8**	**(126.2)**	**151.6**	**(82.7)**	**(117.1)**	**11,989.2**	**18,592.9**

1. Segment revenue as disclosed in the Performance & Outlook is comprised of Revenue and Finance Revenue.
2. Equity Accounted Investments.
3. The material non cash items relate to impairments and provisions raised or written back, unrealised foreign exchange movements and investment property fair value gains or losses.
4. Excludes deferred tax assets, financial instruments and defined benefit plan assets.

The operating segments generate earnings in the following regions.

	REVENUE[1]		NON CURRENT ASSETS[2]	
	June 2017 A$m	June 2016 A$m	June 2017 A$m	June 2016 A$m
Australia	10,029.7	8,665.1	9,936.5	9,600.4
Asia	574.2	406.6	860.6	517.6
Europe	1,328.8	1,798.1	1,135.7	1,047.0
Americas	4,711.5	4,217.0	994.6	577.1
Total segment	**16,644.2**	**15,086.8**	**12,927.4**	**11,742.1**
Corporate activities	26.8	18.5	268.5	247.1
Statutory result	**16,671.0**	**15,105.3**	**13,195.9**	**11,989.2**

1. Segment revenue as disclosed in the Performance & Outlook is comprised of Revenue and Finance Revenue.
2. Excludes deferred tax assets, financial instruments and defined benefit plan assets and is based on the geographical location of assets.

No revenue from transactions with a single external customer amounts to 10 per cent or more of the Group's revenue.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

Section A: Performance continued

2. Dividends/Distributions[1]

	Cents Per Share/Unit	COMPANY/TRUST June 2017 A$m	June 2016 A$m
Parent Company Interim Dividend			
December 2016 – paid 24 March 2017	29.8	173.5	
December 2015 – paid 15 March 2016	21.4		124.1
Lendlease Trust Interim Distribution			
December 2016 – paid 24 March 2017	3.2	18.9	
December 2015 – paid 15 March 2016	8.6		50.3
Parent Company Final Dividend			
June 2017 – declared subsequent to reporting date[2]	28.4	165.8	
June 2016 – paid 14 September 2016	27.5		160.0
Lendlease Trust Final Distribution			
June 2017 – provided for (payable 20 September 2017)	4.6	26.7	
June 2016 – paid 14 September 2016	2.5		14.7
		384.9	**349.1**

1. Final and interim dividends/distributions were not franked in the current and prior year.
2. No provision for this dividend has been recognised in the Statement of Financial Position at 30 June 2017, as it was declared after the end of the financial year.

Dividend Franking

The amount of franking credits available for use in subsequent reporting periods as at 30 June 2017 is A$13.0 million, based on a 30 per cent tax rate (30 June 2016: A$4.8 million). This is calculated after adjusting for franking credits which will arise from the payment of income tax provided in the financial statements in the current financial year.

3. Earnings Per Share/Stapled Security (EPS/EPSS)

Accounting Policies

The Group presents basic and diluted EPS/EPSS in the Income Statement. This is a key performance measure for the Group. Refer to further details in the Finance Pillar section of the Annual Report on page 42.

Basic EPS/EPSS is determined by dividing Profit/(loss) after Tax attributable to members of the Company and Group, excluding any costs of servicing equity other than ordinary shares/securities, by the weighted average number of ordinary shares/securities outstanding during the financial year, adjusted for bonus elements in ordinary shares/securities issued during the financial year.

Diluted EPS/EPSS is determined by adjusting the Profit/(loss) after Tax attributable to members of the Company and Group, and the weighted average number of ordinary shares/securities outstanding for the effects of all dilutive potential ordinary shares/securities. The Group currently does not have any dilutive potential ordinary shares/securities. Dilution occurs when treasury shares and employee share options are included in outstanding shares.

The issued units of Lendlease Trust (LLT) are presented separately within equity, and therefore the profit attributable to LLT is excluded from the calculation of basic and diluted earnings per Company share presented in the Income Statement.

Financial Disclosure		JUNE 2017 Shares/Securities excluding Treasury Securities	JUNE 2017 Shares/Securities on Issue	JUNE 2016 Shares/Securities excluding Treasury Securities	JUNE 2016 Shares/Securities on Issue
Basic/Diluted Earnings Per Share (EPS)					
Profit attributable to members of Lendlease Corporation Limited (Company)	A$m	645.7	645.7	557.8	557.8
Weighted average number of ordinary shares	m	561.0	583.0	552.6	581.4
Basic/Diluted EPS	cents	**115.1**	**110.8**	**100.9**	**95.9**
Basic/Diluted Earnings Per Stapled Security (EPSS)					
Profit attributable to securityholders of Lendlease Group	A$m	758.6	758.6	698.2	698.2
Weighted average number of stapled securities	m	561.0	583.0	552.6	581.4
Basic/Diluted EPSS	cents	**135.2**	**130.1**	**126.3**	**120.1**

4. Revenue

Accounting Policies

Revenue from the provision of services is recognised in the Income Statement in proportion to the stage of completion of the transactions at the balance sheet date.

- For Construction and Development: the value of work performed using the percentage complete method, which is measured by reference to costs incurred to date as a percentage of total forecast costs for each contract. This measurement is an **accounting judgement** as management uses judgement to estimate expenses incurred to date as a percentage of total estimated costs. It also includes origination fees for infrastructure services rendered.
- For Investments: funds, origination and asset management fee entitlements are recognised for services rendered. Investments also includes Retirement Living Deferred Management Fees (DMF). A typical DMF contract provides for an annual fee for a fixed period on the property occupied by a resident (e.g. three per cent per annum of purchase or resale price for a period up to 10 to 12 years, or 30 per cent to 36 per cent in total) plus a share of the capital gain realised on turnover. For both owned retirement villages (investment property) and managed retirement villages, DMF income is recognised on an annual accrual basis based upon the expected term of the resident's licence and estimates of capital growth since the resident first occupied the unit.

Revenue from the sale of development properties is recognised in the Income Statement when:

- The significant risks and rewards of ownership have been transferred to the buyer;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the development properties sold;
- The revenue can be measured reliably and it is probable that the Group will receive the consideration due; and
- The Group can reliably measure the costs incurred or to be incurred in respect of the transaction.

The measurement of revenue from the sale of development properties is another **accounting judgement** as it requires management to exercise judgement in valuing the individual components of a development property sale, given the due consideration to cost inputs, market conditions and commercial factors.

Rental revenue, including lease incentives granted, is recognised in the Income Statement on a straight line basis over the term of the lease.

Other revenue primarily includes dividends/distributions and miscellaneous items. Dividend/distribution revenue is recognised when the right to receive payment is established, usually on declaration of the dividend/distribution.

Financial Disclosure	June 2017 A$m	June 2016 A$m
Revenue from the provision of services		
Construction	12,646.5	12,029.8
Development	581.6	325.3
Investments	507.0	460.0
Total revenue from the provision of services	**13,735.1**	**12,815.1**
Revenue from the sale of development properties	2,829.3	2,202.5
Rental revenue	23.3	11.4
Other revenue	71.3	59.5
Total revenue	**16,659.0**	**15,088.5**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

Section A: Performance continued

5. Share of Profit of Equity Accounted Investments

Accounting Policies

Investments in associates and joint ventures are accounted for using the equity method. The share of profit recognised under the equity method is the Group's share of the investment's profit or loss based on the ownership interest held. Associates (including partnerships) are entities in which the Group, as a result of its voting rights, has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

For associates, this is from the date that significant influence commences until the date that significant influence ceases, and for joint ventures, this is from the date joint control commences until the date joint control ceases.

Financial Disclosure	June 2017 A$m	June 2016 A$m
Associates		
Share of profit	20.7	13.8
Joint Ventures		
Share of profit	57.2	137.8
Total share of profit of equity accounted investments	**77.9**	**151.6**

a. Associates[1]	June 2017 A$m	June 2016 A$m
Australia		
Development		
Lendlease Communities Fund 1	(0.2)	0.1
Investments		
Lendlease Sub Regional Retail Fund	3.2	3.8
Total Australia	**3.0**	**3.9**
Asia		
Investments		
Lendlease Asian Retail Investment Fund 2	0.5	(0.8)
Lendlease Asian Retail Investment Fund 3	14.9	5.0
Total Asia	**15.4**	**4.2**
Europe		
Development		
Other		3.3
Total Europe	**–**	**3.3**
Americas		
Investments		
Other	2.3	2.4
Total Americas	**2.3**	**2.4**
Total share of profit from associates	**20.7**	**13.8**

1. Reflects the contribution to the Group's profit, and is after tax paid by the Equity Accounted Investment vehicles themselves, where relevant. However, for various Equity Accounted Investments, the share of tax is paid by the Group and is included in the Group's current tax expense.

b. Joint Ventures[1]	June 2017 A$m	June 2016 A$m
Australia		
Development		
Sunshine Coast University Hospital[2]		7.2
International Convention Centre Sydney (Darling Harbour Live)[2]		6.5
Other	6.6	7.8
Investments		
Lendlease International Towers Sydney Trust[3]	17.6	53.3
Lendlease One International Towers Sydney Trust[3]	(0.3)	6.2
Total Australia	**23.9**	**81.0**
Asia		
Development		
Other	(4.8)	(4.5)
Investments		
CDR JV Ltd (313@somerset)	(3.5)	(16.5)
Total Asia	**(8.3)**	**(21.0)**
Europe		
Development		
Stratford City Business District Limited (International Quarter London)	37.1	69.4
Other	2.0	
Investments		
Majadahonda Hospital		0.5
Other	0.5	7.8
Total Europe	**39.6**	**77.7**
Americas		
Development		
Other	2.0	0.1
Total Americas	**2.0**	**0.1**
Total share of profit from joint ventures	**57.2**	**137.8**
Total share of profit from equity accounted investments	**77.9**	**151.6**

1. Reflects the contribution to the Group's profit, and is after tax paid by the Equity Accounted Investment vehicles themselves, where relevant. However, for various Equity Accounted Investments, the share of tax is paid by the Group and is included in the Group's current tax expense.
2. Joint venture sold as part of the Australian Private Public Partnership entities sale in June 2016.
3. As a result of reaching the operational phase for the three International Towers Sydney, the governance structures of Lendlease International Towers Sydney Trust and Lendlease One International Towers Sydney Trust changed. The Group reassessed its joint control conclusions, and determined that joint control no longer exists. As a result, these investments have been reclassified from Equity Accounted Investments to Other Financial Assets measured at fair value through profit and loss. The Group has recorded its share of comprehensive income in relation to these investments for the period joint control was maintained.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

Section A: Performance continued

5. Share of Profit of Equity Accounted Investments continued

c. Material Associates and Joint Ventures Summarised Financial Information

The table below provides summarised financial information for those associates and joint ventures that are material to the Group. Refer to Note 12c 'Equity Accounted Investments' for determination of material associates and joint ventures. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures and associates and, where indicated, the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and differences in accounting policies. The nature and principal activities of the material associates and joint ventures is development of property assets.

	STRATFORD CITY BUSINESS DISTRICT LIMITED (INTERNATIONAL QUARTER LONDON)	
Income Statement	June 2017 A$m	June 2016 A$m
Revenue from provision of services	693.5	543.7
Interest income	0.3	1.8
Depreciation and amortisation	(3.0)	(0.1)
Other expenses	(597.8)	(371.7)
Income tax expense	(18.8)	(34.9)
Profit for the year	**74.2**	**138.8**
Other comprehensive income	(3.6)	(13.8)
Total comprehensive income	**70.6**	**125.0**
Group's ownership interest	50.0%	50.0%
Group's total share of:		
Profit	**37.1**	**69.4**
Other comprehensive income	(1.8)	(6.9)
Total comprehensive income	**35.3**	**62.5**
Dividends received from associates and joint ventures	**-**	**(40.0)**

The table below provides summarised financial information for those associates and joint ventures that are individually immaterial to the Group.

	ASSOCIATES		JOINT VENTURES	
Income Statement	June 2017 A$m	June 2016 A$m	June 2017 A$m	June 2016[1] A$m
Aggregate amounts of the Group's share of:				
Profit from continuing operations	20.7	13.8	20.1	78.3
Other comprehensive income/(expense)	(11.1)	5.0	4.3	10.2
Aggregate amounts of Group's share of total comprehensive income of individually immaterial equity accounted investments	**9.6**	**18.8**	**24.4**	**88.5**

1. June 2016 comparatives included Stratford City Business District Limited (International Quarter London) as an immaterial joint venture, this investment has been disclosed as a material joint venture for June 2017. Lendlease International Towers Sydney Trust and Lendlease One International Towers Sydney Trust were disclosed as material joint ventures for June 2016 and the Group's share of total comprehensive income relating to these investments was A$53.3 million and A$6.2 million respectively. No figures in the above table have been restated.

6. Other Income

Accounting Policies

Other Income

Net gains or losses on sale/transfer of investments, including Equity Accounted Investments, available for sale financial assets and consolidated entities are recognised when an unconditional contract is in place.

Net gains or losses on fair value remeasurements are recognised in accordance with the policies stated in Note 13 'Investment Properties' and Note 14 'Other Financial Assets'.

Financial Disclosure	June 2017 A$m	June 2016 A$m
Net gain on sale/transfer of investments		
Equity accounted investments		36.8
Other assets and liabilities	2.0	21.5
Consolidated entities[1]	94.5	163.3
Available for sale financial assets	23.2	15.8
Total net gain on sale/transfer of investments	**119.7**	**237.4**
Net gain on fair value measurement		
Investment Properties	22.5	
Fair value through profit or loss assets	55.1	11.9
Total net gain on fair value measurement	**77.6**	**11.9**
Other[1]	**49.9**	**7.6**
Total other income	**247.2**	**256.9**

1. Net gain on sale of consolidated entities includes a A$66.2 million gain on sale of the Circular Quay Tower entities in December 2016 and A$14.7 million gain on sale of Victoria Drive Wandsworth entities in June 2017. Other income includes the related revaluation gain on the retained Equity Accounted Investment in the entities (Lendlease Circular Quay Trust A$16.7 million and Victoria Drive Wandsworth A$16.6 million). The majority of cash was received for these transactions during the year ended 30 June 2017.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

Section A: Performance continued

7. Other Expenses

Accounting Policies

Other expenses in general are recognised as incurred.

Employee Benefit Expenses

Employee benefits are expensed as the related service by the employee is provided and includes both equity and cash based payment transactions. Employee benefits recognised in the Income Statement are net of recoveries.

For cash bonuses, the Group recognises an accrued liability for the amount expected to be paid. This is based on a formula that takes into consideration the profit attributable to the Group's securityholders after certain adjustments. Refer to Note 34a 'Short Term Incentives' for further detail.

Share Based Compensation

The Group operates equity settled share based compensation plans that are linked to Lendlease's security price. The fair value of the equity received in exchange for the grant is recognised as an expense and a corresponding increase in equity, in the Equity Compensation Reserve. The total amount to be expensed over the vesting period is determined by reference to the fair value of the securities granted.

The fair value is primarily determined using a Monte-Carlo simulation model. Refer to Note 34c 'Amounts Recognised in the Financial Statements' for further detail. Management considers the fair value assigned to be an area of **estimation uncertainty** as it requires judgements on Lendlease's security price and whether vesting conditions will be satisfied.

At each balance sheet date, the Group revises its estimates of the entitlement due. It recognises the impact of revision of original estimates, if any, in the Income Statement, and a corresponding adjustment to equity over the remaining vesting period. Changes in entitlement for equity settled share based compensation plans are not recognised if they fail to vest due to market conditions not being met.

Superannuation Accumulation Plan Expense

All employees in the Australia region are entitled to benefits on retirement, disability or death from the Group's superannuation accumulation plan. The majority of these employees are party to a defined contribution plan and receive fixed contributions from the Group. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. The Group also operates a defined benefit superannuation plan, membership of which is now closed. Refer to Note 33 'Defined Benefit Plans' for further detail.

Impairment

The carrying amounts of the Group's assets, subject to impairment tests, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The calculation of this recoverable amount is dependent on the type of asset. The material assets' accounting policies will contain further information on these calculations.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Income Statement unless an asset has been previously revalued through reserves.

Reversals of Impairment

Impairment losses on assets can be reversed (other than goodwill) when there is a subsequent increase in the recoverable amount. The increase could be due to a specific event, the indication that impairment may no longer exist of if there is a change in estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Operating Lease Expense

Payments made under operating leases, including lease incentives, are recognised in the Income Statement on a straight line basis over the term of the lease.

Depreciation and Amortisation

Depreciation is charged to the Income Statement on a straight line basis over the estimated useful lives of items of property, plant and equipment, and major components that are accounted for separately. Amortisation is provided on leasehold improvements over the remaining term of the lease. Most plant is depreciated over a period not exceeding 20 years, furniture and fittings over three to 15 years, motor vehicles over four to eight years and computer equipment over three years.

