

ASX ANNOUNCEMENT

22 August 2018

Lendlease Group 2018 Annual Report

Lendlease Group today announced its results for the year ended 30 June 2018. Attached is the 2018 Annual Report, including:

- § Directors' Report
- § Remuneration Report
- § FY18 Financial Statements

ENDS

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as responsible entity for Lendlease Trust ABN 39 944 184 773 ARSN 128 052 595

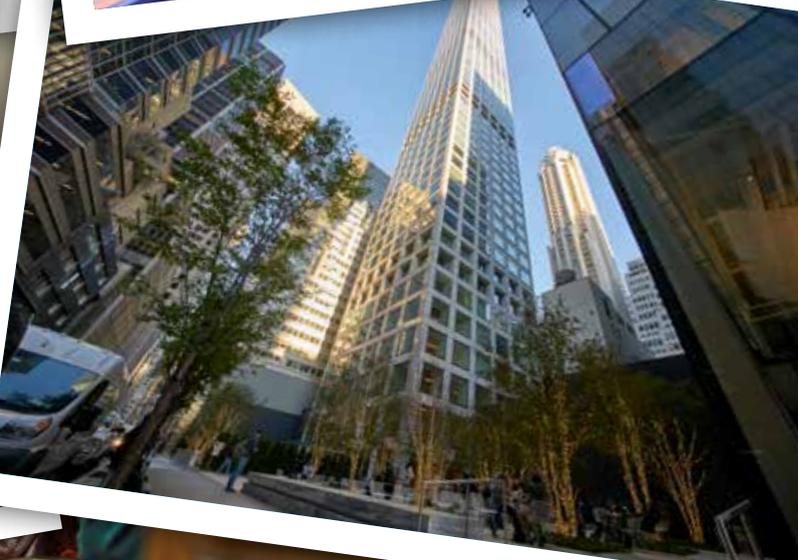
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Annual Report 2018

60

years of creating
the best places

Contents

DIRECTORS' REPORT

OUR BUSINESS

Who We Are	08
Our Values	10
Lendlease Timeline	12
Operational Highlights	14
Performance Highlights	16
Chairman's Report	18
Group Chief Executive Officer and Managing Director's Report	20

OUR STRATEGY AND CAPABILITIES

Our Approach	24
Global Trends Influencing Our Strategy	26
Global Presence, Gateway Cities	28
Development	30
Construction	32
Investments	34
Case Study – Paya Lebar Quarter	36

PILLARS OF VALUE

Pillars of Value	40
Health and Safety	42
Financial	44
Our Customers	46
Our People	48
Sustainability	50
Innovation	60

RISK

Risk Governance and Management	64
Key Risks and Mitigation	68

PERFORMANCE AND OUTLOOK

Group Highlights	72
Development Performance	74
Development Outlook	75
Development Pipeline	76
Apartments Completion Profile	77
Construction Performance	78
Construction Outlook	79
Investments Performance	80
Investments Outlook	81
Financial Position and Cash Flow Movements	82
Group Funding and Debt Facilities	83

GOVERNANCE

Board of Directors' Information	86
Remuneration Report	102
Directors' Report	134
Lead Auditor's Independence Declaration	136

FINANCIAL STATEMENTS

138

OTHER INFORMATION

Securityholder Information	206
Climate Change Resilience	210
Glossary	211
Corporate Directory	212

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

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Incorporated in NSW Australia

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Annual Report

About this Report

Lendlease presents its third 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 6 to 137.

Lendlease 60th Anniversary

In FY18 Lendlease is celebrating its 60th anniversary. To mark this milestone and demonstrate the value Lendlease has been creating for key stakeholders during its history, the FY18 Annual Report contains a selection of achievements from the past 60 years. While the concept of integrated reporting may be relatively new, these activities demonstrate that Lendlease has strived to generate value throughout its history across the five pillars of value.

1. Our Business

The Annual Report begins with an overview of who we are and our values. In celebration of our 60th anniversary, a timeline follows to showcase a selection of major milestones and achievements. This is followed by a summary of our key operating and financial performance for the current reporting period, including performance highlights throughout the 2018 financial year.

Lendlease's Chairman and Group Chief Executive Officer and Managing Director concludes this section with their reviews of performance for the year.

3. Pillars of Value

A description of Lendlease's five pillars of value that drive the long term value of our business. Icons are 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 61, with further information on financial performance included in the Performance & Outlook section on pages 70 to 83. A description of each pillar is provided below:



Health and Safety

Everyone has the right to go home safely to their families, friends and loved ones, every day. We remain committed to the health and safety of our people, our subcontractors, and all of those who interact with a Lendlease place.



Financial

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



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

Lendlease has a proud history of giving emphasis to environmental, social and economic outcomes. It is essential we continue to evolve our approach, to keep pace with global trends and integrate this thinking into our business strategy.

2. Our Strategy

An outline of our strategy and how we differentiate ourselves. 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 our operating segments and capabilities and conclude with a specific focus on our integrated model, featuring a case study on Paya Lebar Quarter, Singapore.

4. Risk

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

5. Performance and 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 that 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 40 and the strategy and global trends influencing our strategy presented on pages 22 to 37.

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 6 to 137 of this Annual Report and include the sections: Our Business; Our Strategy and Capabilities; Pillars of Value; Risk; Performance and Outlook; and Governance. The OFR is contained specifically on pages 6 to 83.

All non financial metrics included in the Directors' Report on pages 6 to 69 have been verified through our internal verification process. The Remuneration Report on pages 102 to 133 and the Financial Statements on pages 138 to 196 have been audited by KPMG.

Reporting Suite

Lendlease's Reporting Suite 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.

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OUR BUSINESS



Who We Are

On 12 March 1958 Lendlease Corporation was formed, so 2018 marks our 60th anniversary.

It's well documented that Lendlease founder Dick Dusseldorp ("Duss") was a leader ahead of his time. He created Lendlease with the intent of successfully combining the disciplines of construction, development and investment. Duss was equally focused on 'how' Lendlease delivered;

- He always looked for **the common interest**
- He created with **purpose**
- He was **bold** in his thinking
- And he made sure **what we did mattered**

These drivers make up our DNA and continue to underpin our brand and culture.

While our achievements over the past 60 years are grounded in Duss's ambitions, so too is our future, with one very important distinction – we are now making our mark on a global stage.

Lendlease is a leading international property and infrastructure group, with approximately 13,000 employees across operations in Australia, Asia, Europe and the Americas. Headquartered in Sydney, Australia, our employees help to create places that leave a positive legacy with a focus on health and safety, our customers, innovation and sustainability.

Lendlease and our legacy businesses have been entrusted with many projects that have become the cornerstone of cities and communities – projects like the September 11 Memorial & Museum in New York, the Athletes' Village in London, Sydney Opera House, Petronas Towers in Kuala Lumpur, critical infrastructure, stadiums and entertainment facilities around the world, hospitals, schools, shopping centres, residential communities and high rise apartment buildings – the list goes on.

The relevance of our business today is testament to our founder's foresight. Duss made sure we had all the ingredients we needed to grow Lendlease well into the future.

We are bold and innovative, we value knowledge, we do what matters and we look for common interests and purposeful outcomes.

This is how we deliver on our vision.

Our Vision:
**TO CREATE
 THE BEST PLACES**



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



Lendlease Timeline

A selection of key highlights and milestones demonstrating the evolution and endurance of Lendlease.

1951

1951

- Dick Dusseldorp visits Australia, reporting on opportunities for Brederos
- Civil & Civic wins contract to supply and erect 200 prefabricated houses for the Snowy Mountains Hydro Electric Authority

1957

- Builds Australia's first all concrete skyscraper, Caltex House, in Sydney



1958

- Lend Lease Corporation Limited is formed
- Australia's first productivity agreement was signed by Civil & Civic and the Building Trades Union

1959

- Wins contract for Sydney Opera House



1961

- Conveyancing (Strata Titles) Act, 1961 becomes legislation following Dusseldorp's initiative

1962

- Lend Lease Corporation listed on the Sydney Stock Exchange

1963

- Introduces superannuation scheme for employees, 20 years before becoming industry practice

1966

- Bankstown Square opens, Australia's largest shopping centre

1967

- Australia Square in Sydney opens



1971

- Establishes Australia's first listed property trust, GPT
- Begins operating in the US

1972

- Signs ACTU Memorandum of Understanding

1973

- Operations expand to Singapore

1951

1960s >

> 1970s

1999

- Joint venture with Actus, US Military Housing business
- Bluewater Shopping Centre, UK opens, one of Europe's largest shopping centres
- Sydney Athletes' Village opens
- Acquires Bovis, UK construction company

1996

- Lend Lease Foundation launches Community Day

1993

- Sunshine Plaza, QLD opens
- Commences operations in China



1991

- Begins operating in United Kingdom

1989

- APPF investment fund launches in Australia

1988

- Sydney Football Stadium opens
- National Tennis Centre, Melbourne opens
- Commences operations in Japan

1986

- Acquires MLC, Australian financial services company

1984

- Lend Lease Apprentice Council forms



1983

- Lend Lease Foundation forms

1978

- MLC Centre in Sydney opens

< 1990s

< 1980s



2000

- Dick Dusseldorp dies
- MLC sold to National Australia Bank
- Secures first Military Housing contract in the US

2001

- Secures Victoria Harbour, Melbourne, first major urbanisation project
- Acquires Delfin, Australian communities business

2005

- Lend Lease and GPT part ways

2006

- Establishes Lend Lease Asian Retail Investment Fund

2009

- Secures Barangaroo South project, Sydney
- Secures Brisbane Showgrounds project

2010

- Secures International Quarter project, London
- Acquires Retirement Living portfolio
- Secures Elephant Park project, London

2011

- September 11 Memorial, NYC opens
- Acquires AbiGroup, Boulderstone and Conneq



>> 2000s

2010s >



2018

- Announces 10 year partnership with Great Barrier Reef Foundation
- Secures London Euston development agreement
- Secures Milano Santa Giulia project, Milan
- Secures senior living project in Shanghai
- Secures High Road West, UK

2017

- Wins contract to develop Melbourne Metro
- Secures Circular Quay Tower project, Sydney

2016

- Lendlease international headquarters move into Barangaroo, Sydney
- ICC Sydney opens



2015

- Lendlease brand unveiled
- Secures Southbank project, Chicago
- One of the first international organisations to introduce wellbeing leave for our people
- Secures Paya Lebar Quarter project, Singapore
- Barangaroo Reserve opens

2014

- Divests Bluewater, UK
- September 11 Memorial and Museum, NYC opens (museum)
- Secures The Lifestyle Quarter project, Kuala Lumpur

2013

- Secures Darling Square project, Sydney
- Secures Melbourne Quarter project
- Launches Lend Lease Jem Partners Fund



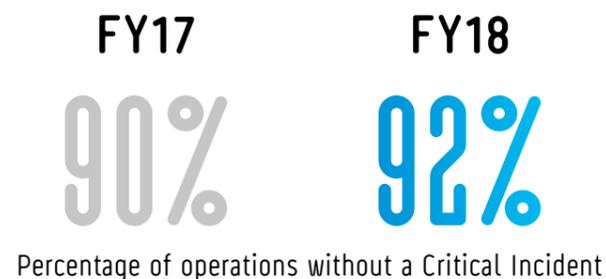
2012

- Setia City Mall, Malaysia opens
- London Athletes' Village opens

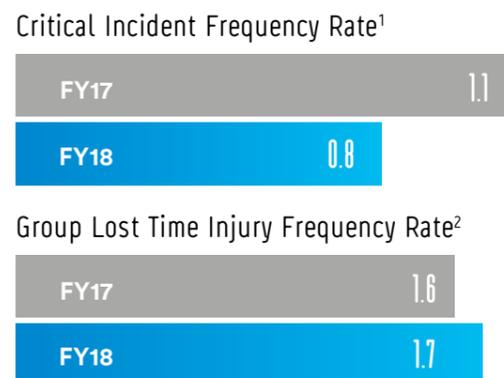
TODAY

Operational Highlights

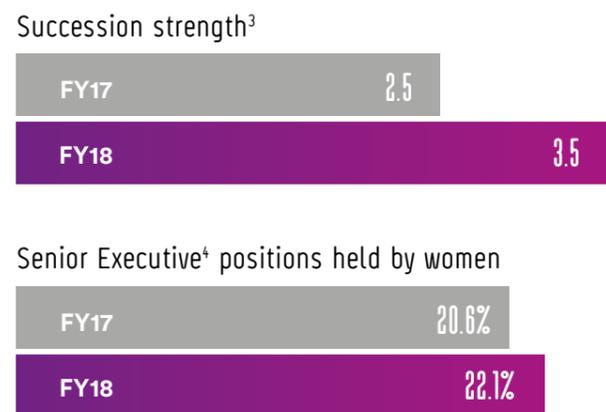
HEALTH AND SAFETY



Percentage of operations without a Critical Incident

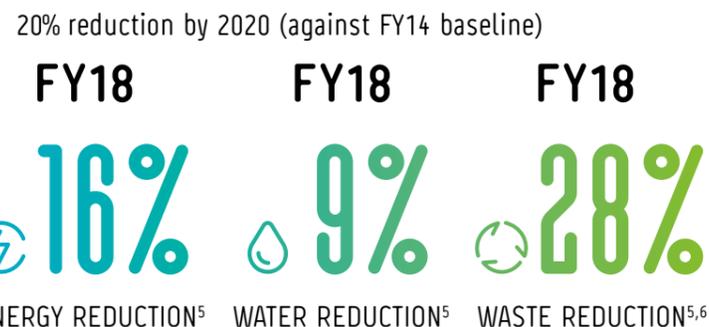


OUR PEOPLE



Retaining key talent is critical to our long term success. Our target retention rate is >90% across all talent programs, which we exceeded in FY18. Our pipeline of successors for key roles, along with females in our succession pool, has increased in FY18.

SUSTAINABILITY



Total development pipeline achieved or targeting green certification.

1. A Critical Incident is an event that caused, or had the potential to cause death or permanent disability. This is an indicator unique to Lendlease.
 2. The Lost Time Injury Frequency Rate (LTIFR) is calculated to provide a rate of instances per 1,000,000 hours worked.
 3. For all Senior Executive positions, we have a target of three unique successors. In our FY18 talent and succession review, we exceeded this target with an average of 3.5 unique successors per role identified.
 4. 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.
 5. The above performance is as at March 2018 and is a cumulative measure. Full FY18 performance is subject to Limited Assurance by KPMG and will be available on www.lendlease.com in October 2018.
 6. In FY18, we have updated our FY14 waste baseline due to additional project information becoming available. This has resulted in an increased performance for waste in FY18 relative to the previous baseline utilised.

FINANCIAL PERFORMANCE

Earnings before interest, tax, depreciation and amortisation



Profit after tax



Earnings per security



Distribution per security



Return on equity



Market capitalisation¹



1. As at market close on 30 June 2017 and 2018.

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 and Safety
  Financial
  Our Customers
  Our People
  Sustainability

A selection of recent highlights is included below.

DELIVERED

1,314 residential apartment completions, across Sydney, Melbourne, Brisbane and London

3,912 community land lots across 16 projects

136,000 sqm of commercial space completed



\$12.9 BILLION of construction work¹ including:

- Darling Square – ICC Hotel, Sydney
- Office building, International Quarter London
- New Bendigo Hospital, Victoria

INCREASED

Funds under management by 15 per cent to \$30.1 billion

Our presence across our gateway cities – securing four new urbanisation projects, one in Milan and three in London

AWARDED

- Integrated Reporting Award (FY17 Integrated Report), 2018 Australasian Reporting Awards
- Australian Prime Property Fund Commercial ranked first out of 850 respondents in the 2017 Global Real Estate Sustainability Benchmark (GRESB)
- Barangaroo South awarded 2017 Development of the Year by the Property Council of Australia
- Top multi-unit residential contractor in the United States for 18 consecutive years²
- Sustainable Project of the Year – South Gardens, Elephant Park, London³
- 313@somerset, Jem and Parkway Parade, Asia – repeat recipients of bizSAFE partner award for retail safety

1. Based on Construction segment revenue.
2. As ranked by ENR Sourcebook for Top 25 Multi-Unit Residential.
3. Construction News Awards (July 2018).

PLACES WE WILL CREATE¹

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 and Safety
  Financial
  Our Customers
  Our People
  Sustainability

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

TO BE DELIVERED

\$71.1 BILLION Development pipeline, including four new major European projects:

- Milano Santa Giulia, Milan
- High Road West, London
- Euston Station, London
- Silvertown Quays, East London

\$21.1 BILLION Construction backlog revenue

- Melbourne Metro Tunnel, Melbourne
- The Lifestyle Quarter, Kuala Lumpur
- Crown Sydney Hotel Resort, Sydney
- Jacob K. Javits Convention Center, New York

c. **\$4** BILLION in secured funds under management from development projects currently in delivery

LAUNCHED

- Residential for rent partnership with CPPIB² to deliver an initial 663 apartments at Elephant Park, London
- Joint venture with the SoftBank Group to develop and own telecommunications towers in the US
- Our first senior living project in the Qingpu district of Shanghai

LEGACIES FOR FUTURE GENERATIONS

- 99 per cent of development pipeline targeting green certification
- 20 per cent reduction targets for energy, water and waste by 2020
- Commitment to Indigenous engagement in Australia via our Elevate Reconciliation Action Plan 'Building Respect; Past, Present, Future 2016 – 2018'
- Supporting communities towards sustained prosperity and growth via job creation, affordable housing and skills creation

1. Subject to relevant project planning and approvals.
2. Canada Pension Plan Investment Board.

Chairman's Report

In Lendlease's 60th year in operation the Group delivered a resilient result for the 2018 financial year with \$792.8 million in Profit after Tax and Distributions per Security of 69.0 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, set the Group up to deliver attractive securityholder returns.



Health and Safety

I am very saddened to report two fatal incidents on Lendlease projects in the 2018 financial year. These incidents continue to remind us of the importance of safety vigilance, and serve to focus every Lendlease employee and subcontractor on the continuous improvement of safety practices and outcomes.

Lendlease is undertaking a review of how we approach and manage safety, and the Board has oversight of this review. The Board is strongly committed to proactive and uncompromising safety leadership throughout the organisation so that the right safety practices, behaviours, policies and culture are in place.

Annual Report

Lendlease's 2017 integrated Annual Report was the winner of the 2018 Australasian Reporting Award for Integrated Reporting. This is a well deserved recognition of the work undertaken to articulate the value proposition of Lendlease. This year's Report is once again structured to demonstrate the long term value created by Lendlease through its five pillars of value: Health and Safety; Financial; Our Customers; Our People; and Sustainability. We have also made additional refinements to this Report to further demonstrate value. This integrated Annual Report includes a timeline featuring a selection of major milestones for Lendlease. Lendlease was born out of a vision to create a company that successfully combines the disciplines of development, construction and investment. The Company continues in the spirit in which it was created, with one important distinction; Lendlease is now making its mark on a global stage. Today, more than 50 per cent of Lendlease's global development pipeline is in international gateway cities.

Governance and the Board

I will retire as Chairman of the Board following the 2018 Annual General Meeting. It has been a privilege to serve as Chairman since 2003. I am delighted the Board has selected current Non Executive Director and Chairman of the Sustainability Committee, Michael Ullmer, as my successor.

In my opinion, Lendlease is an Australian corporate success story. The resilience and endurance of this organisation is testimony to the values and talents of its employees, and I am confident the Company will continue to prosper under Michael's and Group CEO Steve McCann's leadership.

After almost 13 years of service, Phillip Colebatch will also retire following the 2018 Annual General Meeting. Phillip has made an outstanding contribution to the Board, notably through his roles on the Risk Management and Audit and People and Culture Committees. During Phillip's tenure, his deep commercial insight and experience, and judgement in risk management issues, strategy and finance, were deeply respected and have been invaluable to his fellow Directors and Lendlease senior management. I wish Phillip the very best in his future endeavours.

Elizabeth Proust was appointed to the Board as an independent Non Executive Director, in February 2018. Elizabeth is one of Australia's foremost business figures, holding leadership roles in the public and private sectors for more than 30 years. She has extensive experience on listed and private companies, government and not for profit boards. Her appointment enhances the mix of skills, diversity and experience on our Board. Corporate governance has been under the spotlight this year, most notably in light of the Banking Royal Commission. The Board has never been more mindful of its responsibilities and continually monitors and reviews its composition and capabilities, in the context of external global trends and Lendlease's growth strategy. The Nomination Committee regularly reviews the mix of skills, industry experience and diversity on the Board, and the Nomination Committee Chair oversaw an external review of Board performance and effectiveness during the reporting period.

Financial Strength

The Group delivered a resilient result for the financial year ended 30 June 2018, with Profit after Tax of \$792.8 million, up from \$758.6 million in the previous financial year.

Securityholders will receive a final distribution of 35.0 cents per security, taking full year distributions to 69.0 cents per security. The payout ratio for the year was 50 per cent, which is within the Board's stated target range of 40 to 60 per cent of earnings.

As part of a disciplined approach to managing capital, the Board approved an on market buyback of up to \$500 million. The buyback commenced following the half year results, and approximately 10 million securities have been purchased on market as at 30 June 2018.

The Group began FY19 in a strong financial position with cash and cash equivalents of \$1.2 billion and gearing of eight per cent. The resilience of the balance sheet, along with ongoing capital partnering, continues to provide the financial flexibility to capitalise on growth opportunities.

Sustainability

Lendlease has a rich pedigree in sustainability. It is well documented that Dick Dusseldorp was a leader ahead of his time, initiating a range of industry firsts, including the negotiation of productivity agreements with unions and the introduction of superannuation, 20 years before it became industry practice.

Sustainability continues to underpin the Lendlease strategy. This year the Board endorsed the recommendations for the Task Force on Climate-related Financial Disclosure (TCFD). TCFD is an independent industry led framework enabling companies to disclose climate change risk and opportunities in a format that investors are increasingly seeking. To see how Lendlease is tracking against the key recommendations please refer to page 210.

This year we again secured many prestigious awards in recognition of major sustainability achievements. I am particularly proud of the recognition Barangaroo South is now receiving. Since 2014, this precinct has won 52 awards, including the Property Council of Australia's 2018 Development of the Year. Barangaroo South is Lendlease's most awarded urban regeneration project.

Looking Back, Looking Forward

In my final report to securityholders, I am reminded of the importance of legacy. The legacy of Lendlease founder, Dick Dusseldorp, is immense and continues to serve the strength of the Lendlease brand. In my 17 year association with this great organisation, I have seen the Group strengthen its governance, significantly improve safety practices, build execution capability, grow internationally and deliver many city defining projects.

I am extremely pleased with Lendlease's progress and performance over recent years. Since 2011, the Group's urbanisation pipeline has grown from an end development value of \$16 billion to \$56 billion. This has been achieved in a highly disciplined and strategic manner and we are well on our way to replicating the Australian success of Lendlease's integrated model internationally.

I acknowledge the tireless contributions of my fellow Board members. It has been a pleasure working with the Board during my tenure and I have no doubt their passion for Lendlease, belief in what the Group stands for, and drive for performance success will continue to prevail.

In particular, I would like to acknowledge the support and contributions of the Group CEO Steve McCann, Lendlease's leadership team and all employees, whose commitment and dedication have helped to create the best places, now and well into the future.

Finally, to you, our valued securityholders, thank you for your support, through both challenging and prosperous times. You are a part of an organisation that is leaving an indelible mark on major cities around the world.

David Crawford AO
Chairman

Group Chief Executive Officer and Managing Director's Report

Lendlease delivered a solid financial performance for the year, demonstrating the resilience of our diversified business model, with strong returns from Development and Investments outweighing underperformance in the Australian Engineering business within our Construction segment.

We have made significant progress on our international gateway cities strategy, securing an additional four major urbanisation projects. Our focus remains on creating quality outcomes for our customers, delivering strong performance for securityholders, and operational excellence, leading with our unwavering commitment to health and safety.



Health and Safety

There is nothing more important than the health, safety and wellbeing of our people and those who work with us.

I am deeply saddened to report two corporate reportable fatalities during FY18. On behalf of Lendlease, I express my sincere condolences to the families and friends that have been impacted by these tragic incidents.

We owe it to everyone who works on, or interacts with, our sites to learn from these tragedies so we can prevent death or injury on our operations.

We are reviewing a number of aspects associated with Health and Safety to drive continuous improvement. This review focuses on the application of our Global Minimum Requirements and the impact of our operating methodologies on safety performance. We will also review the way we identify, report and manage risk as it relates to safety in both the planning and delivery of activities across our business.

In addition to reviewing these operating frameworks, we need to advance our collective mindset of being unrelenting in pursuing the safest outcomes, because everyone has the right to return to their families, friends and loved ones, every day.

Performance

Lendlease delivered solid financial returns for securityholders during FY18. Earnings per security grew by five per cent and return on equity was 12.7 per cent, within our target range of 10 to 14 per cent. Strong performances across our Development and Investments segments offset underperformance in our Construction segment.

Our strong Development performance across Australia and Europe was, in the most part, due to solid contributions from our residential and commercial development activities. Apartment buildings were completed across urbanisation projects in four cities: Sydney, Melbourne, Brisbane and London, and a new investment partnership was formed in the residential for rent sector in London. Our Australian communities portfolio performed well.

An additional four major office buildings transitioned into delivery in Sydney, Melbourne and London, comprising more than 100,000 squares metres of space. Our capability to deliver collaborative, healthy and productive working environments continues to generate strong tenant and capital partner interest.

The strength of our Investments segment was underpinned by an increase in recurring earnings and gains in investment asset values. Our investments in Barangaroo South and our US Military Housing portfolio performed well.

The poor performance of a small number of Engineering projects in Australia had a material impact on our Construction segment.

Building activities within our Construction segment across all four regions were solid this year, including contributions to our earnings and growth in construction backlog.

Our Strategy

Our integrated business model provides us with a sustainable competitive advantage, and is critical to delivering long term securityholder value. We can originate, fund, deliver and manage major urbanisation projects.

This year, we expanded our globally recognised portfolio of urbanisation projects, securing four major urbanisation projects in Europe; in London – Euston Station, High Road West and Silvertown Quays; and in Milan – Milano Santa Giulia. We now have 18 major urbanisation projects across 10 gateway cities.

Infrastructure is a key trend that drives our strategy and is being pursued through transport infrastructure in Australia and telecommunications infrastructure in the US. Significant progress has been made, with our Engineering business in Australia securing \$3.5 billion of work. Our pipeline of telecommunications infrastructure development in the US is also growing, following the establishment of a joint venture with SoftBank.

We achieved considerable success with our capital partnering strategy this year, including the sale of 25 per cent of our Retirement Living business in Australia to a capital partner. We also raised \$2.5 billion in third party equity to fund several office developments in our urbanisation pipeline. We have also established two new asset classes for our investments platform, residential to rent and telecommunications infrastructure.

Celebrating 60 Years

This year, Lendlease celebrates 60 years of shaping city skylines and creating great places. When I visit cities around the world, I see Lendlease's history and future. Our projects are the ultimate testament to our values – they represent innovation, collaboration and excellence. They are also a tribute to the man who created this great Company, Dick Dusseldorp – a man determined to leave a positive legacy.

In 1978 Duss said, "we feel we have built solid foundations for future growth.... an adventurous road lies ahead for both Australia and Lendlease." This quote is just as relevant today, with many great projects secured which will create legacies at home as well as in Asia, the US and Europe.

I acknowledge our vast alumni of Lendlease employees around the world, including those who may have worked with our founder in the early days, and thank them for their efforts through the decades to create a company that today allows us all to contribute to and celebrate great places.

Outlook

We are focused on delivering quality outcomes for our many and varied customers, and this will underpin the strength of our financial performance in the years ahead. All three operating segments are well placed. Our development pipeline stands at a record \$71.1 billion, our construction backlog revenue is \$21.1 billion, our funds under management stand at \$30.1 billion and we have \$3.4 billion of investments.

As always, we remain focused on operational excellence, leading with our unwavering commitment to health and safety and rigorous approach to risk management.

Chairman Retirement

The strength of our performance is underpinned by the quality of our leadership. This year, our Chairman David Crawford will retire following our AGM in November. David has dedicated 17 years to Lendlease, 15 of these as our Chairman. I would like to acknowledge his tremendous contributions, and sincerely thank him for his unwavering support and guidance over the years. I have no doubt David Crawford's legacy will continue to underpin the future success of this great organisation.

I have worked with our incoming Chairman, Michael Ullmer, since 2011 and look forward to continuing to work with Michael and the Board to grow our business towards our aspiration of becoming the leading international property and infrastructure group.

I acknowledge every Lendlease employee for your many and varied contributions. You are the reason for Lendlease's success. Thank you also to our securityholders for your ongoing support.

Steve McCann
Group Chief Executive Officer
and Managing Director

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02

OUR STRATEGY AND CAPABILITIES



Our Approach

The Lendlease strategy delivers on our vision to create the best places by leveraging our integrated business model in key gateway cities.

With a continued rise in urbanisation and the growing demand for future proof public infrastructure, our strategy enables us to enrich communities and maximise sustainable outcomes. We continue to deepen our expertise across multiple sectors to adjust and respond to changing customer demand.

It's a strategic approach driven by understanding our customers, and underpinned by our financial strength and ability to work alongside our investment partners. Applying this approach in a disciplined manner has enabled us to become a leading international property and infrastructure group known, respected and trusted in the markets in which we operate.

We are continuing to drive forward, constantly increasing productivity, and utilising technology advancements and sustainable practices to maintain our competitive advantage.

Our pillars of value enhance our ability to originate, fund, build, deliver and manage major urbanisation and critical infrastructure projects. When these pillars work together we create safe, healthy and sustainable places for our customers and the communities we serve. This helps to enhance and strengthen the key cities we work in and builds trust and reputation with our partners.

We strive to deliver long term sustainable value for our investors and create an organisation of choice for our people.

RECOGNISED AS A LEADING INTERNATIONAL PROPERTY AND INFRASTRUCTURE GROUP

OUR APPROACH:

FOCUS & GROW

GATEWAY CITIES

KEY TRENDS

DISCIPLINED PORTFOLIO MANAGEMENT



OUR INTEGRATED MODEL

DEVELOPMENT

TO CREATE THE BEST PLACES

INVESTMENTS

CONSTRUCTION

TRACK RECORD

OUR PILLARS OF VALUE:

HEALTH & SAFETY

FINANCIAL

OUR CUSTOMERS

OUR PEOPLE

SUSTAINABILITY

MAXIMISING LONG TERM SECURITYHOLDER VALUE (TARGET 10-14% RETURN ON EQUITY)

Global Trends Influencing Our Strategy

DIRECTORS' REPORT

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OTHER INFORMATION



URBANISATION



Urbanisation creates increasing pressure to plan for, and accommodate, growing populations. 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 has an estimated end value of \$55.9 billion and includes:

- US Clippership Wharf, Boston; Southbank, Chicago
- EUROPE Elephant & Castle, London; Milano Santa Giulia, Milan
- ASIA The Lifestyle Quarter, Kuala Lumpur; Paya Lebar Quarter, Singapore
- AUSTRALIA Melbourne Quarter, Melbourne; Darling Square, Sydney

The Opportunity

Expand our globally recognised portfolio of urbanisation projects to satisfy an increasing demand for urban living.