Financial Disclosure	June 2017 A$m	June 2016 A$m
Profit before income tax includes the following other expense items:		
Employee benefit expenses[1]	2,330.4	2,079.2
Superannuation accumulation plan expense	56.2	54.2
Net defined benefit plans expense	5.4	6.5
Expenses include impairments raised/(reversals) relating to:		
Loans and receivables	0.7	(0.2)
Property inventories	(31.6)	(7.4)
Property, plant and equipment	1.5	
Equity accounted investments	(4.0)	(3.3)
Other financial assets		3.4
Net fair value loss on investment properties		2.2
Operating lease expense	99.3	84.9
Depreciation and amortisation	98.2	82.7
Net foreign exchange loss	11.4	2.7

1. Total expense before recoveries through projects.

Auditor's Remuneration	June 2017 A$000s	June 2016 A$000s
Amounts received or due and receivable by the auditors of Lendlease Group for:		
Audit and Other Assurance Services		
Audit services	5,922	5,536
Other assurance services	485	683
Total audit and other assurance services	**6,407**	**6,219**
Non audit services	280	–
Total audit, other assurance and non audit services	**6,687**	**6,219**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

Section A: Performance continued

8. Finance Revenue and Finance Costs

Accounting Policies

Finance revenue is recognised as it is earned using the effective interest method, which applies the interest rate that discounts estimated future cash receipts over the expected life of the financial instrument. The discount is then recognised as finance revenue over the remaining life of the financial instrument.

Finance costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of costs incurred in connection with the arrangement of new borrowings facilities. Costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings. Finance costs are expensed immediately as incurred unless they relate to acquisition and development of qualifying assets. Qualifying assets are assets that take more than six months to prepare for their intended use or sale. Finance costs related to qualifying assets are capitalised.

Financial Disclosure	June 2017 A$m	June 2016 A$m
Finance Revenue		
Related parties		1.1
Other corporations	9.2	10.6
Total interest finance revenue	**9.2**	**11.7**
Interest discounting	2.8	5.1
Total finance revenue	**12.0**	**16.8**
Finance Costs		
Other corporations	117.9	133.8
Less: Capitalised interest finance costs[1]	(25.3)	(23.2)
Total interest finance costs	**92.6**	**110.6**
Non interest finance costs	16.0	15.6
Total finance costs	**108.6**	**126.2**
Net finance costs	**(96.6)**	**(109.4)**

1. The weighted average interest rate used to determine the amount of interest finance costs eligible for capitalisation was 4.9 per cent (June 2016: 4.5 per cent), which is the effective interest rate.

9. Taxation

Accounting Policies

Income Taxes

Income tax on the profit or loss for the financial year comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Under current Australian income tax law, Lendlease Trust (LLT) is not liable for income tax, including capital gains tax, to the extent that unitholders are attributed the taxable income of LLT.

Current tax is the expected tax payable on the taxable income for the financial year, using applicable tax rates (and tax laws) at the balance sheet date in each jurisdiction, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is the expected tax payable in future periods as a result of past transactions or events and is calculated by comparing the accounting balance sheet to the tax balance sheet. Temporary differences are provided for any differences in the carrying amounts of assets and liabilities between the accounting and tax balance sheets. The following temporary differences are not provided for:

- The initial recognition of goodwill;
- The initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and
- Differences relating to investments in subsidiaries to the extent that they are not likely to reverse in the foreseeable future.

Measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using applicable tax rates (and tax laws) at the balance sheet date.

Recognition of deferred tax assets is only to the extent it is probable that future taxable profits will be available so as the related tax asset will be realised. Deferred tax assets may include the following:

- Deductible temporary differences;
- Unused tax losses; and
- Unused tax credits.

Management considers the estimation of future taxable profits to be an area of **estimation uncertainty** as a change in any of the assumptions used in budgeting and forecasting would have an impact on the future profitability of the Group. The Group prepares financial budgets and forecasts, covering a five year period, which are reviewed on a regular basis. These forecasts and budgets form the basis of future profitability to support the carrying value of the deferred tax assets. The performance of the Group is influenced by a variety of general economic and business conditions which are outside the control of the Group, including the level of inflation, interest rates, exchange rates, commodity prices, ability to access funding, oversupply and demand conditions and government fiscal, monetary and regulatory policies.

Presentation of deferred tax assets and liabilities can be offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but are intended to be settled on a net basis or to be realised simultaneously.

Tax Consolidation

The Company is the head entity of the Australian Tax Consolidated Group comprising all the Australian wholly owned subsidiaries, excluding LLT. As a consequence, all members of the Australian Tax Consolidation Group are taxed as a single entity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

Section A: Performance continued

9. Taxation continued

	June 2017 A$m	June 2016 A$m
a. Income Tax Expense		
Recognised in the Income Statement		
Current Tax Expense		
Current year	181.3	172.3
Adjustments for prior years	(5.1)	(1.1)
Benefit of tax losses recognised	(2.1)	(11.9)
	174.1	**159.3**
Deferred Tax Expense		
Origination and reversal of temporary differences	99.9	19.7
Temporary differences recovered/recognised	(4.8)	(38.8)
Net tax losses written off	8.9	24.6
Change in tax rate	2.4	(4.6)
Adjustments for prior years	(32.2)	4.5
	74.2	**5.4**
Total income tax expense	**248.3**	**164.7**
Reconciliation of Effective Tax Rate		
Profit before Tax	1,007.0	862.8
Income tax using the domestic corporation tax rate 30%	**302.1**	**258.8**
Adjustments for prior year tax claim	(5.1)	(1.1)
Non assessable and exempt income[1]	(56.0)	(70.1)
Non allowable expenses[2]	4.8	9.1
Net writeoff of tax losses through income tax expense	24.8	13.3
Temporary differences recognised through income tax expense[3]	(4.8)	(11.4)
Utilisation of capital losses on disposal of assets	(2.1)	(11.9)
Effect of tax rates in foreign jurisdictions[4]	(4.0)	(15.7)
Other	(11.4)	(6.3)
Income tax expense	**248.3**	**164.7**
Deferred Tax Recognised Directly in Equity		
Relating to:		
Fair value revaluation reserve	(12.1)	(0.7)
Defined benefit plan remeasurements	(2.8)	9.7
Foreign currency translation reserve	(17.6)	4.9
Hedging reserve	(1.3)	0.8
Non controlling interest acquisition reserve	4.2	3.0
Total deferred tax (benefit)/expense recognised directly in equity	**(29.6)**	**17.7**

1. Includes Lendlease Trust profit.
2. Includes expenses for which a tax deduction is not allowed permanently.
3. Includes temporary differences recognised in a previous year but are subsequently written off to income tax expense in the current year and temporary differences that arose in a previous year but were not recognised until the current year.
4. The Group operates in a number of foreign jurisdictions for trading purposes that have significantly lower tax rates than Australia such as the United Kingdom and Singapore and higher tax rates such as the United States and Japan. Also includes the effect of change in tax rates.

b. Tax Effect Relating to Other Comprehensive Income	JUNE 2017			JUNE 2016		
	Before Tax A$m	Tax (Expense)/ Benefit A$m	Net of Tax A$m	Before Tax A$m	Tax (Expense)/ Benefit A$m	Net of Tax A$m
Movements in fair value revaluation reserve	(12.1)	12.1		(2.4)	0.7	(1.7)
Movements in hedging reserve	17.7	1.3	19.0	9.7	(0.8)	8.9
Movements in foreign currency translation reserve	(58.6)	17.6	(41.0)[1]	20.9	(4.9)	16.0[1]
Movements in non controlling interest acquisition reserve	2.8		2.8	0.5		0.5
Movements in defined benefit plan remeasurements	(14.4)	2.8	(11.6)	48.0	(9.7)	38.3
Total other comprehensive income net of tax	**(64.6)**	**33.8**	**(30.8)**	**76.7**	**(14.7)**	**62.0**

1. Includes A$(0.1) million relating to external non controlling interests (June 2016: A$0.3 million).

	JUNE 2017		JUNE 2016	
	Assets A$m	Liabilities A$m	Assets A$m	Liabilities A$m
c. Deferred Tax Assets and Liabilities				
Recognised Deferred Tax Assets and Liabilities				
Deferred tax assets and liabilities are attributable to the following:				
Loans and receivables	1.8	(286.3)	2.6	(143.6)
Inventories	137.8	(186.4)	66.8	(311.6)
Other financial assets	8.5	(57.9)	21.5	(69.6)
Other assets	15.1	(18.0)	4.4	(5.6)
Equity accounted investments	5.5	(33.5)	8.1	(42.8)
Investment properties		(273.2)	0.3	(189.5)
Property, plant and equipment	26.3	(28.9)	27.8	(25.6)
Intangible assets		(10.8)		(14.0)
Net defined benefit plans	30.2	(25.2)	28.4	(24.2)
Trade and other payables	163.8	(2.9)	193.9	(5.0)
Resident liabilities	81.5		107.4	
Provisions	109.5		97.8	
Borrowings and financing arrangements	14.7		0.6	
Other financial and non financial liabilities	2.0	(0.1)	6.6	(1.3)
Unused revenue tax losses recognised	231.3		237.9	
Unused capital tax losses recognised			12.6	
Items with a tax base but no carrying value	20.7	(34.3)	22.9	(26.8)
Total deferred tax assets/(liabilities)	**848.7**	**(957.5)**	**839.6**	**(859.6)**
Deferred tax set off	(719.3)	719.3	(730.1)	730.1
Net deferred tax assets/(liabilities)	**129.4**	**(238.2)**	**109.5**	**(129.5)**

June 2017	1 July 2016 A$m	Recognised in Income A$m	Recognised in Equity A$m	Other/ Foreign Exchange A$m	30 June 2017 A$m
Movement in temporary differences during the financial year:					
Loans and receivables	(141.0)	(143.9)		0.4	(284.5)
Inventories	(244.8)	192.8		3.4	(48.6)
Other financial assets	(48.1)	(10.1)	7.6	1.2	(49.4)
Other assets	(1.2)	(1.7)			(2.9)
Equity accounted investments	(34.7)	(0.9)	7.6		(28.0)
Investment properties	(189.2)	(84.0)			(273.2)
Property, plant and equipment	2.2	(1.2)		(3.6)	(2.6)
Intangible assets	(14.0)	3.2			(10.8)
Net defined benefit plans	4.2	(2.0)	2.8		5.0
Trade and other payables	188.9	(30.4)		2.4	160.9
Resident liabilities	107.4	(27.6)		1.7	81.5
Provisions	97.8	17.7		(6.0)	109.5
Borrowings and financing arrangements	0.6	(0.6)	14.7		14.7
Other financial and non financial liabilities	5.3	(4.4)	1.1	(0.1)	1.9
Unused revenue tax losses recognised	237.9	27.4		(34.0)	231.3
Unused capital tax losses recognised	12.6	(2.9)		(9.7)	
Items with a tax base but no carrying value	(3.9)	(5.6)	(4.2)	0.1	(13.6)
Total deferred tax assets/(liabilities)	**(20.0)**	**(74.2)**	**29.6**	**(44.2)**	**(108.8)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

Section A: Performance continued

9. Taxation continued

June 2016	1 July 2015 A$m	Recognised in Income A$m	Recognised in Equity A$m	Other/Foreign Exchange A$m	30 June 2016 A$m
Loans and receivables	(417.8)	278.7		(1.9)	(141.0)
Inventories	(30.5)	(219.3)		5.0	(244.8)
Other financial assets	(66.3)	18.7	0.7	(1.2)	(48.1)
Other assets	7.2	(8.6)		0.2	(1.2)
Equity accounted investments	(58.1)	28.1	(4.5)	(0.2)	(34.7)
Investment properties	(139.5)	(51.6)		1.9	(189.2)
Property, plant and equipment	4.9	(3.1)		0.4	2.2
Intangible assets	(9.3)	(4.7)			(14.0)
Net defined benefit plans	16.8	(1.4)	(9.7)	(1.5)	4.2
Trade and other payables	153.8	34.2		0.9	188.9
Resident liabilities	150.0	(42.6)			107.4
Provisions	134.9	(39.6)		2.5	97.8
Borrowings and financing arrangements	0.2	0.8		(0.4)	0.6
Other financial liabilities		6.6	(1.2)	(0.1)	5.3
Unused revenue tax losses recognised	420.6			(182.7)	237.9
Unused capital tax losses recognised	6.9	5.7			12.6
Items with a tax base but no carrying value	3.1	(7.3)	(3.0)	3.3	(3.9)
Total deferred tax assets/(liabilities)	**176.9**	**(5.4)**	**(17.7)**	**(173.8)**	**(20.0)**

	June 2017 A$m	June 2016 A$m
Unrecognised Deferred Tax Assets		
Deferred tax assets have not been recognised in respect of the following items:		
Unused revenue tax losses	55.2	56.9
Unused capital tax losses	28.3	9.8
Net deductible temporary differences	42.2	54.0
Total unrecognised deferred tax assets	**125.7**	**120.7**

Of the unrecognised deferred tax assets of A$125.7 million, only A$16.3 million expires by 2037. The remainder of the unrecognised deferred tax assets have no expiry date.

10. Events Subsequent to Balance Date

There were no material events subsequent to the end of the financial year.

Section B: Investment

Investment in the Development pipeline, joint ventures in property projects, the retirement sector, and more passive assets, such as property funds, drives the current and future performance of the Group. This section includes disclosures for property such as Inventories and Investment Properties and indirect property assets such as Equity Accounted Investments and Other Financial Assets contained within the Statement of Financial Position.

11. Inventories

Accounting Policies

Development Properties

Property acquired for development and sale in the ordinary course of business is carried at the lower of cost and Net Realisable Value (NRV).

The cost of development properties includes expenditure incurred in acquiring the property, preparing it for sale and borrowing costs incurred.

The NRV is the estimated selling price, less the estimated costs of completion and selling expenses. Management considers the estimation of both selling prices and costs of completion to be an area of **estimation uncertainty**, as these estimations take into consideration market conditions affecting each property and the underlying strategy for selling the property.

The recoverable amount of each property is assessed at each balance date and **accounting judgement** is required to assess whether a provision is raised where cost (including costs to complete) exceeds NRV.

Inventories are expensed as cost of sales in the Income Statement. Management uses **accounting judgement** in determining the following:

- The apportionment of cost of sales through either land area or sales revenue;
- The amount of cost of sales, which includes costs incurred to date and final forecast costs; and
- The nature of the expenditure, which may include acquisition costs, development costs, borrowing costs and those costs incurred in preparing the property for sale.

Construction Work in Progress

The gross amount of Construction and Development work in progress consists of costs attributable to work performed, including recoverable pre contract and project bidding costs and emerging profit after providing for any foreseeable losses. In applying the accounting policies on providing for these losses, **accounting judgement** is required.

Work in progress is presented as part of inventories for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings and recognised losses exceed costs incurred plus recognised profits, then the difference is presented in trade and other payables.

Financial Disclosure	June 2017 A$m	June 2016 A$m
Current		
Development properties	1,163.0	1,020.1
Construction work in progress	975.7	894.0
Other	13.3	8.9
Total current	**2,152.0**	**1,923.0**
Non Current		
Development properties	2,975.4	2,679.9
Total non current	**2,975.4**	**2,679.9**
Total inventories	**5,127.4**	**4,602.9**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

Section B: Investment continued

12. Equity Accounted Investments

Accounting Policies

Equity Accounted Investments (Associates and Joint Ventures)

As outlined in Note 5 'Share of Profit of Equity Accounted Investments', investments in Associates and Joint Ventures are equity accounted. The share of investment recognised under the equity method is the Group's share of the investment's net assets based on ownership interest held.

Investments in associates and joint ventures are carried at the lower of the equity accounted carrying amount and the recoverable amount. When the Group's share of losses exceeds the carrying amount of the Equity Accounted Investment (including assets that form part of the net investment in the associate or joint venture entity), the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has obligations in respect of the associate or joint venture.

Dividends from associates and joint ventures represent a return on the Group's investment and, as such, are applied as a reduction to the carrying value of the investment. Unrealised gains arising from transactions with Equity Accounted Investments are eliminated against the investment in the associate or joint venture to the extent of the Group's interest in the associate or joint venture. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Other movements in Associates' and Joint Ventures' reserves are recognised directly in the Group's consolidated reserves.

Service Concession Arrangements (SCAs)

The Group equity accounts its investment in project companies with SCAs through Public Private Partnerships (PPPs). These arrangements provide facilities management and maintenance services with terms generally of 25 to 30 years. They also incorporate contractual obligations to make available the individual assets for their prescribed use and, where necessary, overhaul or replace major items of plant and equipment related to the assets with payment obtained through periodic draw downs from the relevant government authorities.

Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

Investments in joint operations are accounted for by recognising amounts on a line by line basis in accordance with the accounting standards applicable to the particular assets, liabilities, revenues and expenses in relation to the Group's interest in the joint operation.

Financial Disclosure	June 2017 A$m	June 2016 A$m
Associates		
Investment in associates	223.5	228.1
Less: Impairment	(6.3)	(5.9)
Total associates	**217.2**	**222.2**
Joint Ventures		
Investment in joint ventures	629.1	946.9
Less: Impairment	(11.7)	(16.5)
Total joint ventures	**617.4**	**930.4**
Total equity accounted investments	**834.6**	**1,152.6**

	INTEREST		NET BOOK VALUE	
	June 2017 %	June 2016 %	June 2017 A$m	June 2016 A$m
a. Associates				
Australia				
Development				
Lendlease Communities Fund 1	20.8	20.8	4.1	4.3
Investments				
Lendlease Sub Regional Retail Fund[1]	10.0	10.0	39.3	38.0
Total Australia			**43.4**	**42.3**
Asia				
Investments				
Lendlease Asian Retail Investment Fund 2	36.4	35.9	23.2	24.0
Lendlease Asian Retail Investment Fund 3	20.1	20.1	151.8	156.4
Total Asia			**175.0**	**180.4**
Europe				
Development				
Other			3.8	4.0
Total Europe			**3.8**	**4.0**
Americas				
Investments				
Other			1.3	1.4
Total Americas			**1.3**	**1.4**
Total			**223.5**	**228.1**
Less: Impairment			(6.3)	(5.9)
Total associates			**217.2**	**222.2**

1. Although the Group has a 10 per cent ownership interest in Lendlease Sub Regional Retail Fund, it holds 20 per cent of the voting rights over the fund and has significant influence over the investment. As a result, the Group applies equity accounting for its ownership interest.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

Section B: Investment continued

12. Equity Accounted Investments continued

	INTEREST		NET BOOK VALUE	
	June 2017 %	June 2016 %	June 2017 A$m	June 2016 A$m
b. Joint Ventures				
Australia				
Development				
Circular Quay Tower	20.0		34.9	
Other			18.2	19.9
Investments				
Lendlease International Towers Sydney Trust[1]		15.0		380.3
Lendlease One International Towers Sydney Trust[1]		12.5		107.5
Total Australia			**53.1**	**507.7**
Asia				
Development				
Paya Lebar Quarter	30.0	30.0	179.6	177.3
Investments				
CDR JV Ltd (313@somerset)	25.0	25.0	75.5	90.6
Total Asia			**255.1**	**267.9**
Europe				
Development				
Stratford City Business District Limited (International Quarter London)	50.0	50.0	89.8	45.8
Hungate (York) Regeneration Limited	50.0	50.0	6.9	4.8
Victoria Drive Wandsworth	50.0		34.6	
Investments				
Treviso	50.0	50.0	8.9	7.6
Other			5.0	5.0
Total Europe			**145.2**	**63.2**
Americas				
Development				
277 Fifth Avenue	40.0	40.0	52.0	53.3
Riverline	60.0	60.0	93.1	48.9
845 Madison	70.0	70.0	26.6	4.4
Other			0.9	
Construction				
Other			3.1	1.5
Total Americas			**175.7**	**108.1**
Total			**629.1**	**946.9**
Less: Impairment			(11.7)	(16.5)
Total joint ventures			**617.4**	**930.4**
Total equity accounted investments			**834.6**	**1,152.6**

1. As a result of reaching the operational phase for the three International Towers Sydney at Barangaroo South, the governance structures of Lendlease International Towers Sydney Trust and Lendlease One International Towers Sydney Trust changed. The Group reassessed its joint control conclusions, and determined that joint control no longer exists. As a result, these investments have been reclassified from Equity Accounted Investments to Other Financial Assets measured at fair value through profit and loss.

c. Material Associates and Joint Ventures Summarised Financial Information

The table below provides summarised financial information for those associates and joint ventures that are material to the Group. Material associates and joint ventures have been determined by comparing individual investment net book value with the total Equity Accounted Investment carrying value and share of profit, along with consideration of relevant qualitative factors. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures and associates and, where indicated, the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and differences in accounting policies. The nature and principal activities of the material associates and joint ventures is development of property assets.

	STRATFORD CITY BUSINESS DISTRICT LIMITED (INTERNATIONAL QUARTER LONDON)	
Statement of Financial Position	June 2017 A$m	June 2016 A$m
Current assets		
Cash and cash equivalents	134.7	157.4
Other current assets	250.3	40.0
Total current assets	**385.0**	**197.4**
Total non current assets	**8.7**	**213.9**
Current liabilities		
Financial liabilities (excluding trade payables)		(214.0)
Other current liabilities	(198.5)	(5.9)
Total current liabilities	**(198.5)**	**(219.9)**
Non current liabilities		
Financial liabilities (excluding trade payables)	(13.1)	(93.0)
Total non current liabilities	**(13.1)**	**(93.0)**
Net assets	**182.1**	**98.4**
Reconciliation to Carrying Amounts		
Opening net assets 1 July	98.0	53.0
Total comprehensive income for the year	70.6	125.0
Dividends paid		(80.0)
Acquisition/contributions	10.4	
Closing net assets	**179.0**	**98.0**
% ownership	50.0%	50.0%
Group's share of net assets	**89.5**	**49.0**
Other adjustments	0.3	(3.2)
Carrying amount at end of year	**89.8**	**45.8**

There were no capital expenditure or lease commitments contracted but not provided for during the current or prior year for the material associates and joint ventures.

The table below provides summarised financial information for those associates and joint ventures that are individually immaterial to the Group.

	ASSOCIATES		JOINT VENTURES	
	June 2017 A$m	June 2016 A$m	June 2017 A$m	June 2016[1] A$m
Aggregate carrying value of individually immaterial equity accounted investments	**217.2**	**222.2**	**527.6**	**442.6**

1. June 2016 comparatives included Stratford City Business District Limited (International Quarter London) as an immaterial joint venture; this investment has been disclosed as a material joint venture for June 2017. Lendlease International Towers Sydney Trust and Lendlease One International Towers Sydney Trust were disclosed as material joint ventures for June 2016 and the Group's share of net assets relating to these investments was A$380.3 million and A$107.5 million respectively. No figures in the above table have been restated.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

Section B: Investment continued

13. Investment Properties

Accounting Policies

Investment properties on initial recognition are measured at cost, including transaction costs and subsequently stated at fair value.

The fair value for all properties, except those under construction and those valued at less than A$10.0 million, is based on periodic, but at least triennial, valuations by qualified external independent valuers. It is the policy of the Group to review the fair value of each property every six months.

Fair value is based on current prices in an active market for similar properties in the same location and condition. If this information is not available, the Group uses alternative calculation methods such as discounted cash flow projections, recent prices on less active markets or capitalised income projections. Capitalised income projections are based on perpetuity of net operating income and deferred management fees using a capitalisation rate derived from market evidence.

Any gain or loss arising from a change in fair value is recognised in the Income Statement. Management considers the calculation of the fair value to be an area of **estimation uncertainty**. While this represents the best estimation of fair value at the reporting date, actual sale prices achieved (should the investment properties be sold) may be higher or lower than the most recent valuation. This is particularly relevant in periods of market illiquidity or uncertainty.

Rental revenue and deferred management fees from investment properties are accounted for as described in Note 4 'Revenue'. Expenses capitalised to properties may include the cost of acquisition, additions, refurbishments, redevelopments, borrowing costs and certain fees incurred.

Retirement Living investment properties principally comprise retirement villages (both operating villages and villages under development) held for long term income yields that are not occupied by the Group.

Resident liabilities are initially recognised as the amount paid by residents of Retirement Living investment properties to occupy the apartments and units. Subsequently they are measured at face value, being the principal paid, plus the resident's share of capital gains based on market values of the underlying property at balance date, less deferred management fees earned to date.

Resident liabilities are non interest bearing and are classified as current liabilities because any resident may choose to depart within 12 months. The Group's actual commercial history has shown residents stay for an average period of 11 years in independent living units (ILUs) and six years in serviced apartments (SAs). Therefore, the portion of the resident liabilities that could be considered current represents 5 to 10 per cent of the total balance and non current represents 90 to 95 per cent of the total balance. This current and non current split of resident liabilities provides more useful and meaningful information as it better reflects the commercial substance of the Group's liabilities.

Deferred management fees receivable on owned sites (DMF) represents amounts owed to the Group in connection with resident occupancy at retirement villages subject to long term management agreements. The DMF is calculated in accordance with resident contracts. Refer to Note 4 'Revenue' for further detail.

Financial Disclosure	June 2017 A$m	June 2016 A$m
a. Investment Properties – Non Current		
Retirement Living properties	6,443.4	5,743.1
Retail property	72.6	71.9
Telecommunication towers	83.3	
Assets under construction	368.1	125.7
Total investment properties	**6,967.4**	**5,940.7**

Financial Disclosure	June 2017 A$m	June 2016 A$m
Reconciliations		
Reconciliations of the carrying amount for investment properties are as follows:		
Carrying amount at beginning of financial year	5,940.7	5,994.9
Acquisition/(disposal) of investment properties	218.1	(523.7)
Capital expenditure	300.2	112.8
Fair value gain/(loss) recognised through the Income Statement	22.5	(2.2)
Increase attributable to capital gain	468.8	328.3
Foreign exchange rate/other movements	17.1	30.6
Carrying amount at end of financial year	**6,967.4**	**5,940.7**
b. Resident Liabilities[1]		
Gross resident liabilities	5,295.7	4,796.9
Deferred management fees receivable on owned sites	(722.7)	(677.4)
Total resident liabilities	**4,573.0**	**4,119.5**

1. Resident liabilities are non interest bearing and are classified as current liabilities because any resident may choose to depart within 12 months. The Group's actual commercial history has shown residents stay for an average period of 11 years in independent living units (ILUs) and six years in serviced apartments (SAs). Therefore, the portion of the resident liabilities that could be considered current represents 5 to 10 per cent of the total balance and non current represents 90 to 95 per cent of the total balance. This current and non current split of resident liabilities provides more useful and meaningful information as it better reflects the commercial substance of the Group's liabilities.

Net investment properties are classified as Level 3 in the fair value hierarchy. Refer below for valuation technique.

Total net investment properties includes net Retirement Living properties (after deducting resident liabilities and related deferred revenue), A$1,738.7 million (June 2016: A$1,508.1 million), Retail property A$72.6 million (June 2016: A$71.9 million), Telecommunication tower properties A$83.3 million (June 2016 A$nil) and assets under construction A$368.1 million (June 2016: A$125.7 million).

c. Valuation Technique

The key assumptions used in the fair value assessments are summarised as follows.

Retirement Living Properties

For Retirement Living properties, the key long term assumptions adopted in the basis of valuation at the reporting date included:

- Weighted average discount rate of 13.0 per cent (June 2016: 13.3 per cent) and weighted average future growth rate of 3.6 per cent (June 2016: 3.7 per cent);
- Average length of stay: 11 years for independent living units (June 2016: 11 years) and six years for serviced apartments (June 2016: six years); and
- A discounted cash flow valuation model using a 50 year terminal yield.

For Retirement Living properties included in assets under construction, the assumptions adopted in determining the fair values at 30 June 2017 included:

- Discount rates between 14.0 and 17.0 per cent (June 2016: 14.0 and 17.0 per cent) based on the stage of development/assessed project risk; and
- Growth rates are generally between 3.0 and 4.0 per cent (June 2016: between 2.0 and 4.0 per cent) based on price and cost escalation assumptions determined by individual property factors.

d. Fair Value Reconciliation

Reconciliation of carrying value for Level 3 net investment properties is as follows:

	June 2017 A$m	June 2016 A$m
Carrying amount at beginning of financial year	1,705.7	1,779.0
Additions/(disposals) and capital expenditure	429.5	(108.4)
Gains/(losses) recognised in Income Statement	22.5	(2.2)
Other movements	105.0	37.3
Carrying amount at end of financial year	**2,262.7**	**1,705.7**

The potential effect of using reasonably possible alternative assumptions for valuation inputs would not have a material impact on the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

Section B: Investment continued

14. Other Financial Assets

Accounting Policies

The following table summarises the accounting policies of investments the Group classifies as material financial assets. The classification classification depends on the purpose for which the investments were acquired.

Investment Category	Classification Criteria	Initial Recognition	Subsequent Measurement	Impairment
Financial assets at fair value through profit or loss	Held for Trading – if acquired principally for the purpose of selling in the short term, unless designated as hedges; refer to Note 25 'Hedging' for further detail. Typically includes derivatives such as forward exchange contracts and interest rate swaps.	At fair value (generally transaction price). Transaction costs are recorded as expenses when they are incurred.	Fair value; any changes in fair value are reflected in the Income Statement.	Fair value losses are reflected in the Income Statement.
	Designated at Fair Value Through Profit or Loss at initial recognition – either to eliminate a measurement or recognition inconsistency, or where a group of financial assets is managed, and its performance is evaluated on a fair value basis.			
Available for Sale (AFS)	Non derivative financial assets that are either designated in this category or not classified in any other category. Typically include investments the Group does not control or have significant influence over and are not managed on a fair value basis.	At fair value (generally transaction price), plus transaction costs directly attributable to the acquisition or issue. Transaction costs are incremental costs that would only have been incurred in relation to the transaction.	Fair value; unrealised gains or losses arising from changes in the fair value are recognised in equity, in the **Fair Value Revaluation Reserve**. When AFS financial assets are sold, transferred or impaired, the accumulated fair value adjustments in the reserves are included in the Income Statement as gains or losses.	AFS assets are generally impaired when there is a significant or prolonged decline in the fair value of the asset below its cost. The cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the Income Statement. Impairment losses previously recognised in the Income Statement on equity instruments are not reversed through the Income Statement but are recognised through other comprehensive income.

	Fair Value Level[1]	June 2017 A$m	June 2016 A$m
Current Measured at Fair Value			
Fair Value Through Profit or Loss – Designated at Initial Recognition			
Negotiable instruments	Level 1	31.4	36.1
Derivatives	Level 2	1.6	14.6
Total current		**33.0**	**50.7**
Non Current Measured at Fair Value			
Available for Sale (AFS)			
Australian Prime Property Fund – Retail	Level 3	45.9	44.8
Lendlease Core Plus Fund	Level 3		0.5
Lendlease Retail LP[2]	Level 3		65.7
Lendlease Asian Retail Investment Fund	Level 3	24.9	29.1
Parkway Parade Partnership Limited	Level 3	37.2	34.9
Other	Level 3	122.8	129.1
		230.8	**304.1**
Fair Value Through Profit or Loss – Designated at Initial Recognition			
Lendlease International Towers Sydney Trust[3]	Level 3	411.5	
Lendlease One International Towers Sydney Trust[3]	Level 3	202.7	
Australian Prime Property Fund – Industrial	Level 3	66.7	73.3
Australian Prime Property Fund – Commercial	Level 3	205.3	191.4
Australian Prime Property Fund – Retail	Level 3	27.5	
Lendlease Public Infrastructure Investment Company	Level 3	40.7	40.5
Other Unlisted Investments	Level 3	10.1	10.1
Derivatives	Level 2		0.7
		964.5	**316.0**
Held to Maturity – Other	N/A	**8.0**	**8.7**
Total non current		**1,203.3**	**628.8**
Total other financial assets		**1,236.3**	**679.5**

1. Refer to Note 26 'Fair Value Measurement' for details for basis of determining fair value and the valuation technique.
2. The Group transferred the Lendlease Retail LP investment to the Lend Lease UK Pension Scheme in June 2017, which resulted in the derecognition of the A$61.7 million investment and A$23.2 million of revaluation gains released to the Income Statement. Refer to Note 6 'Other Income' and Note 31 'Related Party Information'.
3. As a result of reaching the operational phase for the three International Towers Sydney at Barangaroo South, the governance structures of Lendlease International Towers Sydney Trust and Lendlease One International Towers Sydney Trust changed. The Group reassessed its joint control conclusions, and determined that joint control no longer exists. As a result, these investments have been reclassified from Equity Accounted Investments to Other Financial Assets measured at fair value through profit and loss.

Fair Value Reconciliation[1]

The reconciliation of the carrying amount for Level 3 financial assets is set out as follows.

	JUNE 2017		JUNE 2016[3]	
	AFS A$m	Unlisted Investments A$m	AFS A$m	Unlisted Investments A$m
Carrying amount at beginning of financial year	304.1	315.3	328.3	287.2
Additions/(disposals)	(58.9)	96.2	(16.3)	16.2
Gains/(losses) recognised in Income Statement		55.2	(3.4)	12.0
Losses recognised in Other Comprehensive Income	(7.1)		(4.5)	(0.1)
Other movements[2]	(7.3)	497.8		
Carrying amount at end of financial year	**230.8**	**964.5**	**304.1**	**315.3**

1. Held to Maturity investments have been removed from the Fair Value Reconciliation as amounts are held at amortised cost.
2. Includes foreign exchange movement and transfers from Equity Accounted Investments during the year for investments in Lendlease International Towers Sydney Trust and Lendlease One International Towers Sydney Trust.
3. June 2016 comparatives for Gains/(losses) in the Income Statement and Other Comprehensive Income have been restated and presented on a combined basis to reflect current year presentation.

The potential effect of using reasonably possible alternative assumptions for valuation inputs would not have a material impact on the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

Section C: Liquidity and Working Capital

The ability of the Group to fund the continued investment in the property and infrastructure pipeline, invest in new opportunities and meet current commitments is dependent on available cash and access to third party capital. This section contains disclosure on the financial assets, financial liabilities, cash flows and equity that are required to finance the Group's activities, including existing commitments, and the liquidity risk exposure associated with financial liabilities. The section also contains disclosures for the Group's trading assets, excluding inventories, and the trading liabilities incurred as a result of trading activities used to generate the Group's performance.

15. Cash and Cash Equivalents

Accounting Policies

Cash and cash equivalents include cash on hand, deposits held at call with banks, bank overdrafts and other short term highly liquid investments that are readily convertible to known amounts of cash within three months and which are subject to an insignificant risk of changes in value.

Bank overdrafts (if applicable) are shown as a current liability on the Statement of Financial Position and are shown as a reduction to the cash balance in the Statement of Cash Flows.