FUNDS GROWTH



Global assets under management are forecast to grow over the next decade from US\$85 trillion in 2016 to US\$145 trillion by 2025.⁴

Where We Are Today

Our investment management platform is well established in Australia and Asia with growth potential in the US and Europe. The \$30.1 billion in funds under management (FUM) is managed on behalf of approximately 150 institutional investors globally. In FY18, we added two asset classes to our investment platform, establishing a telecommunications joint venture with SoftBank Group in the US, and the £1.5 billion residential for rent partnership with a capital partner in London.

The Opportunity

Continue to provide institutional investors with real estate and infrastructure solutions, via our product creation capability. Grow our residential for rent and telecommunications infrastructure platforms and leverage our strong institutional investor relationships.



DIRECTORS' REPORT



INFRASTRUCTURE



Urbanisation and population growth are creating strong demand for infrastructure. Global social and economic infrastructure spending was US\$3.8 trillion in 2015 and is estimated to rise to an average of US\$5.1 trillion per year between now and 2035.²

Where We Are Today

Our Engineering business in Australia secured \$3.5 billion of transport infrastructure in FY18. In FY18, a consortium including Lendlease was awarded the \$5.2 billion Melbourne Metro Tunnel Project, to be delivered via a public private partnership. Recent social infrastructure projects include hospitals in Bendigo and on the Sunshine Coast. We have project managed the deployment of over 75,000 communications towers and rooftop antenna sites in Japan since 2001.

The Opportunity

Partner with governments and other institutions to meet the growing infrastructure needs of cities. Continue to grow our engineering pipeline and broaden our telecommunications infrastructure business in key markets.

SUSTAINABILITY



With two thirds of the world's population living in urban areas by 2050,¹ the built environment faces increasing challenges, including climate change and social pressures such as inclusion, population growth and housing affordability.

Where We Are Today

We are recognised by GRESB⁵ as an international leader, with the Lendlease managed Australian Prime Property Fund (Commercial) ranked first. In FY18, Lendlease achieved 99% green certification of our development pipeline. We remain focused on a 20% reduction⁶ in the consumption of energy, emissions, water and waste by 2020. We are implementing the recommendations of the Taskforce for Climate related Financial Disclosure (TCFD) and are a signatory to the UN Principles of Responsible Investment (UNPRI).

The Opportunity

Partner with government, investors, the private sector and community stakeholders to deliver inclusive, healthy and adaptable places.



FINANCIAL STATEMENTS



AGEING POPULATION



The ageing population requires different housing solutions and greater healthcare services in all major markets. The proportion of the global population aged 60+ is projected to increase three times as fast as overall population (2.4% vs 0.8%pa) in average annual terms between 2015 and 2050.³

Where We Are Today

Lendlease operates one of the largest Retirement Living businesses in Australia, with 71 villages. In FY18, we welcomed a capital partner to continue to grow this business. Drawing upon our sector experience, we secured a project with the Qingpu district of Shanghai to develop and operate approximately 900 senior living units.

The Opportunity

Consolidate our leading position in the Australian retirement living sector. Successfully deliver our first senior living project in Shanghai and establish a scale platform in China.

TECHNOLOGY



Global investment in real estate technology start ups has grown from US\$1.8 billion in 2015 to US\$12.6 billion in 2017.⁷

Where We Are Today

We are introducing delivery technology to support productivity gains including digital design, prefabrication, online sales channels and drone and facial recognition applications. We have also delivered several cross laminated timber buildings with 25 King, Brisbane to be Australia's tallest timber commercial building on completion later in 2018.

The Opportunity

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



OTHER INFORMATION

1. World Urbanization Prospects: The 2018 Revision, United Nations.
 2. McKinsey Global Institute: Bridging Infrastructure Gaps – Has the World Made Progress? October 2017. Includes some Group Research calculations.
 3. World Population Prospects: The 2017 Revision, United Nations.

4. Asset & Wealth Management Revolution: Embracing Exponential Change, PwC 2017.
 5. Global Real Estate Sustainability Benchmark.
 6. Compared to FY14 consumption.
 7. RE: Tech: Real Estate Tech Annual Report 2017.

Global Presence, Gateway Cities

Shaping cities is what we do, and our urbanisation led strategy primarily focuses on major 'gateway cities' around the world.

Relative to their national average, gateway cities typically experience higher population growth; have the most appealing employment prospects; are more resilient through property and economic cycles; and attract more global investment capital.

Playing to the breadth of our skills, these cities often contain sites well suited to regeneration and infrastructure upgrades.

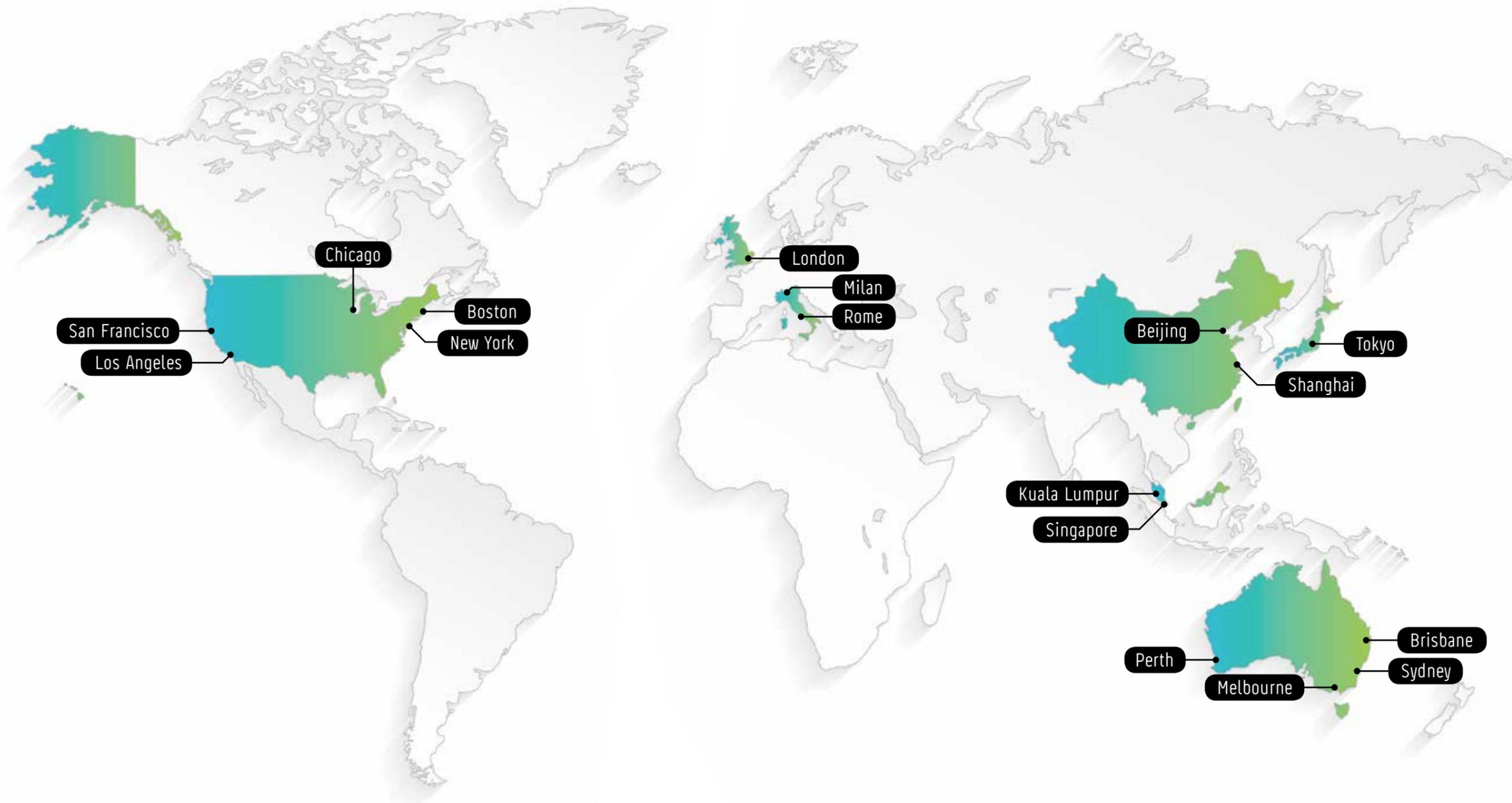
To identify the cities most relevant to our strategy and capabilities, we periodically undertake an extensive global study, evaluating key metrics including economic, business climate, geopolitical risks, urbanisation potential and capital market indicators.

We also evaluate global cities on additional metrics such as demographics, demand drivers, property fundamentals, unique attributes, policy and planning frameworks and Lendlease's presence in a market.

Wherever we operate, our business operations must comply with our robust safety and sustainability standards. Attracting the right teams with the appropriate capabilities to deliver on our pipeline is also a key consideration of the cities we choose to target.

This process identified an initial 17 gateway cities for our urbanisation platform to target. Today, we operate in 15 of these 17 gateway cities.

Major urbanisation projects have been secured in ten of these cities, including:



AMERICAS

EUROPE

ASIA

AUSTRALIA



• Southbank, Chicago (pictured)

• 30 Van Ness, San Francisco



• Elephant & Castle, London (pictured)

• Milano Santa Giulia, Milan



• The Lifestyle Quarter, Kuala Lumpur (pictured)

• Paya Lebar Quarter, Singapore



• Melbourne Quarter, Melbourne (pictured)

• Darling Square, Sydney

All images - Artist impression as at 2018 (image subject to change and further design development and planning approval).

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 partnership transactions.

Our Capability

Our Development segment comprises activities across urbanisation, communities, retirement living and infrastructure development.

We manage the entire development process from securing land, creating masterplans, consulting with stakeholders including authorities and local communities through to project management, sales and leasing. We also establish investment partnerships.

Our urbanisation strategy is focused on urban renewal in targeted gateway cities, creating and shaping city skylines.

Our Communities business has a strong presence throughout Australia. We design the masterplan and deliver a range of amenities to the precinct. We also develop retirement communities within our Retirement Living portfolio.

Infrastructure Development is focused on transport and social infrastructure in Australia and telecommunications towers in the US and Asia. Over the years, we have delivered a range of public facilities including sporting and entertainment venues, hospitals, school and university buildings, major road and rail projects.

Australia

We have urbanisation projects in Sydney, Melbourne, Brisbane and Perth.

Darling Square in Sydney achieved an important milestone in FY18 with the completion of all the large commercial components. Since 2013, we have delivered an office building of approximately 26,000 square metres, approximately 2,700 square metres of retail space, more than 500 residential apartment units and a 590 room luxury hotel. The International Convention and Exhibition Centre and associated public amenity was delivered via a public private partnership.

This precinct is expected to be fully complete by the end of FY19, following the delivery of almost 1,000 residential apartments, along with a community building centred on a public library.

Our Communities business masterplans and delivers the streetscape, open spaces, town centres and blocks of land for homes to create an inclusive living environment. Many Australians live in a Lendlease community. Over the last 50 years, we have delivered more than 50 residential communities around Australia. Today, we have 15 active projects.

The Lendlease Retirement Living business has an extensive development pipeline, and we expect to create and upgrade thousands of units over the coming decade.

Americas

Our urbanisation strategy was extended to the Americas in 2014. Urbanisation projects have been secured in four gateway cities. Our first phase of apartments will be delivered in FY19, at residential projects in Chicago, Boston and New York.

While the initial development phase is complete across our Military Housing portfolio, there will be periodic redevelopment opportunities over the remaining 38 year average project life.

Our presence in the telecommunications infrastructure sector was extended in FY18 through a joint venture with the SoftBank Group to develop and own telecommunications towers.

Asia

Our Development business in Asia works with our capital partners and governments to create retail, commercial, residential and senior living precincts. We are delivering two large mixed use projects, Paya Lebar Quarter in Singapore and The Lifestyle Quarter in Kuala Lumpur, Malaysia.

We secured our first senior living project in Shanghai in FY18 as we leverage our expertise from Australia into the China market.

Europe

Our Development business in Europe is partnering with governments and local communities to create sustainable residential, commercial and retail precincts. Today these projects represent a total estimated end value in excess of \$20 billion.

We secured four major urbanisation projects in FY18; in London at Euston Station, High Road West in Tottenham and Silvertown Quays in East London; and in Milan, Milano Santa Giulia.

We entered the residential for rent sector with the establishment of an investment partnership with Canada Pension Plan Investment Board (CPPIB). Two apartment buildings at our Elephant Park project are under construction – our first residential for rent products in the region.



Steam Mill Lane, Darling Square, Sydney

Construction



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

Our Capability

We have delivered construction projects around the world for 60 years. We provide project management, design and construction services for both internal and external clients across a range of sectors including residential, office, retail, health and defence. In Australia, we also have extensive engineering capabilities with a focus on the transport sector.

Our Construction and Development segments partner to deliver mixed use urbanisation projects. Our Investments segment usually participates, and this is where our integrated model brings our capabilities together to work in unison to deliver on a shared vision for a project.

Barangaroo South in Sydney is an excellent example of what Lendlease's integrated approach can achieve. This vibrant waterfront financial district features a mix of sustainable office space, premium residential buildings, shopping, dining and leisure experiences. This year, Property Council of Australia named Barangaroo South 2018 Development of the Year, with awards in design, economic performance, environmental commitment and innovation. Our construction capability was critical in achieving this recognition and continues to play a key role in delivering our internal urbanisation pipeline.

Australia

Our construction capability is brought to life in the places and structures we create such as offices, retail centres, residential apartments, hospitals, roads, tunnels and railways. Our Building business is renowned for creating innovative places and in FY18 completed projects including Adelaide Convention Centre and Sofitel Sydney Darling Harbour.

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

Our Engineering business delivers transport infrastructure across road, rail and civil work including bridges and tunnels. For example, projects in delivery include Melbourne Metro Rail Tunnel, the Caulfield to Dandenong Level Crossing Removal Project, early earthworks for Western Sydney Airport, key sections of the Northern Road Upgrade in Western Sydney, and the upgrade of Kingsford Smith Drive, a new gateway to Brisbane.

Our Services business supports and maintains the infrastructure and places we and others create, extending across transport, communities infrastructure, telecommunications, utilities, industrial and resources, and renewable energy.

Americas

In the Americas, we have delivered construction projects over the past 20 years. Our strong client relationships and execution capabilities are evidenced by approximately 80 per cent of our Construction business being generated by repeat customers.

This business is focused on six key markets, namely New York, Boston, Chicago, Washington DC, Los Angeles and San Francisco. We are looking to add more diversification by sector, given the significant existing weighting to high rise residential construction. Sectors we are targeting include office, education, healthcare and public facilities, such as courts and convention centres. Our growing internal development pipeline in the region is expected to make a larger contribution to the Construction segment over the coming years.

Asia

Our construction capability in Asia is well established, dating back to the 1970s. In Singapore, we have delivered more than 400 projects across various sectors.

While our focus for construction in Asia is on our internal urbanisation pipeline, we maintain specialist capabilities to deliver pharmaceutical and telecommunications projects for external clients. More than 75,000 telecommunications towers have been delivered over the last 17 years.

Europe

Our ongoing pipeline of development work continues to underpin our construction backlog in the region with the addition of several major urbanisation projects including Milano Santa Giulia in Milan and High Road West and Euston Station in London.

We are also well placed to secure third party work with our selective bidding approach, with recent external client wins including One Triton Square in central London for longstanding client, British Land, and Manchester New Square residential towers.



Investments



Financial returns for the segment are generated via fund and property management fees, income and capital growth on investment positions, and returns from the Group's retirement living portfolio and US military housing operations.

Our Capability

Our Investments segment owns and manages investments, often created by other parts of our business.