Financial Disclosure	June 2017 A$m	June 2016 A$m
Cash	889.6	802.9
Short term investments[1]	359.6	205.5
Total cash and cash equivalents	**1,249.2**	**1,008.4**

1. Short term investments earned variable rates of interest which averaged two per cent per annum during the year (30 June 2016: 1.6 per cent).

16. Notes to Statement of Cash Flows

	June 2017 A$m	June 2016 A$m
Reconciliation of Profit after Tax to Net Cash Provided by Operating Activities		
Profit after Tax (including External Non Controlling Interests)	758.7	698.1
Amortisation and depreciation	98.2	82.7
Net gain on sale of investments, plant and equipment	(119.7)	(237.4)
Write back of impairment of equity accounted investments	(4.0)	(3.3)
Impairment of other financial assets		3.4
Impairment of property, plant and equipment	1.5	
Net unrealised foreign exchange gain and currency hedging costs	(18.8)	(25.4)
Net fair value gain on investments	(55.1)	(11.9)
Share of profit of equity accounted investments	(77.9)	(151.6)
Dividends/distributions from equity accounted investments	33.9	59.9
Fair value (gain)/loss on investment properties	(22.5)	2.2
Other	(252.5)	(107.5)
Net cash provided by operating activities before changes in assets and liabilities	**341.8**	**309.2**
Changes in Assets and Liabilities Adjusted for Effects of Purchase and Disposal of Consolidated Entities and Operations During the Financial Year		
(Increase)/decrease in receivables	(454.0)	992.4
Increase in inventories	(802.4)	(573.6)
(Increase)/decrease in other assets	(29.4)	9.1
Increase in net defined benefit plans	(73.3)	(18.9)
Increase/(decrease) in payables	1,096.7	(123.0)
(Decrease)/Increase in operating derivatives assets/liabilities	(36.2)	49.4
Decrease in deferred tax items	74.8	274.9
Increase/(decrease) in current tax	28.7	(10.5)
Decrease in other provisions	(0.7)	(56.0)
Net cash provided by operating activities	**146.0**	**853.0**

17. Borrowings and Financing Arrangements

Accounting Policies

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest rate method. Under the amortised cost method the difference between the amount initially recognised and the redemption value is recorded in the Income Statement over the period of the borrowing on an effective interest basis. Borrowings are referred to in this section using their redemption value when describing the terms and conditions.

Financial Disclosure	June 2017 A$m	June 2016 A$m
a. Borrowings – Measured at Amortised Cost		
Current		
Commercial notes	291.9	
Total current	**291.9**	**–**
Non Current		
Commercial notes	1,776.2	1,843.9
Bank credit facilities	84.3	187.4
Total non current	**1,860.5**	**2,031.3**
Total borrowings	**2,152.4**	**2,031.3**
b. Finance Facilities		
The Group has access to the following lines of credit:		
Commercial Notes		
Facility available	2,068.1	1,843.9
Amount of facility used	(2,068.1)	(1,843.9)
Amount of facility unused	**–**	**–**
Bank Credit Facilities		
Facility available	2,186.0	2,223.1
Amount of facility used	(84.3)	(187.4)
Amount of facility unused	**2,101.7**	**2,035.7**
Bank Overdrafts		
Facility available and amount unused	**123.5**	**136.9**

Commercial notes include:

- £300.0 million of guaranteed unsecured notes issued in October 2006 in the United Kingdom bond market with a 6.125 per cent per annum coupon maturing in October 2021;
- US$25.0 million of guaranteed unsecured senior notes issued in October 2005 in the United States private placement market with a 5.78 per cent per annum coupon maturing in October 2017, classified as current for June 2017; US$400.0 million of guaranteed unsecured senior notes issued in May 2016 in the US Reg. S market under Lendlease's Euro Medium Term Note programme with a 4.5 per cent per annum coupon maturing in May 2026;
- S$275.0 million of senior unsecured notes issued in July 2012 in the Singapore bond market with a 4.625 per cent per annum coupon, classified as current for June 2017, which matured and were settled in July 2017;
- S$300.0 million of guaranteed unsecured senior notes were issued in April 2017 in the Singapore bond market under Lendlease's Euro Medium Term Note Programme with a 3.90 per cent per annum coupon maturing in April 2027; and
- A$475.0 million of unsecured medium term notes issued in May 2013 (A$375.0 million) and June 2014 (A$100.0 million) in the Australian bond market comprising A$250.0 million with a 5.5 per cent per annum coupon maturing in November 2018 and A$225.0 million with a 6.0 per cent per annum coupon maturing in May 2020.

Bank credit facilities include:

- £400.0 million club bank facility maturing in March 2022 drawn to A$76.3 million as at 30 June 2017; and
- A$1,500.0 million syndicated multi option facility maturing in June 2019 (A$600.0 million) and June 2020 (A$900.0 million) undrawn as at 30 June 2017.

The bank overdraft facilities may be drawn at any time and are repayable on demand.

Consistent with prior periods, the Group has not defaulted on any obligations in relation to its borrowings and finance arrangements and other financial liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

Section C: Liquidity and Working Capital continued

17. Borrowings and Financing Arrangements continued

	INTEREST EXPOSURE			CURRENCY				
	Fixed A$m	Floating A$m	Total A$m	A$ A$m	US$ A$m	£ A$m	S$ A$m	Total A$m
June 2017								
Between one and five years	1,272.5	76.3	1,348.8	475.6	32.5	581.3	259.4	1,348.8
More than five years	795.6	8.0	803.6		514.3	8.0	281.3	803.6
Total	**2,068.1**	**84.3**	**2,152.4**	**475.6**	**546.8**	**589.3**	**540.7**	**2,152.4**
June 2016								
Between one and five years	783.5	178.6	962.1	475.6	33.3	178.6	274.6	962.1
More than five years	1,060.4	8.8	1,069.2		529.1	540.1		1,069.2
Total	**1,843.9**	**187.4**	**2,031.3**	**475.6**	**562.4**	**718.7**	**274.6**	**2,031.3**

18. Issued Capital

Accounting Policies

Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and are recognised as a deduction from equity.

Financial Disclosure

	LENDLEASE CORPORATION LIMITED				LENDLEASE TRUST			
	June 2017		June 2016		June 2017		June 2016	
	No. of Shares (m)	A$m	No. of Shares (m)	A$m	No. of Units (m)	A$m	No. of Units (m)	A$m
Issued capital at beginning of financial year	582.3	1,276.3	580.5	1,256.3	582.3	915.8	580.5	911.2
Transactions with owners for the year:								
Distribution Reinvestment Plan	1.2	13.5	1.8	20.0	1.2	3.1	1.8	4.6
Issued capital at end of financial year	**583.5**	**1,289.8**	**582.3**	**1,276.3**	**583.5**	**918.9**	**582.3**	**915.8**

a. Issuance of Securities

As at 30 June 2017, the Group had 583.5 million Stapled Securities on issue, equivalent to the number of Lendlease Corporation shares and Lendlease Trust (LLT) units on issue as at that date. The issued units of LLT are not owned by the Company and are therefore presented separately in the Consolidated Statement of Financial Position within equity.

b. Security Accumulation Plans

The Group's Distribution Reinvestment Plan (DRP) was reactivated in February 2011. The last date for receipt of an election notice for participation in the DRP is 5 September 2017. The issue price is the arithmetic average of the daily volume weighted average price of Lendlease Stapled Securities traded (on the Australian Securities Exchange) for the period of five consecutive business days immediately following the record date for determining entitlements to distribution. If that price is less than 50 cents, the issue price will be 50 cents. Stapled securities issued under the DRP rank equally with all other stapled securities on issue.

c. Terms and Conditions

Issued capital for Lendlease Corporation Limited comprises ordinary shares fully paid. A stapled security represents one share in the Company stapled to one unit in LLT. Stapled securityholders have the right to receive declared dividends from the Company and distributions from LLT and are entitled to one vote per stapled security at securityholders' meetings. Ordinary stapled securityholders rank after all creditors in repayment of capital.

The Group does not have authorised capital or par value in respect of its issued stapled securities.

19. Capital Management

The Group assesses capital management as part of its broader strategic plan. The Group focuses on interrelated financial parameters, including Return on Equity, earnings growth and borrowing capacity. The Group also monitors its gearing ratio, leverage ratio, interest coverage ratio and weighted average cost of debt and maturity profile. These are all taken into account when the Group makes decisions on how to invest its capital and evaluates its existing investments.

The Group's capital includes total equity, borrowings and other interest bearing liabilities. When investing capital, the Group's objective is to deliver strong total securityholder returns and to maintain an investment grade credit rating by maintaining an appropriate financial profile. The Moody's/Fitch long term credit ratings at 30 June 2017 are Baa3/BBB- respectively (June 2016: Baa3/BBB-).

The capital structure of the Group can be changed by equity issuance, paying distributions to securityholders, the Distribution Reinvestment Plan and changing the level of debt. For further information on how the Group allocates and manages capital, refer to details of the Portfolio Management Framework in the Financial Pillar (page 42) and Performance & Outlook (pages 64 to 75) in this Annual Report.

20. Liquidity Risk Exposure

Further information on Liquidity Risk is disclosed in Note 24 'Financial Risk Management'. As disclosed in Note 27 'Contingent Liabilities', in certain circumstances the Company guarantees the performance of particular Group entities in respect of their obligations including bonding and bank guarantees. Issued bank guarantees have cash collateralisation requirements if the bank guarantee facility is not renewed by the provider.

At 30 June 2017, the Group does not anticipate a significant liquidity risk in relation to these facilities in the next 12 months.

The Group has provided collateral of A$nil (June 2016: A$nil) against letter of credit facilities.

The following are the contractual cash flow maturities of financial liabilities including estimated interest payments.

	Note	Carrying Amount A$m	Contractual Cash Flows A$m	Less Than One Year A$m	One to Two Years A$m	Two to Five Years A$m	More Than Five Years A$m
June 2017							
Non Derivative Financial Liabilities							
Trade and other payables[1]	23	5,994.8	6,065.1	4,836.5	685.4	397.5	145.7
Resident liabilities[2]	13b	4,573.0	4,573.0	4,573.0			
Borrowings and financing arrangements	17a	2,152.4	2,719.5	395.4	350.1	1,016.6	957.4
Other financial liabilities		9.6	9.8	9.4	0.2	0.2	
Total		**12,729.8**	**13,367.4**	**9,814.3**	**1,035.7**	**1,414.3**	**1,103.1**
Derivative Financial Liabilities							
(Outflow)		13.2	(649.1)	(639.7)	(6.7)		(2.7)
Inflow			635.9	629.6	6.3		
Total		**13.2**	**(13.2)**	**(10.1)**	**(0.4)**	**–**	**(2.7)**
June 2016							
Non Derivative Financial Liabilities							
Trade and other payables[1]	23	4,597.8	4,754.8	3,675.2	171.7	168.5	739.4
Resident liabilities[2]	13b	4,119.5	4,119.5	4,119.5			
Borrowings and financing arrangements	17a	2,031.3	2,622.9	106.1	416.1	891.3	1,209.4
Other financial liabilities		29.5	31.2	21.8	9.4		
Total		**10,778.1**	**11,528.4**	**7,922.6**	**597.2**	**1,059.8**	**1,948.8**
Derivative Financial Liabilities							
(Outflow)		63.8	(1,498.4)	(1,474.0)	(17.9)	(2.9)	(3.6)
Inflow			1,434.6	1,414.6	17.3	2.7	
Total		**63.8**	**(63.8)**	**(59.4)**	**(0.6)**	**(0.2)**	**(3.6)**

1. The carrying amount of trade and other payables excludes A$822.4 million of current and A$533.7 million of non current amounts (June 2016: A$660.0 million of current and A$980.4 million of non current amounts) as they do not meet the definition of a financial liability under Australian Accounting Standards.
2. Resident liabilities are non interest bearing and are classified as current liabilities because any resident may choose to depart within 12 months. The Group's actual commercial history has shown residents stay for an average period of 11 years in independent living units (ILUs) and six years in serviced apartments (SAs). Therefore, the portion of the resident liabilities that could be considered current represents 5 to 10 per cent of the total balance and non current represents 90 to 95 per cent of the total balance. This current and non current split of resident liabilities provides more useful and meaningful information as it better reflects the commercial substance of the Group's liabilities. The balance includes retirement village total resident liabilities of A$4,573.0 million (June 2016: A$4,119.5 million), which is net of deferred management fees receivable, and is repayable out of the amounts paid to the Group by incoming retirement village residents for the right to occupy retirement living (refer to Note 13 'Investment Properties').

Other contractually committed cash flows the Group is exposed to are detailed in Note 21 'Commitments'.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

Section C: Liquidity and Working Capital continued

21. Commitments

The Group leases land and buildings and plant and equipment under non cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	June 2017 A$m	June 2016[1] A$m
a. Operating Lease Commitments		
The estimated aggregate amount of non cancellable operating lease expenditure agreed or contracted but not provided for in the financial statements is as follows:		
Land and buildings – self occupied	488.3	523.8
Plant and equipment	5.6	10.1
Total	**493.9**	**533.9**

1. June 2016 comparatives have been adjusted to reflect updated management information. Land and building lease commitments have been adjusted from A$535.4 million to A$523.8 million, and plant and equipment lease commitments have been adjusted from A$36.8 million in to A$10.1 million.

	June 2017 A$m	June 2016[1] A$m
At balance date, commitments in relation to non cancellable operating leases are payable as follows:		
Due within one year	68.1	79.1
Due between one and five years	186.9	193.8
Due later than five years	238.9	261.0
Total	**493.9**	**533.9**

1. June 2016 comparatives have been adjusted to reflect updated management information. Land and building lease commitments have been adjusted from A$97.6 million due within one year to A$79.1 million, and plant and equipment lease commitments have been adjusted from A$213.6 million due within one and five years to A$193.8 million.

	June 2017 A$m	June 2016 A$m
b. Finance Lease Commitments		
At balance date, commitments in relation to finance leases are payable as follows:		
Due within one year	9.2	20.3
Due between one and five years	0.4	9.2
Recognised in other financial liabilities	**9.6**	**29.5**

	June 2017 A$m	June 2016 A$m
c. Investments		
At balance date, capital commitments existing in respect of interests in Equity Accounted Investments and other investments contracted but not provided for in the financial statements are as follows:		
Due within one year	38.3	96.5
Due between one and five years	60.3	108.4
Total	**98.6**	**204.9**

22. Loans and Receivables

Accounting Policies

Loans and receivables, which include **trade and other receivables**, are non derivative financial assets with fixed or determinable payments that are not equity securities. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Other receivables include receivables related to investment management, property development, and miscellaneous items.

Loans and receivables are carried at amortised cost using the effective interest method, which applies the interest rate that discounts estimated future cash receipts over the term of the loans and receivables. Cash flows relating to short term trade and other receivables are not discounted if the effect of discounting is immaterial. The discount, if material, is then recognised as revenue over the remaining term.

A provision for **impairment** of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the loans and receivables. The amount of the provision is the difference between the asset's carrying amount and its fair value, which is estimated as the present value of estimated future cash flows, discounted at the effective interest rate where relevant. The amount of the provision is recognised in the Income Statement.

Retentions receivable on construction contracts represent deposits held by the Group until the satisfaction of conditions specified in the contract are rectified.

Financial Disclosure	June 2017 A$m	June 2016 A$m
Current		
Trade receivables	1,250.7	1,175.3
Less: Impairment	(9.9)	(12.3)
	1,240.8	**1,163.0**
Related parties	7.5	6.4
Retentions	325.8	306.6
Other receivables	1,180.0	1,316.6
Less: Impairment	(4.9)	(7.6)
Total current	**2,749.2**	**2,785.0**
Non Current		
Related parties	115.2	126.8
Less: Impairment	(93.7)	(100.4)
Retentions	216.4	97.8
Other receivables	269.8	161.2
Total non current	**507.7**	**285.4**
Total loans and receivables	**3,256.9**	**3,070.4**

As at 30 June 2017, A$1,008.3 million of the trade debtors were current (30 June 2016: A$961.8 million) and A$242.4 million were past due (30 June 2016: A$213.5 million). Of the past due amount, A$232.5 million was not impaired (30 June 2016: A$201.2 million). 'Past due' is defined under accounting standards to mean any amount outstanding for one or more days after the contractual due date. Of the total trade debtors, 5.0 per cent (30 June 2016: 4.5 per cent) are aged greater than 90 days. Other than trade debtors, no other loans and receivables are considered past due at 30 June 2017 (30 June 2016: A$nil).

	June 2017 A$m	June 2016 A$m
Impairment		
Carrying amount at beginning of financial year	120.3	140.8
Bad and doubtful debts impairment loss net of provisions written back	(2.0)	(4.0)
Other movements (including foreign exchange rate movements)	(9.8)	(16.5)
Carrying amount at end of financial year	**108.5**	**120.3**
Total impairment as a percentage of total loans and receivables	**3.3%**	**3.9%**

The credit quality of all loans and receivables, including those neither past due nor impaired, is assessed and monitored on an ongoing basis. To determine the impairment provision for the financial year, the Group considers how economic and market conditions will affect the creditworthiness of certain entities. The impairment provision relates to specific loans and receivables that have been identified as being impaired, including related party loans where the Group's interest in a development was via an Equity Accounted Investment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

Section C: Liquidity and Working Capital continued

23. Trade and Other Payables

Accounting Policies

Trade Creditors

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Group. Trade and other payables are settled in the normal course of business. Trade and other payables are carried at amortised cost using the effective interest method, which applies the interest rate that discounts estimated future cash outflows over the term of the trade and other payables. Cash flows relating to short term trade and other payables are not discounted if the effect of discounting is immaterial. The discount, if material, is then recognised as an expense over the remaining term.

Construction Revenue – Amounts Due to Customers

Construction contracts where the total progress billings issued to customers (together with foreseeable losses if applicable) on a project exceed the costs incurred to date plus recognised profit on the contract are recognised as a liability.

Retentions

Retentions are amounts payable for the purpose of security and for the provision of defects in accordance with contract terms. Release of retention amounts are in accordance with contractual terms.

Other

Other primarily relates to unearned income and deposits received in advance on presold apartments including Pre-sold Lendlease Apartments Cash flows (PLLACes) transactions. These amounts will be recognised as income in line with the 'Revenue from the sale of development properties' accounting policy in Note 4 'Revenue'.

Financial Disclosure	June 2017 A$m	June 2016 A$m
Current		
Trade creditors	3,413.9	2,964.6
Construction revenue – amounts due to customers	702.1	575.1
Insurance claim reserve	21.3	18.8
Related parties		4.8
Retentions and deferred payments	571.2	561.4
Other[1]	870.3	204.1
Total current	**5,578.8**	**4,328.8**
Non Current		
Insurance claim reserve	10.0	9.4
Retentions and deferred payments	783.4	775.9
Other[1]	978.7	1,124.1
Total non current	**1,772.1**	**1,909.4**
Total trade and other payables	**7,350.9**	**6,238.2**

1. Includes unearned income liabilities from PLLACes transactions. PLLACes transactions involve selling the presold apartment cash flows for a specific development project to a third party for cash consideration.

Section D: Risk Management

The Group's activities expose it to a variety of financial risks. The Group's overall financial risk management strategy focuses on the unpredictability of financial markets and seeks to minimise adverse effects on the Group's performance. Treasury policies have been approved by the Board for managing this risk. This section contains disclosures of financial risks the Group is exposed to and how the Group manage these risks. The impact of contingent liabilities is also considered in this section.

24. Financial Risk Management

The Group operates across numerous jurisdictions and markets. The Lendlease Asset and Liability Committee oversees the management of the Group's Treasury risks, within the parameters of a Board approved Treasury Policy, and maintains a Group wide framework for financial risk management and reviews issues of material risk exposure within the scope of the Treasury Policy. A summary of key risks identified, exposures and management of exposures is detailed in the table below.

Risks Identified	Definition	Exposures	Management of Exposures
Foreign Currency	The risk in local currency terms that the value of a financial commitment or a recognised asset or liability will fluctuate due to changes in foreign currency exchange rates	• Foreign currency earnings • Net investments in foreign operations • Transactions settled in foreign currency • Further information on exposures is detailed in Note 24a 'Foreign Currency Risk Exposure'	• Physical financial instruments, including natural hedges from matching foreign assets and liabilities • Derivative financial instruments, mainly foreign exchange contracts • Contracting out • Speculative trading is not permitted
Credit	The risk that a counterparty will not be able to meet its obligations in respect of a financial instrument, resulting in a financial loss to the Group	• Recoverability of loans and receivables • Recoverability of other financial assets and cash deposits • Further information on exposures is detailed in Note 24b 'Credit Risk Exposure'	• Policies in place so that customers and suppliers are appropriately credit assessed • Treasury Policy sets out credit limits for each counterparty based on minimum investment grade ratings
Liquidity	The risk of having insufficient funds to settle financial liabilities as and when they fall due	• Insufficient levels of committed credit facilities • Settlement of financial liabilities • Further information on exposures is detailed in Note 20 'Liquidity Risk Exposure'	• Maintaining sufficient levels of cash and committed credit facilities to meet financial commitments and working capital requirements • Managing to funding portfolio benchmarks as outlined in the Treasury Policy • Timely review and renewal of credit facilities
Interest Rate	The risk that the value of a financial instrument or cash flow associated with the instrument will fluctuate due to changes in market interest rates	• Financial assets, mainly cash at bank • Financial liabilities, mainly borrowings and financing arrangements • Further information on exposures is detailed in Note 24c 'Interest Rate Risk Exposure'	• Physical financial instruments • Derivative financial instruments, mainly interest rate swaps • Managing to hedging limits in respect of recourse funding as outlined in the Treasury Policy • Speculative trading is not permitted
Equity Price	The risk that the fair value of either a traded or non traded equity investment, derivative equity instrument, or a portfolio of such financial instruments, increases or decreases in the future	• All traded and/or non traded financial instruments measured at fair value	• Material investments within the portfolio are managed on an individual basis. The Group's portfolio is monitored closely as part of capital recycling initiatives

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

Section D: Risk Management continued

24. Financial Risk Management continued

a. Foreign Currency Risk Exposure

The **net asset exposure** by currency is detailed below.

	A$m	US$m	£m	S$m	€m	NZ$m	MYR m[1]	Other m[1]
June 2017								
Net asset/(liability) exposure (local currency)	5,285.0	257.4	105.0	(29.3)	66.4	14.8	849.1	26.3
June 2016								
Net asset/(liability) exposure (local currency)	5,111.2	(153.0)	39.3	225.1	67.8	243.3	39.3	40.1

1. June 2016 has been adjusted to separate the comparative for 'Other' to disclose the Group's exposure to MYR.

Sensitivity Analysis

The sensitivity analysis of the Group's Australian dollar denominated Income Statement and Statement of Financial Position to foreign currency movements is based on a 10 per cent fluctuation (June 2016: 10 per cent fluctuation) on the average rates during the financial year and the spot rate at balance date respectively. This analysis assumes that all other variables, in particular interest rates, remain constant, and excludes the effects of the foreign exchange contracts.

A 10 per cent movement in the average foreign exchange rates would have impacted the Group's Profit after Tax as follows.

	10% WEAKENING LEADS TO INCREASE/ (DECREASE) IN PROFIT AFTER TAX		10% STRENGTHENING LEADS TO INCREASE/ (DECREASE) IN PROFIT AFTER TAX	
	June 2017 A$m	June 2016 A$m	June 2017 A$m	June 2016 A$m
USD	10.2	7.9	(8.2)	(6.3)
GBP	8.4	12.8	(7.0)	(10.4)
SGD	3.0	(2.2)	(2.8)	1.8
EUR	0.1	0.1	(0.1)	(0.1)
MYR	(1.7)		1.3	
	20.0	**18.6**	**(16.8)**	**(15.0)**

A 10 per cent movement in the foreign exchange spot rates at balance date would have impacted the Group's net assets as follows.

	10% WEAKENING LEADS TO INCREASE/ (DECREASE) IN NET ASSETS		10% STRENGTHENING LEADS TO INCREASE/ (DECREASE) IN NET ASSETS	
	June 2017 A$m	June 2016 A$m	June 2017 A$m	June 2016 A$m
USD	38.7	(21.0)	(31.5)	19.7
GBP	20.1	8.5	(16.5)	(6.7)
SGD	(3.2)	25.0	2.6	(20.5)
EUR	11.6	11.8	(9.4)	(9.6)
NZD	1.5	24.4	(1.3)	(22.0)
MYR[1]	28.6	4.3	(23.4)	(3.6)
	97.3	**53.0**	**(79.5)**	**(42.7)**

1. June 2016 has been adjusted to separate the comparative for 'Other' to disclose the Group's exposure to MYR.

b. Credit Risk Exposure

- The maximum exposure to credit risk at balance date on financial instruments recognised in the Statement of Financial Position (excluding investments of the Group) equals the carrying amount, net of any impairment.
- The Group is not exposed to any significant concentrations of credit risk on either a geographic or industry specific basis.
- Credit risk on financial instruments is managed under a Board approved credit policy that determines acceptable counterparties. Derivative counterparties and cash deposits are limited to recognised financial intermediaries with a minimum investment grade credit rating as determined by a recognised rating agency.
- There was A$nil million impairment recorded during the year against other financial assets (June 2016: A$3.4 million).
- Refer to Note 22 'Loans and Receivables' for information relating to impairment on loans and receivables.
- In certain circumstances, the Group will hold either financial or non financial assets as collateral to further mitigate the potential credit risk on selected transactions. During the current and prior year, the Group did not hold financial or non financial assets as collateral. At any point in time, the Group will hold other collateral such as bank guarantees and performance bonds to mitigate potential credit risk as a result of default by a counterparty or otherwise.

c. Interest Rate Risk Exposure

The Group's exposure to interest rate risk on its **financial assets and liabilities** is set out as follows.

	CARRYING AMOUNT	
	June 2017 A$m	June 2016 A$m
Fixed Rate		
Financial assets	367.4	262.9
Financial liabilities	(2,740.2)	(2,541.3)
	(2,372.8)	**(2,278.4)**
Variable Rate		
Financial assets	760.1	676.9
Financial liabilities	(87.0)	(191.0)
	673.1	**485.9**

Sensitivity Analysis

At 30 June 2017 it is estimated that an increase of one percentage point in interest rates would have decreased the Group's equity and Profit after Tax by A$5.1 million (June 2016: A$3.8 million decrease in the Group's equity and Profit after Tax). A one percentage point decrease in interest rates would have increased the Group's equity and Profit after Tax by A$5.1 million (June 2016: A$3.8 million increase in the Group's equity and Profit after Tax). The increase or decrease in interest income/(expense) is proportional to the increase or decrease in interest rates. Interest rate derivatives have been included in this calculation.

25. Hedging

Accounting Policies

The Group uses **derivative financial instruments** to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. Derivative financial instruments are recognised initially at fair value on the date a derivative contract is entered into and subsequently remeasured at fair value. Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair value of the derivative financial instruments and the hedged item. The accounting for hedges that meet the criteria for hedge accounting are classified as either fair value hedges, cash flow hedges or investment hedges.

The Group currently applies hedge accounting under AASB 139 *Financial Instruments: Recognition and Measurement*. The Group has minimal hedges designated as fair value. The Group primarily uses forward foreign exchange contracts as cash flow hedges for highly probable sale, purchase and dividend transactions. The Group also uses forward foreign exchange contracts to hedge cross border intercompany loans and transactions which mainly net off in the Income Statement. Interest rate swaps are used to manage the Group's exposure to interest rates arising from borrowings. These are treated as cash flow hedges and are mainly on borrowings within Equity Accounted Investments.

The Group has **foreign exchange derivative contracts** primarily held in GBP, USD, EUR, SGD, MYR and JPY at reporting date to hedge specific foreign currency exposures. The total gross payable exposure is A$465.2 million (June 2016: payable A$713.7 million).

There are 23 foreign currency contracts that will mature in more than one year (June 2016: 39 foreign currency contracts).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

Section D: Risk Management continued

26. Fair Value Measurement

Accounting Policies

The accounting policies for financial instruments held at fair value are included in Note 14 'Other Financial Assets' and Note 25 'Hedging'.

Management considers the valuation of the financial instruments to be an area of **estimation uncertainty**. While this represents the best estimation of fair value at the reporting date, the fair values may differ if there is volatility in market prices or foreign exchange rates in future periods.

All financial instruments recognised in the Statement of Financial Position, including those instruments carried at amortised cost, are recognised at amounts that represent a reasonable approximation of fair value, with the exception of the following borrowings.

		JUNE 2017		JUNE 2016	
	Note	Carrying Amount A$m	Fair Value A$m	Carrying Amount A$m	Fair Value A$m
Liabilities					
Current					
Commercial notes	17a	291.9	293.3	–	–
Non Current					
Commercial notes	17a	1,776.2	2,088.4	1,843.9	2,237.3

The fair value of commercial notes has been calculated by discounting the expected future cash flows by the appropriate government bond rates and credit margin applicable to the relevant term of the commercial note.

a. Basis of Determining Fair Value

The determination of fair values of financial assets and liabilities that are measured at fair value are summarised as follows:

- The fair value of unlisted equity investments, including investments in property funds, is determined based on an assessment of the underlying net assets, future maintainable earnings and any special circumstances pertaining to the particular investment;
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted valuation techniques; these include the use of recent arm's length transactions, reference to other assets that are substantially the same, and discounted cash flow analysis; and
- The fair value of derivative instruments comprises forward foreign exchange contracts, which are valued using forward rates at balance date, and interest rate swap contracts, which are measured at the present value of future cash flows estimated and discounted based on applicable yield curves derived from quoted interest rates and include consideration of counterparty risk adjustments.

b. Fair Value Measurements

The different levels for valuation method have been defined as follows:

- Level 1: The fair value is determined using the unadjusted quoted price for an identical asset or liability in an active market for identical assets or liabilities;
- Level 2: The fair value is calculated using predominantly observable market data other than unadjusted quoted prices for an identical asset or liability; and
- Level 3: The fair value is calculated using inputs that are not based on observable market data.

During the year, there were no transfers between Level 1, Level 2 and Level 3 fair value hierarchies.

27. Contingent Liabilities

The Group has the following contingent liabilities:

- There are a number of legal claims and exposures that arise from the normal course of business. There is significant uncertainty as to whether a future liability will arise in respect to these items. The amount of liability, if any, that may arise, cannot be measured reliably at this time. The Directors are of the opinion that all known liabilities have been brought to account and that adequate provision has been made for any anticipated losses.
- In certain circumstances, the Company guarantees the performance of particular Group entities in respect of their obligations. This includes bonding and bank guarantee facilities used primarily by the Construction business as well as performance guarantees for certain of the Company's subsidiaries.
- Various actions have been commenced in which damages, compensation or contribution is sought from various subsidiaries of the Company (LLP entities) in respect of transactions entered into in mid 2007 in relation to a number of retirement villages which were at that time part of the Prime Trust portfolio. The liquidator of Australian Property Custodian Holdings Limited (Receivers and Managers Appointed) (Controllers Appointed) (In Liquidation) (APCH) commenced three proceedings in which claims are made against the LLP entities. One proceeding was permanently stayed on 22 December 2015, a decision which the liquidator appealed and subsequently lost. Accordingly that proceeding is finalised. In the remaining two proceedings, APCH has made allegations against third parties in relation to the same transactions and those third parties have made contribution claims against the LLP entities. The LLP entities are vigorously defending these proceedings. The relevant transactions all occurred prior to the LLP entities becoming subsidiaries of the Company and at the relevant time the LLP entities were controlled by APCH or entities related to William Lewski, a director of the LLP entities at the time.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

Section E: Basis of Consolidation

This section provides information on how the Group structure affects the financial position and performance of the Group as a whole. The disclosures detail the types of entities and transactions included in the consolidation and those excluded.

28. Consolidated Entities

Accounting Policies

The Group consolidation comprises all subsidiaries controlled by the Company. Control exists when the Company:

- Has the power to direct the relevant activities such as key operating, financial and investing decisions;
- Has exposure or rights to variable returns from its involvement with the investee such as dividends, loans and fees; and
- Has the ability to use its power over the investee to affect the amount of returns.

In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. Management uses **accounting judgement** in determining whether the Group controls an entity by applying the above control criteria and reviewing the substance of its relationship with the entity.

- The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies with adjustments made to bring into line any dissimilar accounting policies that may exist.
- External non controlling interests are allocated their share of total comprehensive income and are presented within equity in the consolidated Statement of Financial Position, separately from the equity of securityholders.
- The material consolidated entities of the Group listed below were wholly owned during the current and prior year. Refer to the following section for details on the disposal of entities.

PARENT ENTITY

Lendlease Corporation Limited

AUSTRALIA

Capella Capital Lendlease Pty Limited
Capella Capital Partnership
Lendlease Building Pty Limited
Lendlease Building Contractors Pty Limited
Lendlease Communities (Australia) Limited
Lendlease Development Pty Limited
Lendlease Engineering Pty Limited
Lendlease Finance Limited
Lendlease Infrastructure Investments Pty Limited
Lendlease International Pty Limited
Lendlease (Millers Point) Trust
Lendlease Primelife Limited
Lendlease Real Estate Investments Limited
Lendlease Responsible Entity Limited
Lendlease Services Pty Limited
Lendlease Trust[1]

EUROPE

Lendlease Construction (Europe) Limited
Lendlease Construction Holdings (Europe) Limited
Lendlease Europe Finance plc
Lendlease Europe Limited
Lendlease Residential (CG) plc

ASIA

Lendlease Japan Inc.
Lendlease Singapore Pte. Limited

AMERICAS

Lendlease (US) Capital, Inc.
Lendlease (US) Construction, Inc.
Lendlease (US) Construction LMB, Inc.
Lendlease (US) Healthcare Development LLC
Lendlease (US) Public Partnerships, LLC

1. Lendlease Trust is a consolidated entity of the Group, which, as the parent entity, is to control it. Lendlease Trust is not wholly owned.

During the current and prior year, there were no **acquisitions** of material consolidated entities.

The following material **disposals** of consolidated entities occurred during the current and prior year.