Our investment management platform provides capital partners with access to quality property and infrastructure assets. We invest on behalf of pension and sovereign wealth funds, investment managers and insurance companies. Co-investments in our property and infrastructure funds provide alignment with our capital partners, and a quality source of income for Lendlease.

The product we create through our development pipeline is a differentiator for our Investments segment. Two new asset classes for the segment, residential for rent and telecommunications infrastructure, are expected to support future growth in investment income and funds under management.

Australia

We are one of the largest owners, operators and developers of senior living communities across 71 retirement villages. This portfolio consists of more than 12,700 units across Australia. The retirement living development pipeline will add to this over time. Lendlease owns 75 per cent of this portfolio, with the remaining 25 per cent owned by one of our capital partners.

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 capital partners and co-investing in these assets. Investment opportunities will emerge as our development pipeline is delivered.

Americas

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

Our presence in the US telecommunications infrastructure sector was extended in FY18 through a joint venture with the SoftBank Group to develop and own telecommunications towers. Lendlease is asset and fund manager of this vehicle, which is targeting US\$5 billion in assets over the medium term. The strength of our relationship with SoftBank in Japan led to this opportunity in the US.

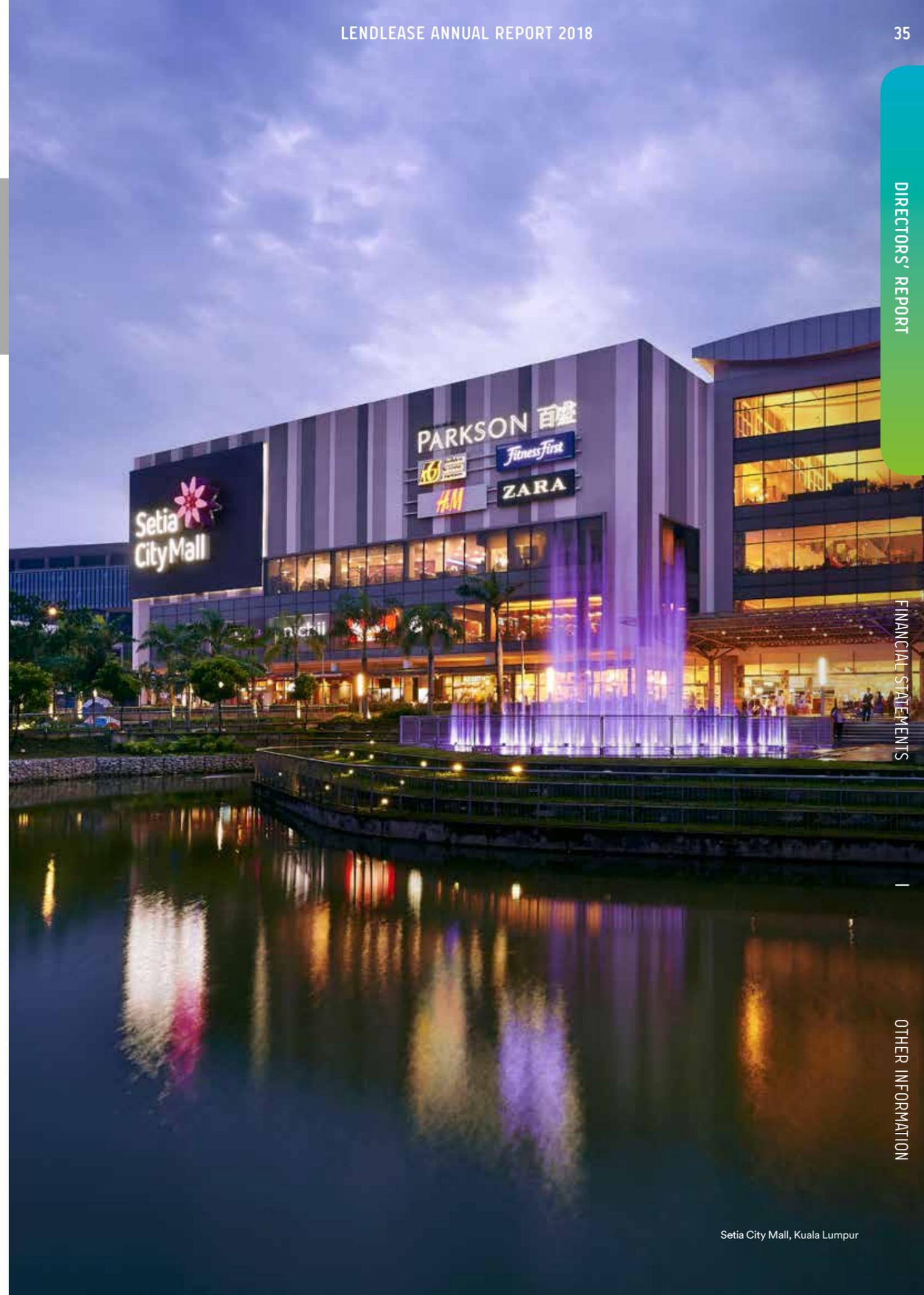
Asia

We manage both wholesale funds and mandates. These assets are retail malls and commercial assets, which include 313@somerset, Parkway Parade and Jem in Singapore and Setia City Mall in Malaysia.

In Singapore, the office and retail led mixed use scheme at our Paya Lebar Quarter project will add to our funds under management when complete, as this will be managed ongoing for our mandate client. The retail mall at The Lifestyle Quarter in Kuala Lumpur is also expected to grow our funds under management in future years.

Europe

In Europe, we are rebuilding our fund and asset management platform following a number of divestments over the past five years. The £1.5 billion residential for rent investment partnership with CPPIB that was established in FY18 is the first step in this rebuilding process. We expect our extensive urbanisation pipeline in Europe will provide additional investment opportunities as we progress these projects.



Case Study – Paya Lebar Quarter

We breathe new life into forgotten precincts, creating spaces and places for generations to enjoy. Today, Lendlease has 18 major urbanisation projects underway in gateway cities around the world.

We drive long term securityholder value and sustain our competitive advantage by combining our three capabilities of development, construction and investment to originate, fund and deliver major urbanisation projects.

Paya Lebar Quarter

The Singapore Government identified Paya Lebar Central as a new commercial hub for Singapore, which will include an integrated commercial node with offices, retail and attractive public spaces flowing with activity.

Lendlease is developing Paya Lebar Quarter (PLQ). This is a key cornerstone development within this new district, which will be one of Singapore's most progressive and sustainable new city precincts.

PLQ will be a complete ecosystem. As one of the largest business and lifestyle precincts in Singapore, PLQ integrates dynamic workplaces with a diverse range of retail, entertainment and recreational activities, alongside premier residential apartments – all within an active, green and engaging environment.

Sustainability is at the heart of our approach with notable firsts for Singapore including registration for WELL¹ Core and Shell certification – the world's first building standard focused exclusively on increasing the wellbeing and productivity of occupants, using a performance and evidence based system.

The Opportunity

- The 3.9 hectare site was originally a vacant plot, well served by transport infrastructure and surrounded by historical cultural districts
- The precinct's strategic location and connectivity to the dual line MRT rail interchange allows convenient travel to the city centre and airport
- As development manager and investment manager, Lendlease is working alongside our joint venture partner Abu Dhabi Investment Authority (ADIA), also a key investor across our Asian investment platform

The Project

- S\$3.325 billion (approximate value as at Dec 2017) project secured in April 2015
- More than 80,000 square metres of grade A prime office space for more than 10,000 workers in three modern towers, designed to optimise the health and wellbeing of occupants, with a range of initiatives including superior air filtration, biophilic design, cycling paths and end of trip facilities
- More than 30,000 square metres of retail space featuring more than 200 stores including lifestyle, boutique, dining and entertainment options
- A range of community spaces including a public plaza, rain gardens, kids' playground and roof gardens
- 429 residential apartments across three towers
- The precinct will be completed in phases between mid 2018 and mid 2019

Outcomes to date

Achieved the highest rating for the Singapore Building and Construction Authority's (BCA) latest version of the Green Mark scheme for retail and office components



300 per cent more trees planted than previously on this site



PLQ's office space, which is due for completion by September 2018, achieved **close to 60 per cent precommitment** (leases signed, under final offer or in advanced negotiations), as at June 2018



PLQ mall, due for completion in early 2019, achieved **over 60 per cent precommitment** (leases signed, under final offer or in advanced negotiations), as at June 2018



Over 90 per cent of Park Place Residences at PLQ sold, more than a year prior to target completion of mid 2019



Use of highly innovative technology in construction, including drones to monitor construction progress and enhance logistics planning



PLQ has been recognised for achieving high standards of safety, showcasing safety innovation through initiatives including biometric facial recognition software for site access control, virtual reality type learning, and the application of 3D plant and person proximity detection software to ensure people and plant separation



Singapore's Prime Minister Lee Hsien Loong



commended Lendlease's safety approach on PLQ at the World Congress On Safety & Health at Work 2017

Awards



BCA Green Mark for Non Residential Buildings NRB: 2015 (GM NRB: 2015)

BCA Green Mark Platinum for Residential Buildings

PUB Active, Beautiful, Clean (ABC) Waters Certified project

2017 PropertyGuru Asia Property Awards, Singapore's Best Commercial Landscape Architectural Design

2017 PropertyGuru Asia Property Awards, Singapore's Best Universal Design Development

2017 BCI Asia Awards, Top 10 Developers in Singapore



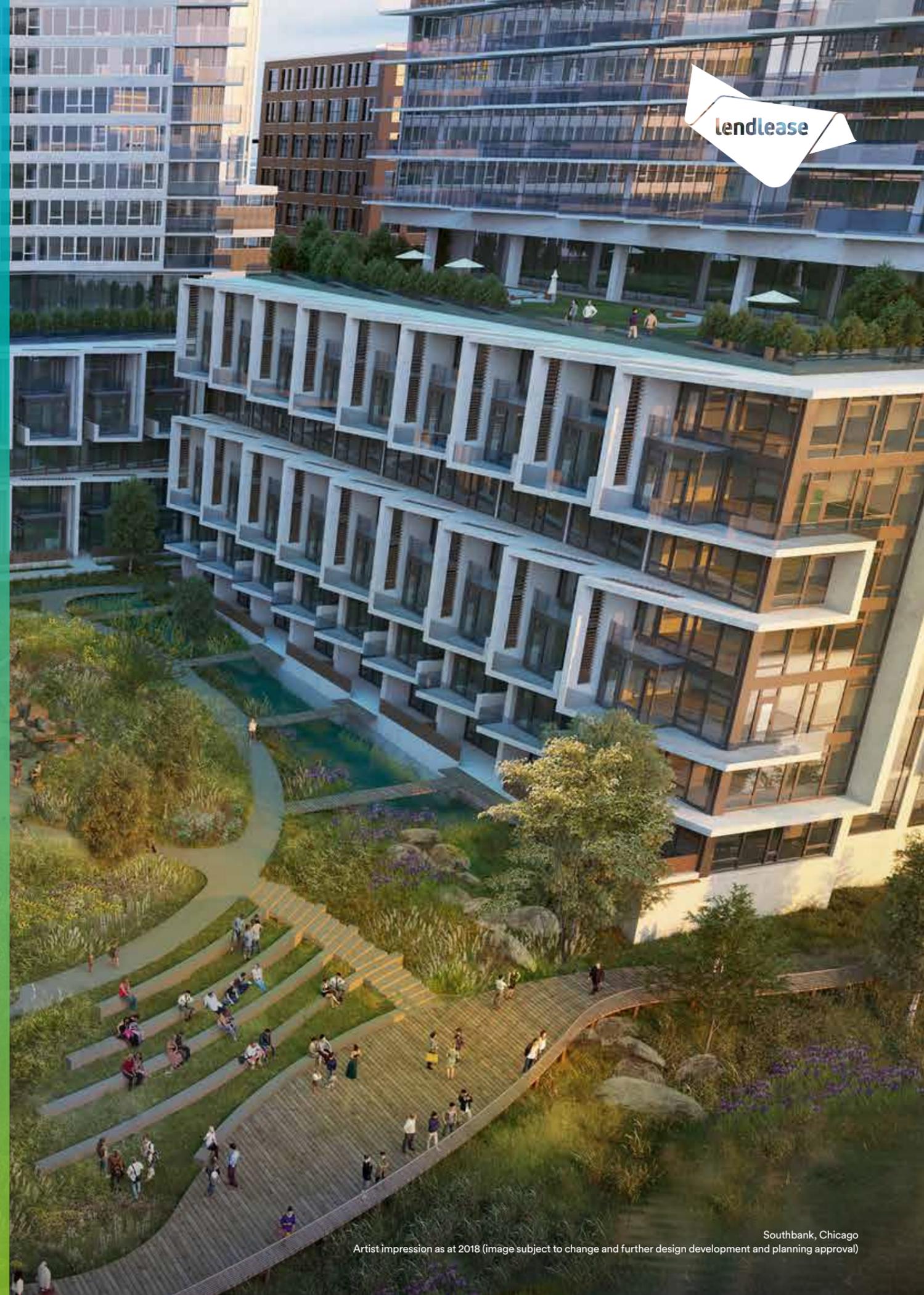
Paya Lebar Quarter, Singapore
Artist impression as at 2018 (image subject to change and further design development and planning approval)

1. Launched in October 2014 after six years of research and development, the WELL Building Standard is the premier standard for buildings, interior spaces and communities seeking to implement, validate and measure features that support and advance human health and wellness.

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03

PILLARS OF VALUE



Pillars of Value

The long term value of our business is driven by five distinct pillars.

Our Group strategy is underpinned by these pillars, and supported by disciplined governance and risk management. These value pillars drive our approach to create economic, safe and sustainable outcomes for our customers, partners, securityholders and people. Innovation is part of our heritage and is embedded in our approach to business, and in the delivery of each value pillar.

Icons are featured throughout this Report linking business activities to respective value pillars.



Pillar	Material Issue	How the Pillar is Delivered	Value Created by the Pillar	How We Measure Value
<p>Health and Safety</p>	<p>Operating safely across our operations and projects. Maintaining the health and wellbeing of our employees and those who engage with our assets and sites.</p>	<p>We are committed to the safety of our people and those who engage with our assets and sites. Through our Global Minimum Requirements (GMRs), we operate to a consistent standard across all operations. These GMRs extend to physical safety and people's health and wellbeing.</p>	<p>Operating safely helps people feel valued and cared for, and fundamentally makes us more consistent, reliable and efficient in everything we do.</p>	<p>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. Critical Incident Frequency Rate: A Lendlease indicator measuring the rate of Critical Incidents. 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.</p>
<p>Financial</p>	<p>Delivering securityholder returns. Maintaining strong capital management to support ongoing investment in our future pipeline.</p>	<p>We deliver returns to our securityholders and adopt a prudent approach to capital management with a view to maintaining a strong balance sheet throughout market cycles.</p>	<p>Margins, fees and ownership returns across Development, Construction and Investments. Our Portfolio Management Framework sets target guidelines for how we manage our portfolio.</p>	<p>Return on Equity: The annual Profit after Tax attributable to average securityholders' equity throughout the year. Earnings per Security: Profit after Tax attributable to securityholders divided by the weighted average number of securities on issue during the year.</p>
<p>Our Customers</p>	<p>Understanding our customers and responding to changes in the market. Designing and delivering innovative, customer driven solutions.</p>	<p>Embedding a process of continuous improvement based on customer insights and actions identified through market research. This research approach also consistently measures customer satisfaction and advocacy.</p>	<p>Evolves our ability to improve the customer experience, building our brand and reputation, enabling us to win more work. Customer feedback also provides greater insight into product development and innovation opportunities.</p>	<p>Customer satisfaction and advocacy tracked: Measured at the regional and business unit level and reported annually to our global leadership team. Action plans are developed at the business unit level to drive continuous improvement in the customer experience, supporting the delivery and growth of our development pipeline, construction backlog and funds under management.</p>
<p>Our People</p>	<p>Attracting, developing and retaining diverse talent. Ensuring we have the right capability across the organisation to deliver results for all stakeholders.</p>	<p>We attract, develop and retain diverse talent by building a culture of collaboration and continuous learning, where successes are recognised and people are rewarded. We invest in developing leaders, and capabilities critical to our success.</p>	<p>Capable and motivated people committed to the long term success of our business. Effective succession planning and leadership transitions support business continuity and can reduce risks and costs associated with external recruitment. Diversity of thought and experience can support innovation, knowledge sharing and better decision making.</p>	<p>Retention of key talent: The organisation benefits from its investment in leaders and key workforce capabilities. Succession strength: Demonstrates depth of capable talent ready to progress into leadership roles. Percentage of women in senior executive positions: Demonstrates our broader commitment to diversity and inclusion, and our objective of increasing female representation across our business.</p>
<p>Sustainability</p>	<p>Managing and optimising our performance in the context of challenges facing the built environment, including climate change and social pressures such as population growth and housing affordability.</p>	<p>As a signatory to the United Nations Global Compact, we are committed to the continuous improvement of our operations. We are integrating strategies to mitigate the impact of climate change and deliver inclusive, healthy and adaptable places. We are focused on governance matters including anti corruption and responsible labour practices.</p>	<p>Recognised leadership in sustainability enhances our brand and is a competitive differentiator. It also provides more opportunities to partner with governments, investors and the private sector who are placing increasing importance around Environmental Social Governance (ESG) matters.</p>	<p>2020 targets: Meaningful progress against our 20 per cent reduction targets by 2020 across water, waste and energy, compared to FY14 consumption levels. Total development pipeline targeting green certification: Demonstrates our commitment to green buildings across our development pipeline.</p>

Health and Safety

Everyone has the right to go home safely to their families, friends and loved ones, every day. We remain committed to the health and safety of our people, our subcontractors, and all of those who interact with a Lendlease place.