	Ownership Interest Disposed %	Date Disposed	Gross Consideration Received/Receivable A$m
June 2017			
Australia			
Circular Quay Tower[1]	80.0	20 December 2016	240.0
Lendlease (EGRP) Pty Ltd	100.0	6 October 2016	40.0
Europe			
Victoria Drive Wandsworth LLP	50.0	27 June 2017	64.9
June 2016			
Australia and New Zealand			
PLT New Zealand Limited[2]	100.0	31 January 2016	222.4
Australian PPP Entities[3]	100.0	7 June 2016	386.8
Americas			
Mexico Construction Entities	100.0	13 June 2016	4.8

1. Represents the disposal of three entities relating to the Circular Quay Tower project.
2. Relates to sale of New Zealand Retirement Living entities. Assets and liabilities disposed of primarily relate to investment properties and resident liabilities.
3. Represents the disposal of 16 entities relating to the New Bendigo Hospital, Sunshine Coast University Hospital and International Convention Centre Sydney (Darling Harbour Live) projects. Assets disposed of primarily relate to Equity Accounted Investments (joint ventures).

29. Employee Benefit Vehicles

The Company sponsors a number of employee benefit vehicles, including employee security plans and employee security ownership vehicles. These vehicles while not legally controlled, are currently required to be consolidated for accounting purposes.

a. Employee Security Plans

As at 30 June 2017, employees own approximately 1.24 per cent (June 2016: 5.58 per cent) of the issued capital of the Group through various active Lendlease employee security plans and ownership vehicles, details of which are outlined below.

- Australia: Employee Share Acquisition Plan (ESAP): ESAP was established in December 1988 for the purpose of employees acquiring securities in the Group and is funded by Lendlease subscriptions and employee salary sacrifice contributions.
- Americas: US Rabbi Trust (Rabbi Trust) was established in 2004 and updated in 2005 for the acceptance of employee profit share contributions used to acquire Group securities for US based employees. This part of the plan is not currently accepting new contributions.
- Employee Share Acquisition Plan (STI) (ESAP STI): ESAP STI was established in July 2014 for the purpose of acquiring and allocating securities granted as the deferred component of Executive Short Term Incentive (STI) awards which are funded by Lendlease subscriptions. Securities are currently allocated to employees across Australia, Singapore, Malaysia, the United Kingdom and the United States.

Eligibility

The rules for eligibility for particular plans are determined by reference to the regulatory, legal and tax rules of each country in which the Group operates.

Distributions and/or Voting Rights

Generally, employees in the various operating security plans are entitled to distributions and voting rights for allocated securities. The plans reflect this intention subject to regulatory, legal and tax constraints. The trustee may exercise these rights in accordance with any fiduciary or governance rules pertaining to the deed or trust laws in the legal and tax jurisdiction within which the trust operates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

Section E: Basis of Consolidation continued

29. Employee Benefit Vehicles continued

b. Employee Security Ownership Vehicles

In addition to the plans discussed above, Lendlease has established a range of employee security ownership vehicles, including Lendlease Retirement Benefit Fund (RBF) and Lend Lease Employee Investment Trust (EIT). During the financial year, changes occurred in relation to these two entities as outlined below.

- RBF was established in 1984 with shareholder approval for the benefit of employees. RBF holds Lendlease securities. The Lendlease securities in RBF are not available for allocation to employees other than in the event of a change of control of the Group and, in accordance with RBF's trust deed, the capital of the trust is not available to the Group. The RBF trustee has discretion as to the distribution of the RBF Funds. In 1992, a deed poll was executed which allows for the distribution of the income of RBF to the Company to fund employee benefit activities through the Lendlease Foundation. As a result of changes to the constitution and governance structure of the RBF trustee on 22 June 2017, Lendlease currently does not have control of RBF and therefore RBF is currently not required to be consolidated for accounting purposes.
- EIT was established in 1985 as a benefit vehicle to enable employees to invest in the Group. In 1992, a deed poll was executed which allows for distribution of the unallocated income of EIT to the Company to fund employee benefit activities through the Lendlease Foundation. On a change of control of the Group, the EIT trustee may (but is not required to) terminate the trust and distribute allocated proceeds to employees and unallocated proceeds to other benefit vehicles such as RBF. There are no current employee allocations. Between September 2016 and December 2016, EIT progressively sold down its interests in Lendlease securities and no longer holds any securities in Lendlease Group. Any payments out of EIT are an obligation of EIT and not of the Group, and cannot exceed the assets of EIT of A$12.3 million as at 30 June 2017 (June 2016: A$149.2 million). No contingency is recorded in these financial statements for potential payments on a change of control of the Group, as the termination of EIT in such circumstances, and the subsequent distribution to other vehicles is entirely at the discretion of the EIT trustee and the Group has no obligation in respect of any payments from EIT.
- The EIT and RBF arrangements are subject to periodic review to assess their ongoing role and operation.

30. Parent Entity Disclosures

The following summarises the financial information of the Group's parent entity, Lendlease Corporation Limited (the Company), as at and for the year ended 30 June 2017.

	COMPANY	
	June 2017 A$m	June 2016 A$m
Results		
Profit after Tax	351.0	529.0
Other comprehensive income after tax	0.4	1.0
Total comprehensive income after tax	**351.4**	**530.0**
Financial Position		
Current assets	3,246.6	3,918.6
Non current assets	2,071.3	2,034.8
Total assets	**5,317.9**	**5,953.4**
Current liabilities	2,494.7	3,169.7
Non current liabilities	50.5	42.7
Total liabilities	**2,545.2**	**3,212.4**
Net assets	**2,772.7**	**2,741.0**
Issued capital	1,289.8	1,276.3
Treasury securities	(57.8)	(100.4)
Reserves	180.5	232.9
Retained earnings	1,360.2	1,332.2
Total equity	**2,772.7**	**2,741.0**

In respect of the contingent liabilities of the Group disclosed in Note 27 'Contingent Liabilities', the Company participates in the provision of guarantees to Group entities.

31. Related Party Information

a. Consolidated Entities

Intragroup balances and transactions, and any unrealised gains or losses arising from intragroup transactions, are eliminated in preparing the Consolidated Financial Statements. Investments in subsidiaries are carried at their cost of acquisition less impairments in the Company's financial statements.

Lendlease Corporation Limited provides financing and treasury services, which includes working capital facilities and long term financing. Interest is earned or incurred only on long term loans provided to or drawn with subsidiaries based on project specific risks and returns. Outstanding balances arising from working capital facilities and long term financing are typically unsecured and repayable on demand.

In addition, guarantees are provided to particular Group entities in respect of their obligations. These include bonding and bank guarantee facilities used primarily by the Construction business, as well as performance guarantees for certain Development business commercial built form developments. Guarantee fees are charged under normal terms and conditions.

The following represents the transactions that occurred during the financial year and the balances outstanding at year end between Lendlease Corporation Limited and its consolidated entities.

	COMPANY	
	June 2017 A$000s	June 2016 A$000s
Transactions		
Guarantee fees	14,149	12,368
Dividend income	442,987	655,637
Interest income	13,501	11,386
Interest expense	74,478	112,940
Outstanding Balances (Net of Provisions Raised)		
Receivables	3,198,184	3,839,810
Payables	2,459,831	3,143,070

Transactions that occurred during the financial year between entities in the Lendlease Group included:

- Investment transfer[1]
- Provision of project management, design services, construction management and engineering services to development projects;
- Provision of development management services;
- Provision of investment management services;
- Provision of payroll, transaction and management services;
- Receipt and payment of superannuation contributions;
- Reimbursement of expenses made on behalf of subsidiaries;
- Loan advances and repayments between subsidiaries;
- Premium payments and receipts for the Group's insurance policies; and
- Dividends received or due and receivable from subsidiaries.

1. The Group transferred the Lendlease Retail LP investment to the Lend Lease UK Pension Scheme in June 2017, which resulted in the derecognition of the A$61.7 million investment and A$23.2 million of revaluation gains released to the Income Statement. Refer to Note 6 'Other Income' and Note 14 'Other Financial Assets '.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

Section E: Basis of Consolidation continued

31. Related Party Information continued

b. Associates and Joint Ventures

Interests held in associates and joint ventures by Lendlease are set out in Note 12 'Equity Accounted Investments'.

Transactions between the Lendlease Group and its associates and joint ventures principally relate to:

- Development: development management services, infrastructure bid and advisory services and the sale and purchase of development properties with Lendlease managed funds;
- Construction: provision of project management, building, engineering and construction services; and
- Investments: provision of property and infrastructure investment management, property management and asset management services.

There were no non interest bearing loans provided to joint ventures at 30 June 2017 (June 2016: A$7.0 million).

Except as noted above, transactions and outstanding balances are typically on normal terms and conditions.

Revenue earned by Lendlease during the year as a result of transactions with its associates and joint ventures is as follows:

	June 2017 A$m	June 2016 A$m
Revenue		
Associates	6.0	8.5
Joint ventures[1]	641.5	1,668.2

1. Due to the sale of various Australian Private Public Partnerships entities in the current and prior year, related party revenues have decreased.

Other transactions and outstanding balances with associates, joint ventures and other related parties have been disclosed in Note 4 'Revenue', Note 6 'Other Income', Note 7 'Other Expenses', Note 8 'Finance Revenue and Finance Costs', Note 14 'Other Financial Assets', Note 22 'Loans and Receivables' and Note 23 'Trade and Other Payables'. Transactions with joint operations are included in the consolidated Income Statement and Statement of Financial Position.

c. Key Management Personnel

The Key Management Personnel compensation is as follows:

	June 2017 A$000s	June 2016 A$000s
Short term employee benefits	15,617	17,728
Post employment benefits	385	414
Security based payments	10,902	9,458
Other long term benefits	59	63
Total	**26,963**	**27,663**

Information regarding individual Directors' and Senior Executives' remuneration is provided in the Remuneration Report within the Directors' Report.

Section F: Other Notes

32. Intangible Assets

Accounting Policies

Goodwill represents the excess of the purchase price over the fair value of the Group's share of the net identifiable assets and contingent liabilities of the acquired business at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets as goodwill. Goodwill on acquisition of associates is included in the carrying value of investments in associates.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is not amortised. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purposes of impairment testing, goodwill is allocated to cash generating units (CGU) (or groups of CGU), that are expected to benefit from the business combination in which the goodwill arose. CGUs are an identifiable group of assets that generate cash associated with the goodwill. Management considers this is an area of **estimation uncertainty** as these calculations involve an estimation of the recoverable amount of the CGU to which the goodwill is allocated. The Construction CGU uses the value in use basis, which requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the recoverable amount.

Management agreements and other intangible assets acquired by the Group are stated at cost less accumulated amortisation and impairment losses (see Note 7 'Other Expenses'). Amortisation is charged to the Income Statement on a straight line basis over the estimated useful lives of the intangible assets, ranging from three to 20 years.

Financial Disclosure	Note	June 2017 A$m	June 2016 A$m
Goodwill	32a	1,194.2	1,209.2
Management agreements		52.5	67.3
Other intangibles		168.4	170.3
Total intangible assets		**1,415.1**	**1,446.8**
a. Goodwill			
Construction		1,165.0	1,179.2
Development		29.2	30.0
Total goodwill		**1,194.2**	**1,209.2**
Reconciliations			
Reconciliations of the carrying amounts for each category of goodwill are as follows:			
Construction			
Carrying amount at beginning of financial year		1,179.2	1,201.0
Effect of foreign exchange rate/other movements		(14.2)	(21.8)
Carrying amount at end of financial year	32b	**1,165.0**	**1,179.2**
Development			
Carrying amount at beginning of financial year		30.0	29.2
Effect of foreign exchange rate movements		(0.8)	0.8
Carrying amount at end of financial year		**29.2**	**30.0**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

Section F: Other Notes continued

32. Intangible Assets continued

b. Goodwill Allocation

Goodwill relating to the Construction business is allocated to CGUs identified according to regions as set out below.

	June 2017 A$m	June 2016 A$m
Construction		
Australia	743.4	743.4
Europe	231.4	240.7
Americas	182.6	187.5
Asia	7.6	7.6
Total construction goodwill	**1,165.0**	**1,179.2**

c. Impairment Tests and Key Assumptions Used – Construction

The recoverable amount of the Construction CGUs is determined based on value in use (VIU) calculations. For the Construction CGUs, the assumptions used for determining the recoverable amount of each CGU are based on past experience and expectations for the future, utilising both internal and external sources of data and relevant industry trends.

No impairment arose as a result of the review of goodwill for the Construction CGUs for the year ended 30 June 2017. Based on information available and market conditions at 30 June 2017, a reasonably foreseeable change in the assumptions made in this assessment would not result in impairment of Construction goodwill.

The following describes the key assumptions on which management has based its cash flow projections when determining VIU relating to the Construction CGUs.

Cash Flows

The VIU calculations use pre tax cash flow projections based on actual operating results, and financial forecasts covering a five year period which have been approved by management. These forecasts are based on management estimates to determine income, expenses, capital expenditure and cash flows for each CGU.

Growth Rate

The terminal value growth rate used to extrapolate the cash flows beyond the five year period is 3.0 per cent (June 2016: 3.0 per cent). The growth rate reflects the forecast long term average growth rate for each CGU and the countries in which they operate.

Discount Rate

The discount rates applied to the cash flow projections vary between 13.0 per cent to 22.0 per cent (June 2016: between 14.0 per cent and 20.0 per cent). The Group's weighted average cost of capital is used as a starting point for determining the discount rate, with appropriate adjustments for the risk profile relating to the relevant CGUs and the countries in which they operate. The discount rates used are pre tax.

33. Defined Benefit Plans

Accounting Policies

Group companies operate pension plans. The plans are generally funded through payments to insurance companies or trustee administered funds as determined by periodic actuarial calculations.

A defined benefit plan is a pension plan that defines the amount of pension benefit an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset or liability recognised in the Statement of Financial Position in respect of defined benefit plans is the present value of the defined benefit obligation i.e. 'the pension liability' at the balance sheet date less the fair value of plan assets. The present value of the pension liability is determined by discounting the estimated future cash outflows using interest rates of high quality corporate or government bonds, that:

- Are denominated in the currency in which the benefits will be paid; and
- Have terms to maturity approximating the terms of the related pension liability.

The defined benefit obligation is calculated at least annually by independent actuaries using the projected unit credit method, which in simplistic terms proportions the benefit based on service. Management considers the valuation of defined benefit plans undertaken by the actuaries to be an area of **estimation uncertainty** as a number of key assumptions must be adopted to determine the valuation.

Actuarial losses/(gains) will arise where there is a difference between previous estimates and actual experience, or a change to assumptions in relation to demographic and financial trends. These actuarial losses/(gains) are recognised in the period they occur, directly in other comprehensive income as remeasurements. They are included in retained earnings in the Statement of Changes in Equity and in the Statement of Financial Position.

Past service costs are recognised immediately in the Income Statement.

Financial Disclosure	Note	June 2017 A$m	June 2016 A$m
Lend Lease Superannuation Plan		5.5	7.5
Lend Lease UK Pension Scheme[1]	33a	58.8	
Total defined benefit plan asset		**64.3**	**7.5**

1. The Lend Lease UK Pension Scheme was in a net deficit with a defined benefit plan liability of A$3.4 million at 30 June 2016.

a. Lend Lease UK Pension Scheme

Lendlease Construction Holdings (Europe) Limited (UK Construction) sponsors a funded defined benefit pension scheme (the Scheme) for qualifying UK employees. The Scheme is administered by a separate Board of Trustees, which is legally separate from UK Construction. The Scheme's Trustees are composed of representatives of both the employer and employees. The Trustees, are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets, plus the day to day administration of the benefits.

The Scheme is a funded defined benefit scheme, with the final salary section providing retirement benefits based on final salary and the index linked section providing retirement benefits based on career average salary. A separate section, the Personal Investment Section, provides retirement benefits on a defined contribution basis. The UK Construction's contributions to members' Personal Investment Fund accounts are not included in these disclosures.

The final salary section closed to future accrual on 31 August 2008 and the index linked section closed to future accrual on 31 January 2012. There were no Scheme amendments affecting defined benefits payable, curtailments or settlements during the year. UK Construction pays deficit funding contributions plus four per cent of members' basic salaries to cover the Scheme's expected administration costs and costs of benefits payable on death in service. The Scheme expects to pay A$17.8 million in contributions to its defined benefit plan in 2018. This includes the annual deficit recovery payment of A$13.7 million, which was agreed as an annual payment until 2020 following the triennial actuarial valuation for 31 March 2014.

The defined benefit plan is exposed to actuarial risk and market (investment) risk. The information that follows provides additional detail on risk.