Safety Performance and Incidents

It is with profound sadness that we report two corporate reportable fatalities during FY18. We offer our sincere condolences to the families and friends that have been impacted by these tragic incidents.

The first event occurred in August 2017 and claimed the life of a 22 year old subcontractor labourer on Lendlease's 277 Fifth Avenue project in New York City. The second event claimed the life of a 67 year old security guard, subcontracted on the 217 West 57th Street project in New York in May. These tragedies remind us of why we must continue to pursue our uncompromising approach to safety, and do whatever we are able to do to prevent this from happening again.

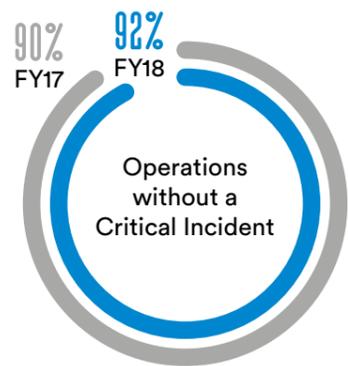
During FY18, our frequency rate across the Group for Critical (high potential) Incidents decreased by 27 per cent. The frequency rate for Lost Time Injuries increased marginally across the Group by 6 per cent.

Our Approach to Health and Safety

We are undertaking a review of how we approach and manage safety. This will involve examining three key areas.

Our first area of focus is our Global Minimum Requirements (GMRs). While we believe our GMRs provide an appropriate foundation to manage critical risk events, we will undertake a review of the means and methods we use across our various jurisdictions and how their application can impact safety performance.

Key Performance Highlights



The second area we are examining relates to culture and climate. We appreciate that organisational culture, and climatic factors can impact the way people approach safety. With the help of an independent expert, we are examining cultural inhibitors and enablers, in the context of driving further safety improvements.

The third area being examined is risk perception and risk tolerance, particularly as they relate to field based decisions. Our GMRs encourage a hierarchy of risk control in how safety is managed. That is, we apply a control commensurate with the level of risk. However perceptions and tolerances can vary, and we need to strive to meet a consistently high standard in how risk controls are deployed.

We will also review the way we identify, report and manage risk as it relates to safety in both the planning and delivery of activities across our business.

We commenced a Group wide education effort with our supervisor cohort titled: "Engage and Influence". More broadly, we are encouraging a greater enquiry based approach to risk, through continually probing situations by asking the question: "What's the worst that could happen?"

This approach requires a commitment by our people and our supply chain teams to embrace this way of thinking, not just in the field, but across the full lifecycle of what we do. We need a risk mindset that is unrelenting in pursuing the safest outcomes in how we design, procure, plan, deliver and operate across our entire business.

It has been a difficult time for our business, and for those directly and indirectly impacted by these tragic events. Our commitment to safety has never been more resolute.

Critical Incident Frequency Rate¹

FY17	1.1
FY18	0.8

Group Lost Time Injury Frequency Rate²

FY17	1.6
FY18	1.7

1. A Critical Incident is an event that caused, or had the potential to cause death or permanent disability. This is an indicator unique to Lendlease.
 2. The Lost Time Injury Frequency Rates (LTIFR) are calculated to provide a rate of instances per 1,000,000 hours worked.



NorthConnex, West Pennant Hills

DIRECTORS' REPORT

FINANCIAL STATEMENTS

OTHER INFORMATION

DIRECTORS' REPORT

FINANCIAL STATEMENTS

OTHER INFORMATION

Financial

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

Our Approach to Financial Performance

The Portfolio Management Framework, updated FY17, underpins our approach to how we govern our operations across the Development, Construction and Investments businesses globally.

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, partners and the community. This can include award winning and innovative design excellence, creation of better public places, integrated transport outcomes and superior sustainable solutions.

Financial Strategy

The Portfolio Management Framework is the core of our financial strategy. This framework sets target guidelines and is designed to:

- Maximise long term securityholder value through a diversified, risk adjusted portfolio;
- Leverage the competitive advantage of our integrated model;
- Optimise our business performance relative to the outlook for our markets on a long term basis; and
- Provide financial strength to execute our strategy, maintain an investment grade credit rating, and capacity to both absorb and respond to market volatility.

As an example of executing on our Portfolio Management Framework, the Group undertook the following two significant activities this year:

- The introduction of a capital partner to our Retirement Living business, providing diversification opportunities through the reallocation of capital to growth areas across our business, with a focus on the Investments segment.
- During FY18, as part of a disciplined approach to managing capital, the Board approved an on market buyback of up to \$500 million, subject to the Group's ongoing assessment of the surplus capital position, market conditions and growth opportunities.

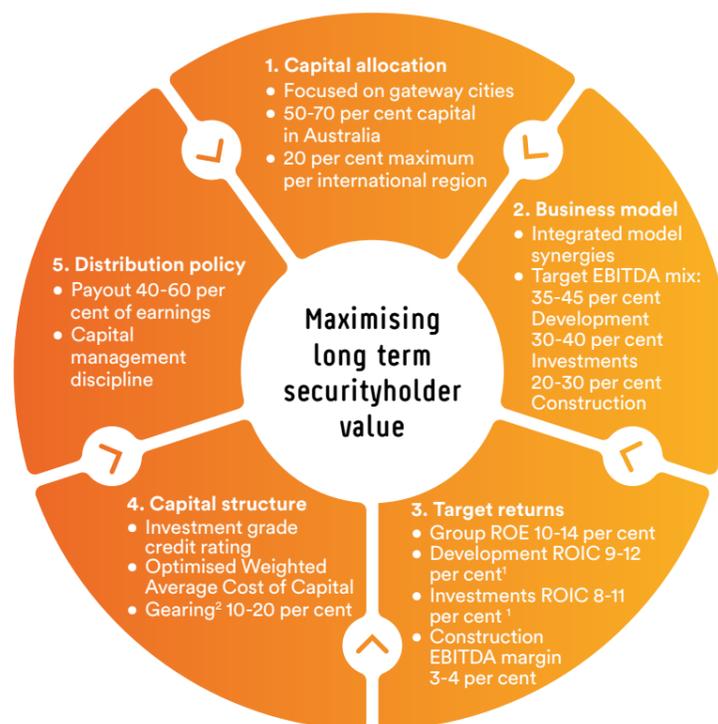
How We Measure Financial Performance

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 and Outlook

For detailed information on our financial performance as measured under the Portfolio Management Framework for FY18, refer to the Performance and Outlook section on pages 70 to 83 and the financial statements on pages 138 to 196.



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



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 Snapshot¹



Our Approach to Customers

We are committed to better understanding customers' needs and improving their experience with Lendlease.

To support this goal, in FY18 we started measuring customer satisfaction (CSAT) and advocacy (NPS) across Lendlease globally.

This involved each region incorporating standardised CSAT and NPS questions in all local customer experience research conducted throughout the year.

More than 21,000 government, business and consumer customers were surveyeded throughout the year. There were some consistent themes, with the main drivers of satisfaction strongly dependent on the quality of key relationships and the customer service touchpoint experience.

Quality of Key Relationships

Customers highlighted the importance of regular contact with Lendlease as critical to better understanding customer sentiment, needs and issues. This included providing advanced warning of issues and general responsiveness.

The quality of relationships was also underpinned by the degree to which Lendlease understood each customer's business, industry and internal environments.

Customer Service Touchpoints

Customers deeply value the way in which service is delivered. They emphasised the importance of getting things right 'the first time' to avoid systemic issues. Where this is not achieved, and issues must be resolved, 'moments of truth' are defined by the way issues are handled. Speed and politeness of response, along with positive outcomes, are deeply valued. How these customer outcomes are delivered is critical to gaining good NPS and CSAT results.

Regional leaders are accountable for conducting annual customer experience research and implementing customer insight driven action plans to address research findings.

This year's research provides key learnings and insights that will help to further embed a customer centric culture. Over time research results will show a trend, allowing us to track performance and identify key improvement opportunities.



1. As at 30 June 2018. Internal data capture, not audited.

2. An estimate of current and future residents based on our projects to date and existing pipeline.



Giving Our Residents Choice



Leaving the family home and moving to a retirement village can be a stressful experience. Removing some stress can be an empowering experience for customers.

Customer research gave us deeper insight into the concerns of retirees. Lack of flexible payment options was a major source of this stress. For some, capital gain was important, others wanted certainty they would get back what they paid and many didn't want a surprise exit fee.

Based on the results of this research and experimentation through our innovation pathway, our Retirement Living business introduced options, giving our customers the power to choose the approach that worked best for them.

These included:

- Payment of management fees at exit, freeing up cash to enjoy retirement;
- Upfront payment of management fees to retain capital gain on exit;
- Refundable contribution where the entry amount, excluding establishment fee, is refunded within 60 days of exit; and
- Pay as you go as a monthly instalment.

In February 2018, we piloted this approach in three villages: Coastal Waters in NSW, and in Victoria, Classic Residences Brighton and Lexington Gardens. Customers immediately took advantage of these options.

Today, 54 of our 71 villages across Australia have introduced these payment options. Lendlease is one of the only operators with a suite of retirement living payment options offered nationally.

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.

Our Approach to People and Culture

An inclusive work environment inspires employees and drives innovation and business growth. We support our people by fostering a culture of collaboration, knowledge sharing and continuous learning, which contributes to higher performance and career progression. We recognise and reward individual and team achievements including outstanding safety performance, project excellence and exceptional customer outcomes.

Understanding Our Workforce

We review our workforce as part of the strategic business planning and review process. This year, we made a significant investment in Workday, a global HR information system, enhancing workforce planning and analytics capabilities.

Developing and Retaining Key Talent

We provide targeted development to high potential employees at key points in their careers to ensure we have a strong pool of talent for senior roles. We also continue to invest in growing our core capabilities of project management and property development to ensure Lendlease has the critical skills required to deliver our pipeline.

Retaining key talent is critical to our long term success. Our target retention rate is >90% across all talent programs, which we have exceeded in FY18. Our pipeline of successors for key roles along with females in our succession pool has increased in FY18.

Our global graduate program is in its second year. We have 508 graduates across our four regions. 53% per cent of our graduates are female, helping to address gender representation.

Succession Strength

For all senior executive positions, we have a target of three unique successors. In our FY18 talent and succession review, we exceeded this target with an average of 3.5 unique successors per role identified.



Senior Executive Positions Held by Women¹



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, encouraging them to take a proactive and preventative approach to their health. In FY18, 68.4% of employees took wellbeing leave.

Mental health continues to be a growing focus. Our programs offer preventative support to employees experiencing a mental health condition, and guide our managers in supporting team members who may be experiencing mental health challenges. More than 1,150 employees globally have trained in mental health first aid since 2015.

For the year ended June 2018:

- Attendance in other mental health programs reached 3,709,² among Lendlease employees. Programs included Mental Health Awareness, Mates in Construction and mindfulness courses.

Diversity and Inclusion

We are progressing our Diversity and Inclusion strategy, which continues to focus on gender equity, flexible work and inclusive leadership.

Many of our gender equity initiatives have transitioned into business as usual activities, such as gender pay analysis within our annual compensation review.

Flexible working is essential in supporting a diverse workforce and attracting and retaining talent. We have a variety of initiatives to support flexible work and continue to focus on providing flexibility on construction projects where possible.

For the year ended 30 June 2018:

- Three out of our 11 Board members are female;
- Three members of our global leadership team are female; and
- 31 per cent of our employees are female;
- Lendlease has again been recognised as an Employer of Choice for Gender Equality by the Australian Workplace Gender Equality Agency.

This year we were awarded Platinum status, as a top employer in the Australian Workplace Equality Index for Lesbian, Gay, Bisexual, Transgender and Intersex (LGBTI) inclusion. Platinum status recognises organisations that have demonstrated a long term commitment to LGBTI inclusion.

Our People Survey

We are committed to giving our people a voice and ensuring our leaders and managers are best equipped to respond to issues and opportunities, to improve the overall employee experience.

This year, we adopted a new approach to measure the employee experience at Lendlease. Employee surveys will be conducted every six months, at the team and business unit level. This provides managers with a better understanding of what is working and any areas of concern. In future surveys, we intend to introduce a measure of organisational culture.



Lesbian Gay Bisexual Transgender Intersex (LGBTI) Inclusion



We respect diversity and encourage inclusion. In May 2018, Lendlease was named a Platinum Level Employer in the Australian Workplace Equality Index (AWEI) awards. The AWEI is Australia's national benchmark on LGBTI workplace inclusion. We are one of only seven organisations to achieve Platinum status in Australia.

This award recognises the longevity and value of the work we do to promote LGBTI inclusion. In August 2017, over 160 Lendlease sites across Australia participated in an engagement campaign which included leader stories, manager toolkits and rainbow boot laces to inspire conversations.

In the US, our Americas business achieved a score of 100 on the Human Rights Campaign Foundation's Corporate Equality Index (CEI). The CEI is the national benchmarking tool on corporate policies and practices pertinent to LGBTQ employees. With a top score of 100 per cent¹, Lendlease earned distinction on the list of "Best Places to Work for LGBTQ Equality".

A number of initiatives including transgender inclusive health care coverage are in place to support our LGBTQ community.



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.
2. Attendance is equivalent to course participation, not discreet participants, therefore individual employees may have participated in more than one program.

1. Lendlease was one of 609 (of 947 participating) organisations to get a perfect score <https://www.hrc.org/campaigns/corporate-equality-index>. Lendlease also scored 100 in the prior year.

Sustainability

Lendlease has a proud history of giving emphasis to environmental, social and economic outcomes. It is essential we continue to evolve our approach, to keep pace with global trends and integrate this thinking into our business strategy.

Our Approach to Sustainability

Lendlease is focused on delivering long term value as governments, investors and the private sector seek trusted partners who can deliver efficient, healthy and resilient outcomes that are financially, environmentally, culturally and socially inclusive.