Financial Disclosure	June 2017 A$m	June 2016 A$m
i. Statement of Financial Position Amounts		
The amounts recognised in the Statement of Financial Position are determined as follows:		
Defined benefit obligations	(1,139.7)	(1,059.6)
Fair value of plan assets	1,198.5	1,056.2
Net defined benefit asset/(liability)	**58.8**	**(3.4)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

Section F: Other Notes continued

33. Defined Benefit Plans continued

Financial Disclosure	June 2017 A$m	June 2016 A$m
ii. Reconciliation of Defined Benefit Obligations		
Defined benefit obligations at beginning of financial year	1,059.6	1,144.1
Included in Income Statement		
Interest cost	27.3	38.8
Remeasurements Included in Other Comprehensive Income		
Actuarial loss/(gain) arising from:		
Financial assumptions	153.5	91.2
Experience adjustments	(7.2)	(24.0)
Other		
Benefits paid	(42.0)	(40.4)
Effect of foreign exchange rate movements	(51.5)	(150.1)
Defined benefit obligations at end of financial year	**1,139.7**	**1,059.6**
iii. Reconciliation of the Fair Value of Plan Assets		
Fair value of plan assets at beginning of financial year	1,056.2	1,075.3
Included in Income Statement		
Interest income	27.3	36.6
Administration costs	(3.5)	(2.4)
Remeasurements Included in Other Comprehensive Income		
Actual return on plan assets excluding interest income	132.0	115.2
Other		
Contributions by Group companies[1]	78.8	20.2
Benefits paid	(42.0)	(40.4)
Effect of foreign exchange rate movements	(50.3)	(148.3)
Fair value of plan assets at end of financial year	**1,198.5**	**1,056.2**
iv. Expense Recognised in the Income Statement		
Net interest cost		2.2
Administration costs	3.5	2.4
Net defined benefit plan expense	**3.5**	**4.6**
v. Fair Value of Plan Assets		
Plan assets comprise of:		
UK equities	95.6	94.5
Global equities	274.6	242.9
Investment funds	335.9	124.6
Infrastructure	113.1	77.3
Government index linked bonds	310.2	367.1
Corporate bonds		133.9
Other assets[1]	69.1	15.9
Fair value of plan assets at the end of the financial year	**1,198.5**	**1,056.2**

1. As disclosed in Note 31 'Related Party Information', the Group transferred the Lendlease Retail LP investment to the Lend Lease UK Pension Scheme in June 2017, which resulted in the recognition of A$61.7 million of plan assets.

The investment funds target an absolute level of return. The plan assets can be categorised as Level 1, where the fair value is determined using an unadjusted quoted price for an identical asset, or Level 2, where the fair value is derived either directly or indirectly from observable inputs. At year end, approximately A$1,137.1 million of total plan assets were categorised as Level 2 (June 2016: A$875.5 million). UK Construction and Trustees have agreed a long term strategy for reducing investment risk as and when appropriate. This includes an asset liability matching policy that aims to reduce the volatility of the funding level of the pension plan by investing in assets that perform in line with the liabilities of the plan so as to protect against inflation being higher than expected. The current benchmark allocation is 75.0 per cent growth assets and 25.0 per cent matching assets (June 2016: 55.0 per cent growth assets and 45.0 per cent matching assets).

	June 2017	June 2016
vi. Principal Actuarial Assumptions		
Discount rate (%)	2.4	2.8
RPI inflation (%)	3.3	2.9
Average pension increase in payments (%)	2.6	2.3
Future mortality (years):		
Male	25.4	25.3
Female	27.2	27.1

The liabilities are calculated using a discount rate set with reference to corporate bond yield. If assets underperform, this yield will create a deficit.
A decrease in corporate bond yield will increase the value placed on the Scheme's liabilities, although this will be partially offset by an increase in the value of the Scheme's corporate bond holdings. The majority of the Scheme's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities, although in most cases this will be capped to protect against extreme inflation. The majority of the assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit. The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities. The mortality assumptions are based on standard mortality tables, which allow for expected future mortality improvements. The assumption is that a member aged 63 will live for a further 25.4 years (June 2016: 25.3 years) if they are male and 27.2 years if they are female (June 2016: 27.1 years). At 30 June 2017, the weighted average duration of the defined benefit obligation was 19 years (June 2016: 19 years).

vii. Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below.

	0.1% Increase in Discount Rate A$m	0.1% Decrease in Discount Rate A$m	0.1% Increase RPI Inflation and Pension Payment A$m	0.1% Decrease RPI Inflation and Pension Payment A$m	1 Year Increase in Future Mortality A$m	1 Year Decrease in Future Mortality A$m
June 2017 Defined benefit asset	22.4	(22.9)	(18.3)	14.1	(35.1)	35.1
June 2016 Defined benefit obligations	(19.5)	20.7	16.0	(17.3)	33.6	(34.1)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation, as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Non pensioner benefits are linked to RPI in the period up to retirement. Once in payment, pension increases are linked to RPI but with a zero per cent floor and different caps applying to different periods of pensionable service. The inflation sensitivity reflects a change in RPI inflation and the associated increases in payment.

34. Employee Benefits

Detailed information regarding the Group's Executive Reward Strategy is provided in the Remuneration Report within the Directors' Report. The key incentive plans are as follows:

- Short Term Incentives (STI); and
- Long Term Incentives (LTI).

a. Short Term Incentives (STI)

The STI plan is an annual incentive plan whereby a number of employees receive benefits that are dependent upon the achievement of both Lendlease financial and non financial targets and individual goals. The total value of the potential benefit varies by individual and is tested against relevant market levels for each role.

- The STI plan comprises a cash component paid in September following year end. For more senior employees, where the potential benefit is typically higher, the plan also includes a deferred component.
- Deferral periods are generally for one or two years. The deferred component is normally awarded as Lendlease securities and in some instances as cash. Securities are held in Lendlease employee security plan trusts on behalf of employees for the deferral period (refer to Note 29a 'Employee Security Plans'). For employees to receive the full deferred component, they must generally be employed by the Group at the time of vesting.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

Section F: Other Notes continued

34. Employee Benefits continued

b. Long Term Incentives (LTI)

The LTI plan is designed to:

- Motivate executives to achieve the Group's long term strategic goals and provide reward where the Group delivers better securityholder value than its peers; and
- Align the interests of executives and securityholders, given that the value received is linked to the Group's security price.

Arrangements for LTI awards

LTI design	How the LTI works	
Performance Securities	• An annual grant of 'performance securities' is made to a limited number of executives. • The Board intends that the awards be settled in Lendlease securities, although the award may be settled in cash or other means at the Board's discretion. • On vesting, each performance security entitles executives to one Lendlease stapled security, or at the Board's discretion, cash or other instruments of equivalent value. • In the event of a change in control of the Group, the Board has the discretion to determine whether the vesting of some or all performance securities should be accelerated.	
Performance Period	• 50 per cent of the performance securities are assessed over a three year period. If the performance hurdle is not fully achieved at this time, those performance securities that have not vested will lapse. • The remaining 50 per cent of the performance securities are assessed after four years. • If the performance hurdle is not met, the awards are forfeited. • There is no retesting on any portion of the LTI grant.	
Termination of Employment	• If the executive resigns or is terminated for cause, the unvested LTI is forfeited. • If the executive is terminated and if the Board considers vesting would provide a benefit that was unwarranted or inappropriate, the Board can adjust unvested LTI prior to the vesting date. • For 'good leavers', the LTI grant may remain on foot, subject to the original performance hurdles. • In exceptional circumstances (such as death or total permanent disability), the Board may exercise discretion and settle the award at the time of termination of employment.	
Performance Hurdles	**June 2013 Financial Year**	**June 2014 to 2017 Financial Years**
	• Lendlease's Total Securityholder Return (TSR) compared to the companies in the S&P/ASX 100 Index. The S&P/ASX 100 companies were determined at the start of the performance period.	• 50% subject to Lendlease's Total Securityholder Return (TSR) compared to the companies in the S&P/ASX 100 Index. The S&P/ASX 100 companies are determined at the start of the performance period. • 50% subject to Return on Equity (ROE) hurdle.
Vesting Schedule – TSR (applicable to June 2013 to 2017 financial years)	**Relative TSR percentile ranking**	**Percentage of performance securities that vest if the relative TSR hurdle is met**
	Below the 50th percentile	No vesting
	At the 50th percentile	50% vesting
	At or above the 51st percentile but below the 75th percentile	Pro rata vesting on a straight line basis between 52% and 98%
	At the 75th percentile or greater	100% vesting
Vesting Schedule – ROE (applicable to June 2014 to 2017 financial years)	**Average Return on Equity over the performance period**	**Percentage of performance securities that vest if the ROE hurdle is met**
	Less than 11%	No vesting
	11%	25% vesting
	Above 11% but below 15%	Pro rata vesting on a straight line basis between 25% and 100%
	15% or greater	100% vesting

c. Amounts Recognised in the Financial Statements

LTI awards are valued using Monte-Carlo simulation methodology where the security price can be projected based on the assumptions underlying the Black-Scholes formula. Retention awards are valued by discounting the security price by the expected dividends assumed to be paid from the valuation date until the vesting date (if applicable). The model inputs include the Lendlease Group security price, a risk free interest rate, expected volatility and dividend yield.

During the financial year ended 30 June 2017, a A$47.1 million expense was recognised in the Income Statement in relation to equity settled security based payment awards (June 2016: A$43.0 million).

35. Impact of New and Revised Accounting Standards

New and Revised Accounting Standards Adopted 1 July 2016

The Group adopted AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations* and AASB 2015-2 *Amendments to AASB 101* for the year ended 30 June 2017. There is no financial impact on the Group following adoption of these amendments. Additional disclosures have been included in the Statement of Comprehensive Income as required by AASB 2015-2 for joint ventures and associates share of comprehensive income.

New Accounting Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 30 June 2017 but are available for early adoption, unless otherwise noted, and have not been applied in preparing this report.

The table below represents new and revised accounting standards, together with consequential amendments relevant to the Group's results for 30 June 2017.

Accounting Standard	Requirement	Impact on Financial Statements
AASB 9 *Financial Instruments* and consequential amendments	AASB 9 addresses the classification, measurement and derecognition of financial assets, financial liabilities and hedging. The standard becomes mandatory for the June 2019 financial year, and will be applied retrospectively.	Based on the analysis performed, AASB 9 will impact the classification of available for sale financial assets, while other amendments are not expected to have a material impact on the Group. On adoption, available for sale financial assets will be classified as financial assets at fair value through profit or loss with fair value movements recorded through the Income Statement. Fair value revaluation reserves remaining on adoption will be transferred to Retained Earnings.
AASB 15 *Revenue from Contracts with Customers* and consequential amendments	AASB 15 provides a new five step model for recognising revenue earned from a contract with a customer and will replace the existing AASB 118 *Revenue* and AASB 111 *Construction Contracts*. The standard becomes mandatory for the June 2019 financial year and will be applied retrospectively.	Based on the analysis performed, this standard is not expected to have a material impact on the Group. The main considerations supporting this assessment include: • The process to value and allocate consideration to individual components of revenue transactions will not change; • Recognition of construction and development services will continue to be over time; • Recognition of investment management and origination fees will continue to be recognised when services rendered; and • Capitalisation of bid costs is immaterial to the Statement of Financial Position. The Group anticipates the recognition point of development properties will remain unchanged from current practice. The new standard will require an increase in the disclosures in relation to revenue derived from contracts, key judgements and future revenue expected to be generated.
AASB 16 *Leases*	AASB 16 provides a new model for accounting for leases. The standard becomes mandatory for the June 2020 financial year and will be applied retrospectively.	Based on preliminary analysis performed, as a lessor, there is no material impact on the Group. As a lessee, the Group will: • Record 'right to use' lease assets and lease obligation liabilities in the Statement of Financial Position for its material operating lease commitments; and • Revise the Income Statement presentation of operating lease expense to record an amortisation and finance expense for the right to use lease assets and the lease obligation liabilities, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

Section F: Other Notes continued

35. Impact of New and Revised Accounting Standards continued

New Accounting Amendments Not Yet Adopted

Certain accounting standards amendments have been published that are not mandatory for the year ended 30 June 2017 but are available for early adoption, unless otherwise noted, and have not been applied in preparing this report.

The table below represents new and revised accounting amendments, together with consequential amendments relevant to the Group's results for 30 June 2017.

Accounting Amendment	Requirement	Impact on Financial Statements
AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*	The amendments to AASB 112 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. The amendment becomes mandatory for the June 2018 financial year and will be applied retrospectively.	Based on preliminary analysis performed, the amendments are not expected to have a material impact on the Group.
AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*	The amendment to AASB 107 introduces additional disclosures relating to changes in liabilities arising from financing activities. The amendment becomes mandatory for the June 2018 financial year and will be applied prospectively.	The amendment will impact the type of information disclosed in relation to financing cash flows.
AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* and consequential amendments	AASB 2014-10 amends AASB 10 and AASB 128 to clarify the requirements for recording the sale or contribution of assets between an investor and its associate or joint venture. The amendment becomes mandatory for the June 2019 financial year and will be applied prospectively.	Based on preliminary analysis performed, the amendments are not expected to have a material impact on the Group.

36. Other Significant Accounting Policies

a. Foreign Currency Translation

Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial report is presented in Australian dollars, which is the Company's functional and presentation currency.

Transactions and Balances

Foreign currency transactions are translated into Australian dollars using the exchange rate on the date of the transactions. Assets and liabilities denominated in foreign currencies are translated to Australian dollars at balance date.

Foreign exchange gains or losses resulting are recognised in the Income Statement for monetary assets and liabilities such as receivables and payables, except for qualifying cash flow hedges and qualifying net investment hedges in foreign operations that are recognised in other comprehensive income. Refer to Note 25 'Hedging' for further detail.

Translation differences on non monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non monetary items, such as investments classified as available for sale financial assets, are included in the fair value revaluation reserve in equity.

Group Entities

The results and Statement of Financial Position of all Group entities that are not presented in Australian dollars (none of which has the currency of a hyperinflationary economy) are translated as follows:

- Revenue and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of transaction rate, in which case revenue and expenses are translated at the date of the transactions);
- Assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at balance date; and
- All resulting exchange differences are recognised in other comprehensive income, in the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

b. Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

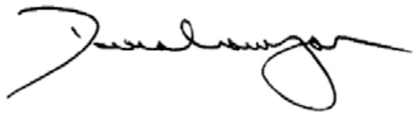
Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are classified as operating cash flows.

DIRECTORS' DECLARATION

In the opinion of the Directors of Lendlease Corporation Limited (the Company):

1. The financial statements and notes and the remuneration disclosures contained in the Remuneration Report in the Directors' Report are in accordance with the *Corporations Act 2001,* including:
   a. Giving a true and fair view of the financial position of the Company and Consolidated Entity as at 30 June 2017 and of their performance for the financial year ended on that date; and
   b. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001.*
2. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in the Basis of Preparation.
3. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
4. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Group Chief Executive Officer and Group Chief Financial Officer for the financial year ended 30 June 2017.

Signed in accordance with a resolution of the Directors:



D A Crawford, AO
Chairman

S B McCann
Group Chief Executive Officer and Managing Director

Sydney, 28 August 2017

Independent Auditor's Report

To the members of Lendlease Corporation Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Lendlease Corporation Limited as the deemed parent presenting the stapled security arrangement of ***Lendlease Group*** (the Financial Report).

In our opinion, the accompanying Financial Report is in accordance with the Corporations Act 2001, including:

- giving a true and fair view of the Lendlease Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with Australian Accounting Standards and the Corporations Regulations 2001.

The ***Financial Report*** of the Lendlease Group comprises:

- Consolidated statement of financial position as at 30 June 2017
- Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Lendlease Group*** (the Group) consists of Lendlease Corporation Limited and the entities it controlled at the year end or from time to time during the financial year and Lendlease Trust.

Shares in Lendlease Corporation Limited and units in Lendlease Trust are jointly traded as a Stapled Security on the Australian Securities Exchange under the name of Lendlease Group.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of Lendlease Group and Lendlease Corporation Limited in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The Key Audit Matters we identified for Lendlease Group are:

- Construction Revenue and Profit/Loss Recognition
- Development Revenue and Profit/Loss Recognition
- Recoverability of Development Property Inventory
- Asset Valuation

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Construction Revenue (A$12,646.5m) and Profit/Loss Recognition

Refer to Note 4 'Revenue' to the financial report

The key audit matter	How the matter was addressed in our audit
The Group performs various building, engineering and services construction contract works (projects) for a wide range of customers. The Group contracts in a variety of ways. Each project has a different risk profile based on its individual contractual and delivery characteristics. We focused on construction revenue and profit recognition as a key audit matter due to the judgment required by us in assessing the range of factors that impact the Group's estimate of costs and revenue, and the potential impact on profit. Estimating total costs to complete during project life is complex and requires judgment. Typical cost estimates include labour, subcontractors, equipment, materials, and project overheads. Changes to these cost estimates could give rise to variances in the amount of revenue and profit/loss recognised. Judgment is also involved by us in assessing the amount of revenue to be recognised specifically in relation to contractual variations and claims revenue, which has not been formally agreed with the customer at the reporting date.	Our procedures included: • Evaluation and testing of management's review and approval of revenue and cost forecasting; • Selection of a sample of contracts for testing using: - Data Analytic routines based on a number of quantitative and qualitative factors, related to size and risk of projects; and - The Group's project reporting tool. • For the sample selected, we: - conducted visits to a selection of project sites to understand project schedule, forecast revenue/cost and risks and opportunities and worked with KPMG engineering specialists where required; - read relevant contract terms and conditions to evaluate the inclusion of individual characteristics and project risks in the Group's estimates; - tested forecast costs for labour, subcontractors, equipment, materials, and project overheads by comparing to actual incurred spend and committed future contracts; - tested the variations and claims included within revenue against the criteria for recognition in the accounting standards via assessment of: o correspondence between the Group and the customer; and o the Group's legal and external experts' reports received on contentious matters.