We are building on our extensive sustainability expertise, consolidating our focus around two principal areas, namely environment and community, with continuous strong governance and oversight from the Lendlease Board Sustainability Committee.

Environment

Our goal is to mitigate the impacts of climate change and build resilience into the places we create. This includes minimising, and where possible, preventing pollution associated with our operations, and protecting biodiversity and ecosystems across the environments we work in. We are also rethinking our natural and manufactured resource use and reuse. Since FY14, we have continued to improve the energy and water efficiency of our operations. We are also reducing emissions intensity and improving waste reuse, recycling and reducing rates of landfill disposal.

Across our Development, Construction and Investments segments we are committed to reducing environmental impacts by integrating environmental management into our planning, design, procurement, delivery and operations.

We ensure appropriate actions are taken to report, investigate and remedy any environmental incidents or observations. As a developer, Lendlease is committed to the creation of independently rated green certified buildings and precincts and climate resilient communities.

A Selection of FY18 Awards

Australia	
APPF Commercial	Lendlease managed fund ranked 1st out of 850 respondents in 2017 under GRESB Becomes Australia's first 6 Star Green Star rated portfolio
Barangaroo South	Property Council of Australia – Development of the Year in Australia World First Core & Shell Platinum certification for International Towers Sydney – Towers 1, 2 and 3 World's largest WELL Interior Platinum certification for Lendlease's global headquarters
ICC Sydney Convention Centre	Property Council of Australia – Best Public Building Property Council of Australia – Best Tourism & Leisure Development
Sunshine Coast University Hospital	The largest healthcare building in Australia to achieve a 6 Star Green Star rating, signifying 'World Leadership' in environmentally sustainable building practices
Asia	
Investment Management	GRESB Number One Retail Non Listed Fund in Asia
Americas	
Lendlease Nashville Office	WELL Interior Silver Certification
Europe	
Residential	Gold Award Winner (1st) – Next Generation Residential Sustainability Benchmark 2017

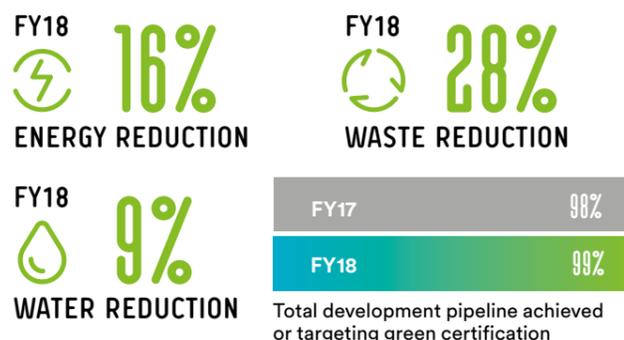
Community

Our goal is to address resilience by promoting social and economic wellbeing in the communities in which we operate. We are passionate about understanding and working inclusively with local people and communities to create places that are respectful of their needs. We strive to provide opportunities for people to thrive both in social and economic terms.

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

We are also investing in skilling and training programs for our people, subcontracted workforce, and the communities we work in.

20% reduction by 2020 (against FY14 baseline)



The above performance is at March 2018 and is a cumulative measure. Full FY18 performance is subject to Limited Assurance by KPMG and will be available on www.lendlease.com in October 2018. In FY18, we have updated our FY14 waste baseline due to additional project information becoming available. This has resulted in an increased performance for waste in FY18 relative to the previous baseline utilised.

In 1973 our founder, Dick Dusseldorp said

“Companies must start justifying their worth to society, with greater emphasis placed on environmental and social impact rather than straight economics.”

Lendlease has valued sustainability for more than 60 years

Our founder Dick Dusseldorp (pictured right) led the way in many reforms, from safety initiatives, to employee profit sharing, to establishing apprentice training programs. Here's a sample of some of our leading sustainability initiatives, from over the years.

In our formative years Dusseldorp introduced several initiatives to support employees, including employee profit sharing, superannuation and designated site safety committees.

During the 1980s he turned his focus to employee and industry skilling initiatives, establishing the ACTU Lend Lease Foundation to support skill building in young people and creating the Dusseldorp Skills Forum to skill the next generation.

In the 1990s Lendlease delivered the world's largest solar powered suburb, Newington, in Sydney. This site initially served as a part of the athletes' village for the Sydney 2000 Olympic Games. We also partnered with the UK Government to establish 'Job Centre Plus' to match job seekers with site roles during this decade.



Between 2000 – 2010



2011 – Present Day



Sustainability – Environment

We care about the environment and the importance of positive legacies for future generations.

We are continually measuring and setting new targets with the aim to improve the environmental performance of our projects and operations. From the resources required to develop and construct, to the operational efficiency of the buildings and infrastructure we deliver, we take active steps to mitigate the impacts of climate change.

Climate Change and Resilience

Building resilience in the places we create and investments we make is an integral part of Lendlease's strategy. We are committed to emissions reduction targets. We continue to assess and mitigate the impact of climate change in our design and construction processes, our investment decision making and management of our operations.

Lendlease is committed to an analysis of its climate change risks and opportunities, in accordance with the recommendations of the Taskforce for Climate Related Financial Disclosure, on which we will report progress in FY19. We continue to seek opportunities with our investors to align climate action with sustainable investment and achieved this with Clean Energy Finance Corporation's investment in Melbourne Quarter.

Lendlease and Clean Energy Finance Corporation



The Lendlease managed Australian Prime Property Fund Commercial (APPF Commercial) has assets worth an estimated \$4.5 billion. It is also the first Australian fund to be awarded a 6 Star Green Star Performance portfolio rating, and is the number one fund globally on the 2017 Global Real Estate Sustainability Benchmark (GRESB) Real Estate Assessment across all sectors and geographies. Lendlease's Investment Management business is targeting a 5.5 star National Australian Built Environment Rating System (NABERS) Energy average across the APPF Commercial portfolio by 2021, and net zero carbon emissions by 2025.

These industry leading commitments, together with APPF Commercial's investment into Melbourne Quarter's highly sustainable commercial office precinct, led to the Clean Energy Finance Corporation's (CEFC) \$100 million investment into the Fund. Melbourne Quarter is one of the largest mixed use urban regeneration developments in Melbourne and will include Melbourne's first Sky Park. The first commercial stage of the precinct, One Melbourne Quarter, will be completed in September 2018. Melbourne Quarter will feature one of the largest solar installations in Melbourne's CBD.

Resources and Our Supply Chain

We continue to drive efficiency in our operations, and value the importance of natural resources. We aim to reduce our overall consumption through smarter design, responsible sourcing and working with our valued supply chain partners. This year we report meaningful progress against our 20 per cent by 2020 reduction targets for energy, water and waste.

In FY18, we continued to implement energy and water efficiency measures across projects, operations and assets under management, working towards our 2020 targets. Business initiatives to increase live metering and monitoring across our Investments segment is driving transparency of asset performance.

We also improved diversion of waste from landfill. We remain focused on designing out waste in our Construction and Engineering businesses, and working with our supply chain partners to identify materials with more recycled content and less waste.



Melbourne Quarter, Melbourne
Artist impression as at 2018 (image subject to change and further design development and planning approval)

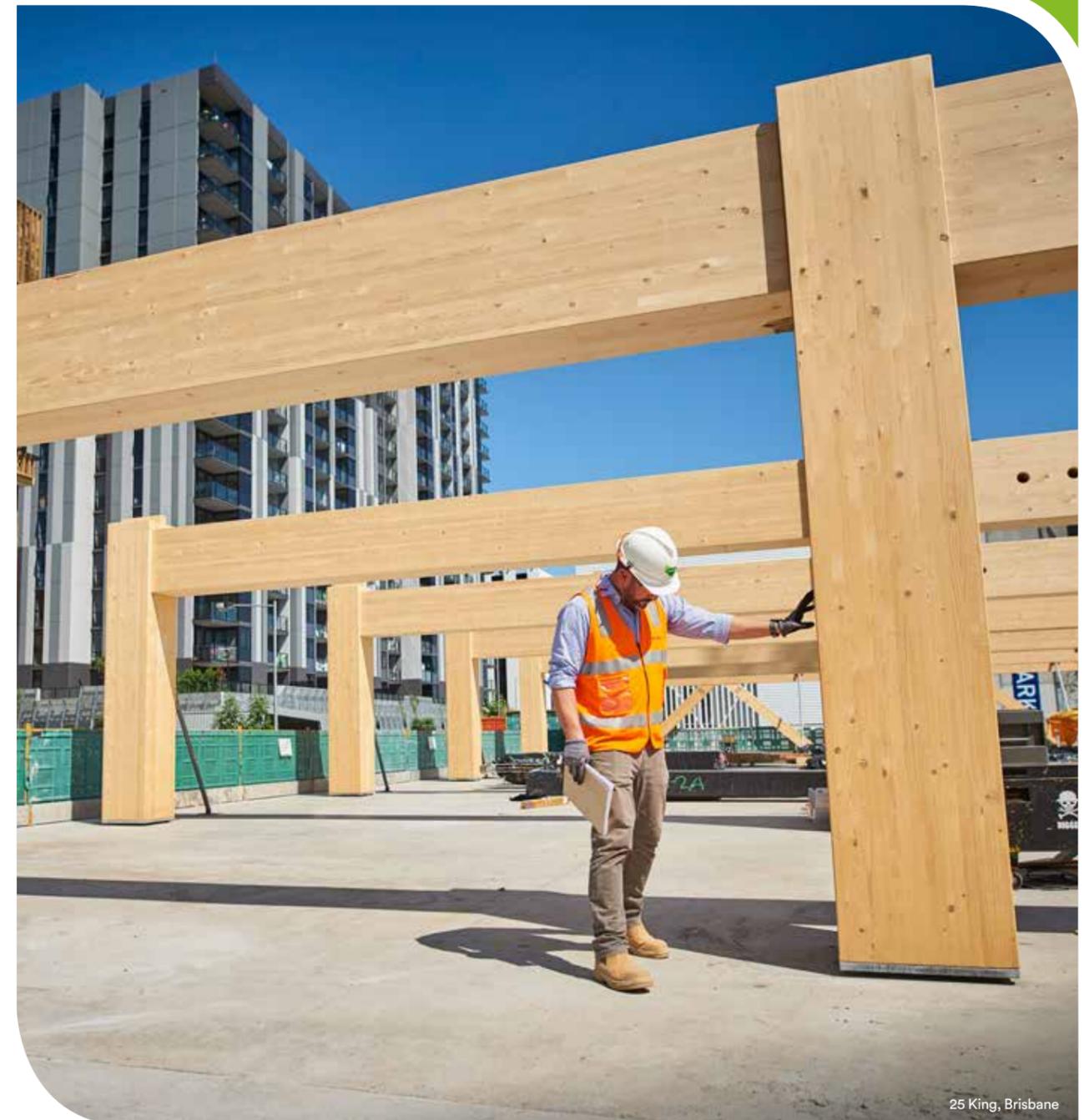
Cross Laminated Timber (CLT)



Lendlease began using engineered timber (CLT) in 2012. Timber naturally stores carbon, and the timber Lendlease uses comes from responsibly sourced certified plantations and uses less water during manufacture and installation than traditional construction. Timber buildings are 30 to 50 per cent lighter and 30 per cent quicker to construct, compared to concrete buildings. Research also indicates health benefits for those working in timber buildings, including decreased blood pressure and general improvements in wellbeing. Today, we are responsible for the development, design and construction of the largest number of buildings constructed from CLT and Glue Laminated Timber (Glulam) in Australia.

Our projects include:

- International House, Barangaroo – Australia's first engineered timber commercial office building.
- 25 King – The world's largest engineered timber office building and a first for Brisbane's commercial market.
- ANU Union Court – 450 bed student accommodation and teaching building, and a first for Canberra.
- The Candlewood Suites – Lendlease has delivered two hotels for the US Department of Defense's Privatized Army Lodging portfolio, on Fort Drum in Watertown, New York, and on Redstone Arsenal in Huntsville, Alabama.



25 King, Brisbane

Sustainability – Community

Our work in the built environment aims to leave a social legacy in creating jobs, building skills and supporting local and marginalised communities, while achieving positive environmental outcomes.

There are numerous programs and initiatives underway across Lendlease focused on supporting communities towards sustained prosperity and growth.

Reconciliation Action Plan

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

In 2016, our Reconciliation Action Plan (RAP) achieved 'Elevate' status, the highest level to be awarded by Reconciliation Australia. Lendlease first introduced a RAP in 2011. We are into the final year of our Elevate RAP, 'Building Respect: Past, Present, Future 2016 – 2018'.

While we will continue our RAP initiatives beyond 2018, in 2019 we will work with Reconciliation Australia to extensively review and measure our RAP progress before developing the next iteration of our RAP commitments.

Our RAP continues to 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 our projects and assets. Our Gosford Hospital Redevelopment team developed a partnership with the Darkinjung Local Aboriginal Land Council and the Aboriginal Employment Strategy to support local job creation through Lendlease and our subcontractors. Through relationships built on mutual respect and trust, we exceeded contractual Indigenous participation requirements on the project.

Our approach provides us with an opportunity to meet Australian Federal and State Governments' mandatory Indigenous employment, training and economic participation targets as part of their Indigenous Participation Policies, while also building capacity in the industry.

Our Elevate RAP status demonstrates our commitment to Indigenous cultural awareness, employment and procurement nationally.

The Gymea Program Brings RAP to Life

Increasing procurement activity through Aboriginal and Torres Strait Islander owned businesses is one of our Elevate RAP goals. In 2017, we launched the Gymea program, our Indigenous procurement program focused on developing partnerships with Indigenous owned businesses to drive economic and social outcomes. In our first year:

- Eleven Indigenous businesses signed strategic partnership agreements with Lendlease. This first group of suppliers reflects a diverse industry and geographical spread. By partnering with the selected suppliers, we are testing a new way of working, while supporting their growth.
- Over 50 Supply Nation certified and registered Indigenous businesses are engaged across our Australian businesses.

- Our spend with Supply Nation certified and registered Indigenous businesses has more than doubled in FY18 to \$68.3 million.
- An independently verified Social Return on Investment forecast¹ estimated that for every \$1 invested in the Gymea program, we will create \$2.90 in societal value. Much of the value generated will be through additional employment opportunities for Indigenous people in our supply chain.
- For the second consecutive year, Lendlease was announced as a finalist in Supply Nation's Supplier Diversity Awards for Corporate Member of the Year.



Northern Connector, Adelaide

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

Reconciliation Action Plan

BUILDING RESPECT: PAST, PRESENT, FUTURE
2016 – 2018



How we are taking action

Providing cultural awareness and engagement learning opportunities for Lendlease employees

5,400¹+

Lendlease employees in Australia have completed face to face or online cultural awareness learning

100+

Lendlease employees in Australia have engaged in cultural immersion opportunities on Country

FIRST

client of Arrilla Digital, an Indigenous cultural competency online learning program available to all Lendlease employees

Increasing the number of Aboriginal and Torres Strait Islander people directly employed by Lendlease

Approximately

2%

of Lendlease employees self identify as Indigenous Australians

90+

Indigenous university interns have been hosted by Lendlease through our partnership with CareerTrackers since 2011

5

formal partnerships with organisations that work to improve academic and employment outcomes for Indigenous students

Increasing procurement activity with Aboriginal and Torres Strait Islander businesses



The Gymea program is our national procurement strategy targeted at increasing procurement activity with Indigenous businesses

\$68.3 MILLION

spent in FY18 with registered and certified Indigenous businesses (compared to FY17 spend of \$26 million)

11

Indigenous businesses have signed strategic partnership agreements with Lendlease to create opportunities that enable them to grow

Our RAP has achieved 'Elevate' status, the highest level to be awarded by Reconciliation Australia, demonstrating our commitment to the participation of Aboriginal and Torres Strait Islander people and communities around Australia.

1. Since 2012.

Sustainability – Community

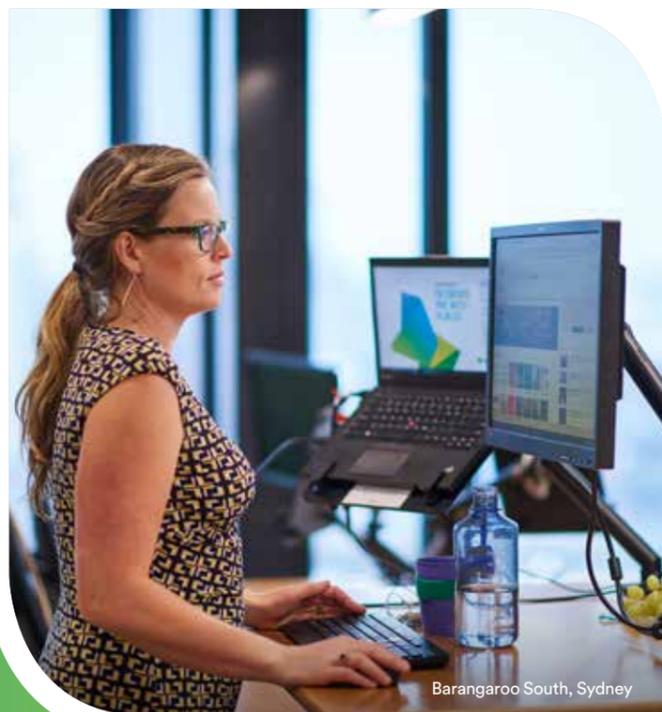
Improving the resilience of cities where we have a presence and empowering communities through skilling and training are key to our community focus.

Barangaroo is One of the World's Healthiest Workplaces



International Towers Sydney is the first commercial precinct in the world to be awarded WELL Certification for Core & Shell at the Platinum level. This is the highest certification available from the International WELL Building Institute under its WELL Building Standard. This standard is a performance based system for measuring, certifying and monitoring features of buildings that impact the health of people who interact with these structures.

Lendlease's global headquarters, Tower Three International Towers, has also achieved a Platinum rating for our office fit out. Ours is the first workplace to be awarded WELL Certification at the Platinum level in Australia, and the largest globally. This rating cements Barangaroo's status as one of the most sustainable precincts in the world.



Barangaroo South, Sydney

NorthHub Launches New Careers



When our Engineering business was tendering for the Northern Connector road project in Adelaide, the South Australian Government stipulated this major project needed to create jobs for locals. High unemployment rates in the northern Adelaide region was further impacted by the closure of the Holden automotive plant in 2017.

Upon winning this new 15.5 kilometre, six lane road project, Lendlease, in partnership with the Department of Planning, Transport & Infrastructure, launched NorthHub, an employment and training centre to connect jobseekers to employment opportunities. Former Holden employees are now employed on this project, including an office manager, an environmental officer and several construction workers.

Through NorthHub, we have provided employment and training opportunities to a range of target groups including displaced automotive workers, long term unemployed, women, Indigenous Australians, trainees and apprentices. Our goal was for 20 per cent of onsite hours to be delivered by these target groups, and we have already exceeded 35 per cent. We are proud to be helping locals establish sustainable careers in the construction industry.



Northern Connector, Adelaide

Paving the Way for Flexible Working



In 2016, parts of our construction operations in Australia commenced a cultural change journey to ensure our sites are an enjoyable and healthy place to work for all.

Restricted flexibility of work hours and practices and excessive hours were identified as key causes for industry wide issues including skills shortages and a lack of diversity.

Employee workshops across Australia identified three key steps towards achieving greater flexibility: ensuring healthy hours of work; pioneering the '5 in 7' work week; and promoting flexible work practices.

Initially, we set limits on total hours of work and weekend work. In July 2017, we began to bid all jobs on the basis of a '5 in 7' program (where all employees have two days rest in every seven).

More than half the business has adopted the 5 in 7 approach, and already observing positive changes in attraction, retention, performance and morale of site based employees.

Lendlease is leading an industry collaboration through the Australian Constructors Association to drive similar commitment to cultural change across all stakeholders in the industry.



Be Onsite



Lendlease supports employment initiatives in the communities we work in. Be Onsite traces back to the Bluewater project in the late 1990s, when Lendlease partnered with the UK Government's 'Job Centre Plus' to match local disadvantaged job seekers with employment opportunities on this project.

In 2008, Lendlease evolved this partnership into an independent not for profit. Over the last 10 years, Be Onsite has employed 616 people on Lendlease projects throughout the UK, with 238 of these roles on our Elephant Park project.



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Sustainability – Community

Lendlease Foundation

For more than 30 years, Lendlease Foundation has been a major vehicle for creating shared value by driving community engagement, employee wellbeing and development programs for Lendlease people, their families and the communities we interact with. Two of Lendlease Foundation's global programs, Community Day and Springboard, are helping to shape and steer our community agenda.

Community Day



This year, over 4,000 Lendlease employees around the world joined community volunteers supporting over 400 Community Day projects. This annual event, now in its 22nd year, allows employees to work alongside colleagues, community partners, families and suppliers.

Our projects ranged from renovating buildings for the homeless, to restoring green spaces and assisting children with special needs.

Springboard



Springboard is Lendlease Foundation's flagship global program. Each year, approximately 250 employees participate in this five day personal development experience. This program develops skills and resilience in dealing with change, developing confidence and growing self awareness. The interactive component of Springboard brings together members of the local community and employees to work on projects designed to leave a positive social legacy. Since FY15 we have partnered with the Tasman Peninsula community of Tasmania.

From FY19, the Lendlease Foundation will partner with the Great Barrier Reef Foundation to deliver on a range of community and environment focused sustainability outcomes, the cornerstone of which will be a new Springboard program.

Great Barrier Reef Foundation Partnership



In April, our Group Chief Executive Officer and Managing Director, Steve McCann joined His Royal Highness, The Prince of Wales, on Queensland's Lady Elliot Island, to announce a \$5 million, 10 year partnership between Lendlease and the Great Barrier Reef Foundation (GBRF).

This partnership will support a range of programs to protect and build resilience in the Great Barrier Reef, one of the seven wonders of the natural world. Where possible, the work we undertake with GBRF will further support our RAP goals. Among the existing partners and supporters of the GBRF, Lendlease is unique in its commitment to contribute employee skills and resources, in addition to financial contributions.



Lady Elliot Island, Great Barrier Reef



Community Day 2017



Springboard 2018

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Innovation

Innovation is simply change that adds value



60 Years of Bold Thinking

Our founder Dick Dusseldorp was a bold thinker who constantly innovated to create value for our customers. Over the past 60 years, we've embraced innovation to stay ahead of evolving markets.

Today innovation underpins our global strategy and is integral to our culture. We encourage diversity of thought, collaborate with external partners including universities and start ups to accelerate progress, and challenge industry norms to deliver purposeful innovation.

We recognise that our customers' success and our success are inherently connected and we always place our customers at the heart of our innovations.

Supporting Innovation Across Our Business

All employees have access to training, tools and resources to help bring their ideas to life. Innovators are supported through our 'innovation pathway' steered by our trained innovation guides.

Our innovators also have access to advisory forums, made up of internal and external entrepreneurs. Along with advice, these forums can also allocate seed funding to support experiments in our innovation labs.

Critical to our innovation approach is the equal focus we place on defining the need, conceiving and testing our ideas. Through frequent 'hackathon' events we generate ideas around our strategic priorities including safety, health and wellbeing, sustainability, the future of retail and housing affordability. 'Incubator' and 'accelerator' programs provide opportunities for our innovators to navigate ambiguity and grow their ideas into scalable and impactful innovations.



Island Palm Communities, Hawaii

Innovating to Create Safer Window Solutions



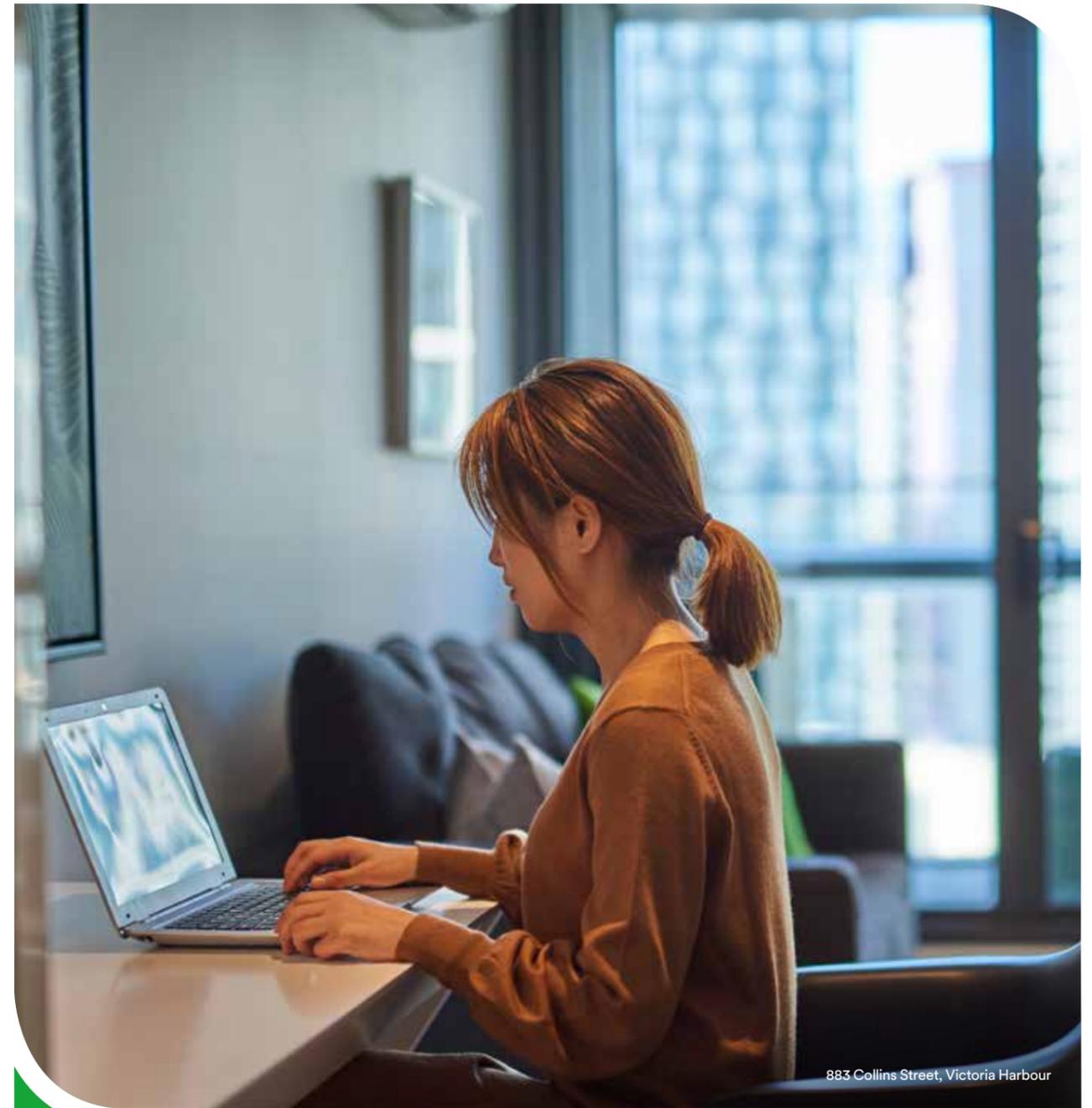
Every year, around 3,300 children sustain injuries as a result of falls from windows in the US.

We have tried several window limiting devices, but most failed because when access to a window is limited, emergency egress is compromised.

Using our innovation pathway, employees from our Nashville office and Fort Campbell Project Company collaborated with the local fire and police departments and window manufacturers. A screen allowing full window functionality and safe emergency access, while preventing falls, was designed.

Approximately 190 screens have been installed across 55 homes at Island Palm Communities (IPC) in Hawaii. At the successful completion of this pilot, IPC plans to install the screens across its portfolio over the next few years. Other military housing projects within the Lendlease portfolio are looking at ways to adopt this initiative. There are plans to install screens at all Lendlease military housing sites within the next five years.

What's most exciting is the potential for this innovation to make its mark beyond Lendlease.



883 Collins Street, Victoria Harbour

Online Sales Platform



In a world where people are increasingly conditioned to online transactions, we are starting to offer our customers greater choice around how they buy land and apartments from Lendlease. This is thanks to our new 'Online Sales' digital platform.

In Australia, Online Sales provides flexibility to customers who cannot attend a sales suite easily, or who prefer to shop online at a time that suits them. Our customers value the simplicity and speed of this tool, which is supported by our sales teams.

The creation of Online Sales was supported by our innovation pathway, developed in response to customer insights, and refined following user experience testing and experimentation.

Online Sales allows our customers to easily access property and pricing information, and pro forma contracts. Holding deposits can be paid online using a credit card, and in the rare occurrence of the customer changing their mind during the cooling off period, our Online Sales platform can refund deposits.

This platform was recently used to support sales of land lots at the Atherstone community, and will soon be rolled out across our Communities and Apartments businesses in Australia.

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04

RISK



Risk Governance and Management

Lendlease has a multi layered approach to identifying, managing and mitigating external, corporate and operational risk to support our five pillars of value.

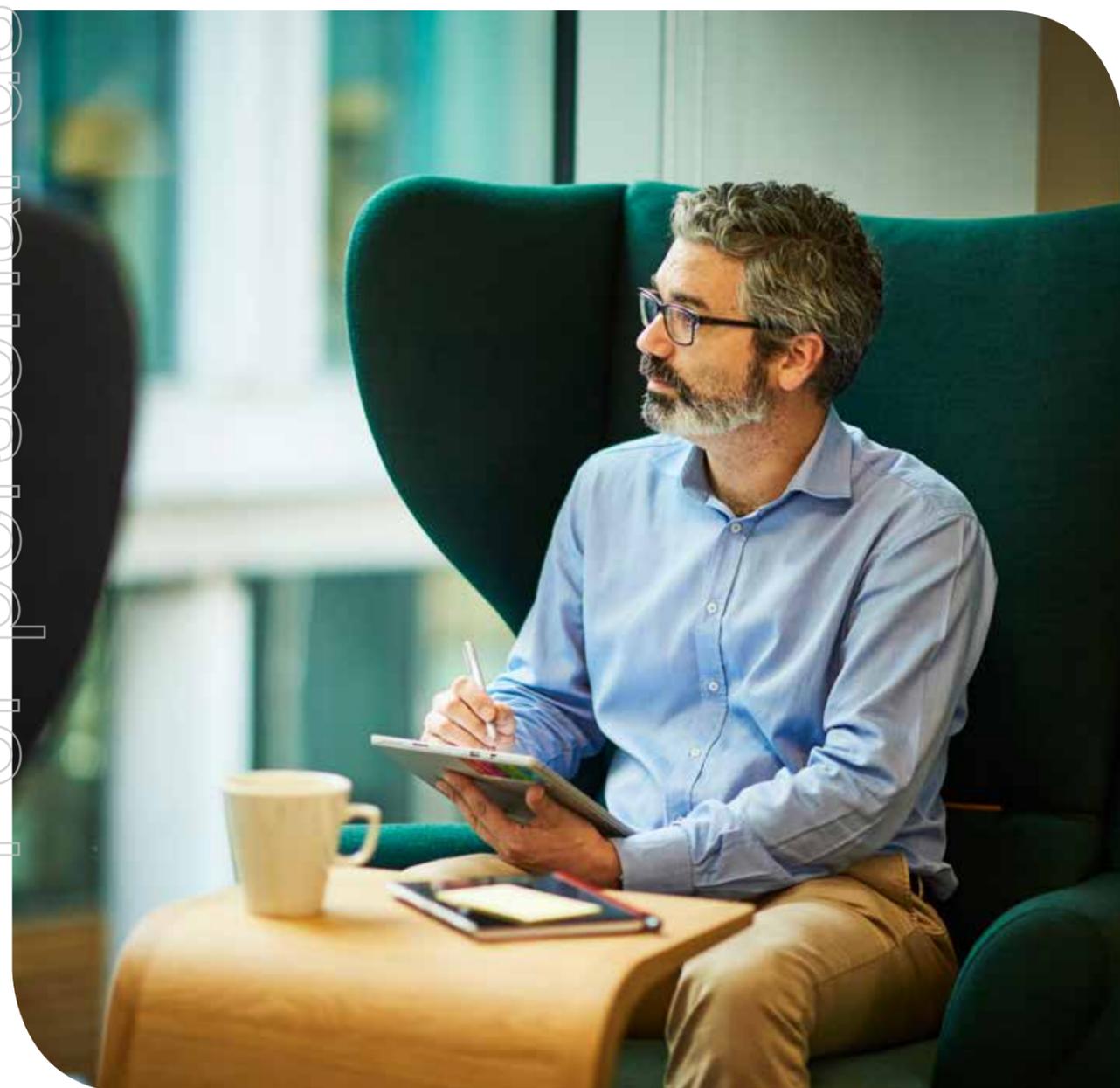
The Lendlease risk management approach recognises the nature and level of risk we are willing to accept to achieve our strategic goals and key performance targets to create securityholder value.