KPMG

Development Revenue (A$2,829.3m) and Profit/Loss Recognition	
Refer to Note 4 'Revenue' to the financial report	
The key audit matter	**How the matter was addressed in our audit**
The Group develops for sale both built form product (for example residential apartments, retirement villages and commercial/retail buildings) and residential land communities. As development revenue is recognised based on an assessment of when the risks and rewards of ownership transfer to the purchaser an assessment of the contractual terms of sale and of settlement risk is required. This was a key audit matter due to the number of judgments required by us in assessing development revenue and profit recognition, in particular for commercial/retail building sales and residential apartments. For residential apartments we note that in the current year market commentary suggests potential heightened settlement risk of residential apartments compared to prior year. The assessment of profit recognition requires judgment as cost allocation is typically a function of total forecast project profit based on either revenue or area estimation.	Our procedures included: • Evaluation and testing of management's review and approval of development revenue and cost forecasting; • Selection of a sample of developments based on quantitative and qualitative information such as transaction size, potential settlement risk and the complexity of the contractual terms of sale; • For the sample selected we: - compared revenue recognised to contractual terms of sale and cash settlements; - assessed the Group's determination of the risks and rewards of ownership transfer by a detailed analysis of the contractual terms of sale against the criteria in the accounting standards; - assessed the customers' credit risk including evaluating public information as to the financial position of the purchaser in the context of the level of deposits/instalments received by the Group; - tested settlement risk by performing statistical sampling of residential apartment sale debtors recorded as received post balance date and checking to post year end cash proceeds; - assessed the Group's cost allocation methodology by comparing costs allocated to sales recognised in the year relative to the total project, against the Group's accounting policy and the requirements of the accounting standards.

KPMG

Recoverability of Development Property Inventory (A$4,138.4m)	
Refer to Note 11 'Inventories' to the financial report	
The key audit matter	**How the matter was addressed in our audit**
The Group capitalises development costs into inventory over the life of its projects. Development costs include the purchase of land, site infrastructure costs, construction costs for built form product and borrowing costs. Inventory is carried at the lower of cost and net realisable value and the recoverability of these costs is a significant judgment as that assessment is based on forecasts of: • sales prices • forecast construction and infrastructure costs to complete the development Where a development is forecast to be loss making and the inventory is no longer considered to be recoverable, it is considered to be impaired and an expense is recognised. This was a key audit matter due to many developments being long term which increases the level of forecasting judgment and audit complexity in estimating sales prices and future costs to complete the development.	Our procedures included: • Selection of a sample of projects for testing using: - Data Analytic routines based on a number of quantitative and qualitative factors, related to size, duration and risk of projects; and - The Group's project reporting. • For the sample selected we: - compared expected sales prices to published industry forecasts and comparable sales prices achieved in the year; - tested forecast construction and infrastructure costs to underlying supplier contracts, historical experience of similar costs and our industry expectation of cost contingency levels and cost escalation assumptions.

KPMG

Asset Valuation

Refer to Note 13 'Investment Properties' (A$6,967.4m), Note 14 'Other Financial Assets' (A$1,236.3m) and Note 26 'Fair Value Measurement' to the financial report

The key audit matter	How the matter was addressed in our audit
The Group is required to assess the value of investment properties, available for sale investments, and fair value through profit or loss investments at each reporting date. Valuations of assets are generally performed using internal valuation methodologies (discounted cash flow or capitalised income approach) or through the use of external valuation experts. External valuations are obtained on a rotational basis by management each year, with the remaining investments being valued internally. The Group's investment properties are primarily comprised of retirement villages and the key assumptions used in determining their value are discount rates, changes in village residents, current units/homes market prices and growth rates. Other financial assets are predominantly investments in entities which in turn own commercial and retail property. Accordingly the valuation assumptions are predominantly the capitalisation of earnings rates, discount rates, future rental income, capital expenditure projections and leasing incentives. The valuation of the properties held by these entities directly impacts the fair value of the Group's interests in these assets. The valuations of these assets is a key audit matter as they: • are judgmental, • contain assumptions with estimation uncertainty, which are inherently challenging to audit, and • lead to additional audit effort often due to the high number of differing assumptions and models, across varying asset classes.	Our procedures included: • Assessment of the scope, competence and objectivity of external valuation experts engaged by management for assets valued by external valuation experts; • Evaluating and testing management's review and approval of internal valuations based on the Group's policies for internally valued assets; • Assessment of the valuation methodology for consistency with accounting standards and industry practice for that asset's class; • Comparing, with market data published by commercial real estate agents and/or our knowledge of the nature of the asset and its historical performance, key assumptions such as: - discount rates - changes in village residents - units/homes current market prices - growth rates - capitalisation of earnings rates - future rental income - capital expenditure projections - leasing incentives

KPMG

Other Information

Other Information is financial and non-financial information in Lendlease Group's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of Lendlease Corporation Limited are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinions.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors of Lendlease Corporation Limited are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing Lendlease Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Lendlease Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

KPMG

Report on the Remuneration Report

In our opinion, the Remuneration Report of Lendlease Corporation Limited for the year ended 30 June 2017, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of Lendlease Corporation Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 92 to 119 of the Directors' report for the year ended 30 June 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our Audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

DMcLennan

Duncan McLennan
Partner

Sydney
28 August 2017

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08

Other Information

Excelsior Hotel Gallia, Italy

SECURITYHOLDER INFORMATION

Securities Exchange Listing and Code

Lendlease Group is listed on the Australian Securities Exchange and trades under the code LLC.

In the United States, Lendlease securities are traded on the over-the-counter market in the form of sponsored American Depositary Receipts (ADRs) under the symbol LLESY. Each ADR represents one ordinary security. Information about ADRs is available from the depositary, The Bank of New York Mellon (www.adrbny.com).

Voting Rights

Each stapled security in Lendlease Group and each ADR entitles the holder to one vote. Rights to Lendlease Group securities granted under Lendlease Group's employee equity incentive plans do not carry voting rights.

Share Accumulation Plan

The Share Accumulation Plan is designed to be a convenient way for securityholders with a registered address in Australia or New Zealand to build their securityholdings without incurring transaction costs. The laws of other countries make it difficult for us to offer securities in this way. Lendlease securityholders are able to reinvest their distributions to acquire more Lendlease securities through the Distribution Reinvestment Plan (DRP) or the Share Election Plan (SEP). Securityholders may also make contributions of between A$500 and A$2,500 to acquire new Lendlease securities under the Share Purchase Plan (SPP). Together the DRP, SEP and SPP constitute the Share Accumulation Plan.

The rules of each of these plans are set out in the Share Accumulation Plan Information Sheet. Copies are available on the Lendlease website. Please note that the Share Election Plan and the Share Purchase Plan are currently suspended.

Key Sources of Information for Securityholders

We report the following to securityholders each year:

- Annual Report; and
- March and September distribution statements.

Electronic Communications

Securityholders have the option of receiving the following communications and all other company related information electronically:

- Annual Report;
- Distribution statements; and
- Notice of Annual General Meetings.

Lendlease makes the Annual Report available in an online version. A hard copy of the Annual Report will only be sent to those securityholders who elect to receive it in that form. In addition, you may elect to receive notification when the Annual Report is available online.

Securityholders who wish to register their email address should go to the website of the Lendlease share registry www.investorcentre.com/ecomms

For registry contact details, see page 198.

Privacy Legislation

Under Chapter 2C of the *Corporations Act 2001*, a securityholder's information (including their name, address and details of securities held) is required to be included in Lendlease's public register. This information must continue to be included in Lendlease's public register for seven years after a person ceases to be a securityholder. These statutory obligations are not altered by the *Privacy Amendment (Private Sector) Act 2000*. Information is collected to administer the securityholder's holding and if some or all of the information is not collected, then it may not be possible to administer the holding. Lendlease's privacy policy is available on its website.

Dispute Resolution

There is a dispute resolution mechanism that covers complaints by securityholders. For more information, please contact Lendlease Investor Relations at +61 2 9236 6111 or email us at investorrelations@lendlease.com

Distribution and Share Accumulation Plan Issue Price History

For historical distribution and Share Accumulation Plan Issue Price information, please see the below link to our website www.lendlease.com/au/investor-centre/distribution-history

Security Information at a Glance at 1 August 2017 (comparative 1 August 2016)

	2017	2016
Number of securityholders	58,350	61,957
Units issued	583,469,558	582,317,146[1]
Percentage owned by 20 largest securityholders	73.94%	72.39%
Interim dividend/distribution	33.0 cents per security	30.0 cents per security
Total dividend/distribution	66.0 cents per security	60.0 cents per security
Dividend payout ratio	51%	50%

Spread of Securityholdings as at 1 August 2017 (comparative 1 August 2016)

	2017	2016
1 to 1,000 securities	30,087	31,356
1,001 to 5,000	23,299	25,255
5,001 to 10,000	3,171	3,472
10,001 to 100,000	1,698	1,773
100,001 securities and over	95	101
Total number of securityholders	**58,350**	**61,957**
Securityholders with less than a marketable parcel	2,165 (representing 19,613 securities)	2,476 (representing 29,464 securities)

Securities Purchased on Market

The following securities were purchased on market during the financial year for the purpose of funding employee incentive awards through Lendlease securities.

	Number of Securities Purchased	Average Price Paid Per Security
Stapled Securities	**3,551,191**	**A$13.72**

Buy Backs

As at 1 August 2017, there were no current on market buy backs of Lendlease Group securities.

1. Amount restated to disclose the whole units issued.

SECURITYHOLDER INFORMATION continued

Name	No. of Units	% of Issued Capital
HSBC Custody Nominees (Australia) Limited	179,077,976	30.69
J P Morgan Nominees Australia Limited	94,187,703	16.14
Citicorp Nominees Pty Limited	40,472,119	6.94
National Nominees Limited	33,134,379	5.68
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	18,882,807	3.24
BNP Paribas Noms Pty Ltd <DRP>	14,906,501	2.55
LL Employee Holdings Custodian Pty Ltd <Castle Account A/C>	14,075,522	2.41
National Nominees Limited <N A/C>	6,233,252	1.07
Citicorp Nominees Pty Limited <Colonial First State INV A/C>	4,794,931	0.82
LL Employee Holdings Custodian Pty Limited <ESAP STI A/C>	4,284,482	0.73
Argo Investments Limited	3,893,609	0.67
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	2,854,738	0.49
LL Employee Holdings Custodian Pty Limited <ESAP Account>	2,847,597	0.49
Custodial Services Limited <Beneficiaries Holding A/C>	2,153,214	0.37
AMP Life Limited	2,145,797	0.37
Forsyth Barr Custodians Ltd <Forsyth Barr Ltd-Nominee A/C>	1,881,852	0.32
IOOF Investment Management Limited <IPS Super A/C>	1,551,802	0.27
Bond Street Custodians Limited <Macq High Conv Fund A/C>	1,482,627	0.25
RBC Investor Services Australia Nominees Pty Ltd <VFA A/C>	1,360,592	0.23
Diversified United Investment Limited	1,200,000	0.21
	431,421,500	73.94

Substantial Securityholders as Shown in the Company's Register at 1 August 2017

Name	Date of Last Notice Received	No. of Units	% of Issued Capital
BlackRock Group	20/04/2017	29,288,950	5.01

GLOSSARY

Co-investment: The total market value of Lendlease equity invested across Lendlease managed funds as at period end. Represents the Group's assessment of the market value.

Completions: Apartments – pre sold units on buildings completed during the period and units sold in the period on completed buildings; **Communities and Retirement** – units settled in the period on completed land lots or units; **Commercial** – buildings that have achieved practical completion during the period.

Construction backlog realisation: The proportion of Construction backlog revenue which is expected to be earned across future years.

Construction backlog revenue: Current year Construction backlog revenue is the total revenue to be earned across future periods.

Critical incident: An event that had the potential to have caused death or permanent disability.

Development pipeline: Estimated remaining end value of all of the Group's secured development projects based on values as at period end; includes 100 per cent of joint venture projects and therefore will not necessarily correlate with the Group's Profit after Tax.

Distribution payout ratio: Distribution divided by Profit after Tax.

Distribution per security: Amount of interim and final distribution per stapled security from the company/Trust.

Earnings per security: Profit after Tax divided by the weighted average number of securities on issue during the year (including treasury securities) unless otherwise stated.

EBITDA: Earnings before interest, tax, depreciation and amortisation.

Effective tax rate: Income tax expense as a percentage of profit before tax.

Face value of a security: The value of a Lendlease security at the applicable time.

Fair value of a security: The value of a Lendlease security, derived by applying a discount rate determined by the Board, designed to reflect the likelihood of vesting (in cases where there are performance hurdles to be met before vesting can occur).

Funds under management (FUM): The total market value of investments across Lendlease managed funds.

Gearing: Net debt to total tangible assets less cash.

Global Minimum Requirements (GMRs): GMRs are Lendlease's minimum environment, health and safety standards designed to control the risks across our operations.

Good leaver: A Senior Executive who is leaving Lendlease for a reason such as retirement, redundancy, or resignation where the Senior Executive is not joining a competitor, and who may remain eligible for part or all of an incentive opportunity.

Green Star rating: Green Star is a national voluntary environmental rating system used by the Green Building Council of Australia to evaluate the environmental design and achievements of buildings.

Investments: Includes equity invested in Lendlease managed funds and direct investment in property and property related assets. Represents the Group's assessment of market value.

Investments performance: The performance of our Investments business which includes our funds under management, assets under management, co-invested equity in Lendlease managed funds and direct investment in property and property related assets.

Key Management Personnel (KMP): Those executives who have the authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly (as per Accounting Standard AASB 124 *Related Party Disclosures*).

KPIs: Key Performance Indicators.

Long Term Incentive (LTI): An incentive scheme which provides Lendlease equity (or cash, in some circumstances) to participating executives that may vest, in whole or part, if specified performance measures are met over a three or four year period.

Lost Time Injury Frequency Rate (LTIFR): An indicator and industry standard measuring a workplace injury which prevents a worker from returning to duties the next day. LTIFR refers to the number of lost time injuries within a year, relative to the total number of hours worked in the financial year.

LTI (face value): Refers to the number of LTI performance securities granted multiplied by the Lendlease security price at the applicable time.

Market capitalisation: The number of securities on issue multiplied by the security price at year end.

Net debt: Borrowings, including certain other financial liabilities, less cash.

New work secured revenue: Estimated revenue to be earned from construction contracts secured during the period. New work is secured and forms part of Construction backlog revenue when formal contracts are signed.

People and Culture (P&C) Committee: The Board subcommittee that helps the Board fulfil its responsibilities in people management and reward policies. It is made up entirely of independent Non Executive Directors.

Profit after Tax (PAT): Profit after Tax attributable to securityholders, determined in accordance with Australian Accounting Standards.

Public Private Partnerships (PPP): A joint procurement arrangement for infrastructure development contracts between the public and private sectors.

Return on Equity (ROE): ROE is calculated using annual statutory Profit after Tax attributable to securityholders divided by the arithmetic average of beginning, half year and year end securityholders' equity.

Securityholders: An individual or entity that owns Lendlease securities.

Senior Executive: Employees who hold a position at Executive level according to the Lendlease Career Job Framework. This generally includes Regional Business Unit Heads, Regional Function Heads and in some cases, direct reports to Group Function Heads.

Short Term Incentive (STI): Incentives awarded with direct reference to the achievement of Group, regional and individual performance. The measures are selected annually and align to our long term strategic priorities.

Total Package Value (TPV): Salary plus the value of salary package items such as motor vehicles and parking and compulsory superannuation contributions paid on behalf of an employee.

Total Shareholder Return/Total Securityholder Return (TSR): The movement in a company's share/security price, dividend yield and any return of capital over a specific period. It is often expressed as a percentage.

Urbanisation pipeline: Estimated remaining end value of all of the Group's secured development projects (excluding Communities projects and Retirement projects) based on values as at period end; includes 100 per cent of joint venture projects and therefore will not necessarily correlate with the Group's Profit after Tax.

Weighted average number of securities: The time weighted number of securities outstanding during the period.

CORPORATE DIRECTORY

Annual General Meeting 2017

The Annual General Meeting of shareholders of Lendlease Corporation Limited and the general meeting of unitholders of Lendlease Trust (together, Lendlease Group) will be held at 10am on Friday 17 November 2017 in the Pyrmont Theatre, International Convention Centre Sydney, 14 Darling Drive, Sydney.

Full details will be provided in the Notice of Meetings.

2017 Financial Calendar

28 August	Full Year Results Announced
1 September	Security Price Ex Distribution
20 September	Final Distribution Payable
17 November	Annual General Meeting

2018 Financial Calendar

21 February	Half Year Results Announced
27 February	Security Price Ex Distribution
28 February	Interim Distribution Record Date
20 March	Interim Distribution Payable

Please note that the timing of events can be subject to change. A current calendar is available online at www.lendlease.com.

Entity Details

Lendlease Corporation Limited
ABN 32 000 226 228
Incorporated in NSW Australia

Lendlease Responsible Entity Limited
ABN 72 122 883 185
AFS Licence 308983 as responsible entity for Lendlease Trust
ABN 39 944 184 773
ARSN 128 052 595

Registered Office

Level 14, Tower Three,
International Towers Sydney,
Exchange Place,
300 Barangaroo Avenue,
Barangaroo NSW 2000

Contact

T: +61 2 9236 6111
F: +61 2 9252 2192
W: www.lendlease.com

Share Registry Information

Computershare Investor Services Pty Limited
ABN 48 078 279 277
GPO Box 242, Melbourne Victoria 3000 Australia

T: 1800 230 300 (within Australia)
T: +61 3 9946 4460 (outside Australia)

W: www.computershare.com.au

Barangaroo South, Sydney