Our approach to risk management is focused on:

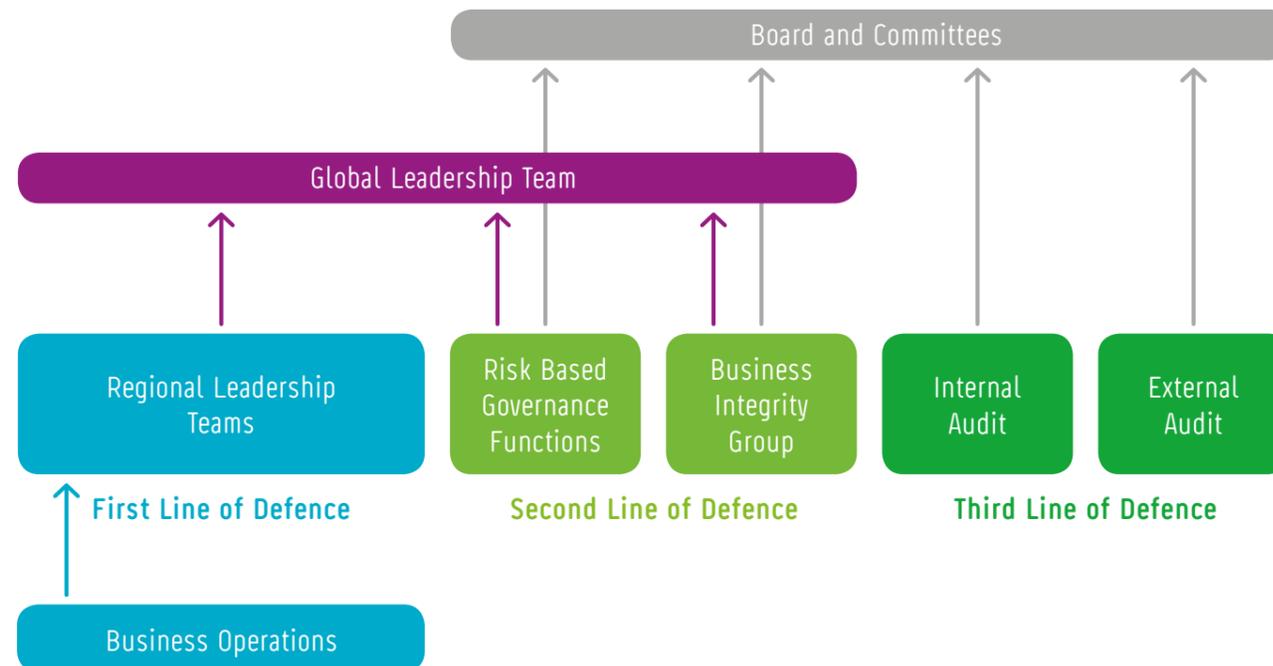
- Aligning Board and management to drive informed and consistent decision making;
- Achieving effective and efficient allocation of capital and resources;

- Providing an understanding of risk limits;
- Providing context for identifying, reporting and managing risks; and
- Creating a culture of risk awareness and accountability.

Risk awareness, governance and improvement underpin our approach, which has evolved with the business and external market.



Three Lines of Defence



First Line of Defence – Responsibilities



Underlying business units are the first line of defence responsible for identifying, managing, and owning their risks. These business units have the appropriate tools and interaction with the various Group functions to execute business responsibilities effectively.

Second Line of Defence – Assurance Measures



Group functions involved in the second line of defence include corporate risk and insurance, operational assurance and performance, safety, legal, information technology, sustainability, people and culture and finance. Function specific policies outline the assurance measures to enable each business to identify and manage risks appropriately.

Third Line of Defence – Independent Processes



Internal and external audit make up the third line of defence, acting independently from the first and second lines of defence and reporting directly to the Board and Risk Management and Audit Committee.

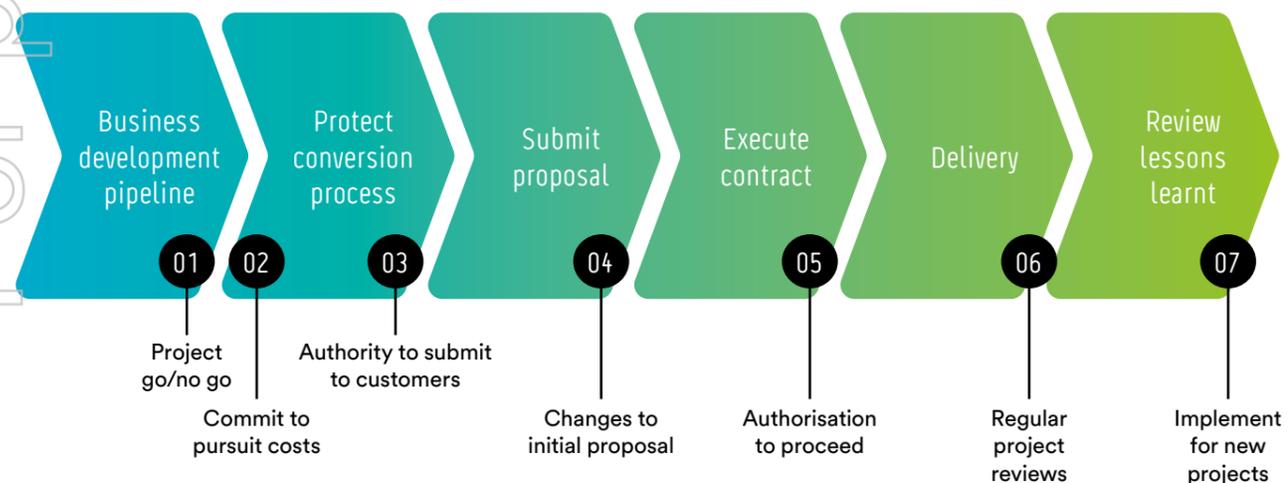
Accountability and responsibility for risk governance and management is held at various levels across the business including the Board and Board Committees, Group leadership, regional leadership, business operations and specialist functions such as corporate risk and insurance, operational assurance and performance, and internal audit.

Risk Management Approach

Structure	
Board Risk Management and 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 potential projects/commitments.
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 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 operations, the conversion and delivery of projects is governed by a number of gates utilising proprietary and in house developed systems.



Business unit milestone reviews/health checks and portfolio reviews during delivery



Key Risks and Mitigation

	Description	Mitigation	Pillars of Value
Health, Safety and Wellbeing	Failure to provide an environment which promotes health, safety and wellbeing impacting our ability to achieve our corporate and social responsibilities	We are committed to the health, safety and wellbeing of our people. Through our Global Minimum Requirements (GMRs), which include both physical safety and health and wellbeing, we empower our people to operate in a consistent standard across all our operations.	 
Disruption	Responsiveness to disruption, including digital disruption as well as other new methods and materials emerging in the investment, development and construction sectors	With the increasing dependence on technology, our strategic intent aims to turn disruption into an opportunity by creating a culture that fosters innovation and focuses on adopting leading edge technologies, to deliver innovative solutions, and generate a competitive point of difference.	 
Commercial	Commercial performance fails to meet our corporate objectives	Our capital deployment guidelines mitigate risk and improve performance. Quarterly business reviews assess business operations against approved strategy to drive consistent, focused and risk assessed investment decisions.	 
Execution	Failure to execute strategy or projects affect our ability to meet our corporate objectives	Our risk management approach and use of stage gates across our property and construction operations, which is articulated earlier in this section, contributes to the mitigation of execution risk. To inform our investment decisions, we use internal research to develop a house view of property cycles in every region and the strength of our gateway cities.	 
Geopolitical	Global and local events or shifts in government policy occurs in the regions in which we operate, adversely impacting our ability to achieve strategic objectives. Failure to adequately understand government's mandate, expectations and performance standards	We are committed to growing our business in sectors that are supported by positive global trends. We are sensitive to geopolitical shifts and concentration risk and coordinate our approach to government in all regions to mitigate against sovereign risk.	 
Regulatory and Counterparty	<ul style="list-style-type: none"> Non compliance with regulatory and policy requirements by Lendlease, or our clients/suppliers Client, investor, or supply chain ethics fail to meet Lendlease standards Failure to adequately select, govern, and drive value from counterparties Failure to comply with government regulations impacts our ability to access government opportunities 	To further improve our culture of compliance, we focus on aligning business priorities with the necessary compliance and assurance measures. We are focused on maintaining an ethical supply chain to ameliorate the risk of material substitution and modern slavery. We have an appetite for relationships with parties who are aligned with our values.	   
Corporate Culture	Failure to create and maintain culture which supports Lendlease's core behaviours, principles and values to drive disciplined strategy execution	Our values drive our approach to business and delivery of long term value. We empower our people to make business decisions that are aligned to our core values and behaviours, principles, and pillars of value. To provide a 'voice of risk', we have separate reporting routes outside those who can influence risk issues through optimism bias.	    
Cyber/Data Governance/Asset Protection	Failure of cyber resilience and defence systems. Leakage, misappropriation or unauthorised storage of data. Unauthorised control of systems and physical asset infrastructure (i.e. lifts, security, air conditioning)	Physical and data security continue to be key focus areas globally. We invest in preventative technology and education of employees to achieve a sustainable security culture.	  
Customer	Loss of existing client (including government) relationships, or inability to tailor services to future clients' needs, impacting Lendlease's financial objectives	Bid leadership training of key employees reinforces understanding of customers' requirements. Recurrent client survey feedback informs our business strategy. A single platform assists in customer data security and aligns customer service across all regions.	 
Non Scalable Growth	<ul style="list-style-type: none"> People: Inability to attract, retain, and upskill key talent necessary to deliver strategic objectives Process: Lack of scalable processes to support predictable growth 	To deliver the desired level of performance, we continue to invest in growing our core capabilities through active talent management and targeted professional employee development to attract, retain and grow the best people. Our processes are designed to be consistent, scalable and effective.	 
Corporate and Environmental Sustainability	Failure to comply with regulatory, societal and investor expectations of corporate and environmental sustainability such as climate change and social responsibility	We are committed to creating the best places and optimising our corporate and environmental sustainability performance (including climate change and social responsibility) through our Sustainability Framework and integrating sustainability considerations into our business strategies. We continually increase engagement through training programs to promote sustainable behaviours in the organisation globally. We have endorsed the TCFD recommendations on climate change and have begun reporting Lendlease's resilience to the changes in both policies and the physical environment.	  
Business Continuity	Failure to properly plan for and/or appropriately respond to events which may disrupt Lendlease's business	To achieve organisational resilience, we are committed to operating in a way that supports our business being able to respond to threats and disasters without affecting our core business operations. We continue to invest in learning and development of our people to better prepare them in the event of disruption through training programs and various threat scenario simulations to stress test the plan.	  

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05

PERFORMANCE AND OUTLOOK

lendlease



432 Park Avenue, New York

Group Highlights

The Group delivered a solid result for securityholders for the year ended 30 June 2018 with Profit after Tax of \$792.8 million, up five per cent on the prior year.

Earnings per Security was 136.1 cents, up five per cent on the prior year with a Return on Equity of 12.7 per cent. The distribution per security of 69.0 cents was up five per cent on the prior year.

Group EBITDA of \$1,244.8 million was up four per cent. Outperformance in the Development and Investments segments offset underperformance in the Construction segment.

Strong residential and commercial development contributions in Australia and Europe underpinned the Development segment result. Apartment for sale buildings were completed across urbanisation projects in four cities and a new investment partnership was formed in the residential for rent sector in London. Four major office building developments commenced delivery in the year and the Australian master planned communities portfolio performed well.

An increase in recurring earnings and strong gains in underlying investment asset values underpinned the outperformance in the Investments segment. Key highlights included the performance of our investments in Barangaroo South and the US Military Housing portfolio.

The underperformance in the Construction segment related to a small number of Engineering projects in Australia. Operations across the Building businesses in each of the regions remained solid in the year.

Group Services costs at the EBITDA level of \$140.1 million were down nine per cent on the prior year as we continued to focus on prudent expense management. Depreciation and amortisation of \$106.6 million was up nine per cent on the prior year, reflecting

investment in technology and systems across the platform in recent years, and additional equipment related to increased engineering activity.

Net finance costs of \$72.0 million were down 25 per cent on the prior year primarily due to lower average net debt and non interest finance costs. Net debt ended the year at \$1.2 billion, with the average cost of debt broadly flat on the prior year at 4.8 per cent.

The effective tax rate of 25.6 per cent was up 90 basis points on the prior year, reflecting the changing earnings mix by both geography and segment.

Net operating and investing cash flows were \$294.6 million for the year. Cash inflows included the proceeds from the part sale of the Retirement Living business in Australia, apartment settlements and commercial development receipts. The Group continued to invest in the development pipeline during the year, most notably across international urbanisation projects.

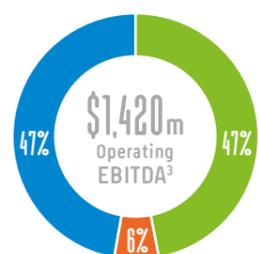
Maintaining an optimal capital structure, a core element of the Portfolio Management Framework, is critical in maximising securityholder value. As part of a disciplined approach to managing capital, the Board approved an on market buyback of up to \$500.0 million.

The buyback commenced on 13 March 2018, with 9.7 million securities representing \$178.0 million acquired on market by 30 June 2018.

Key Financials

FINANCIAL		FY17	FY18	Percentage Movement
Key Metrics				
Revenue ¹	\$m	16,671.0	16,572.1	(1%)
EBITDA	\$m	1,201.8	1,244.8	4%
Profit after Tax	\$m	758.6	792.8	5%
Operating and Investing Cash Flow	\$m	216.1	294.6	36%
Net Assets	\$m	6,166.5	6,414.2	4%
Net Debt	\$m	912.8	1,181.8	29%
Effective Tax Rate ²	%	24.7	25.6	4%
Key Returns				
Earnings per Security	cents	130.1	136.1	5%
Distribution per Security	cents	66.0	69.0	5%
Weighted avg Securities	no.(m)	583.0	582.5	-

EBITDA Mix



■ Development ■ Construction ■ Investments

Profit after Tax



Return on Equity



Earnings per Security



PORTFOLIO MANAGEMENT FRAMEWORK

The Portfolio Management Framework 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, maintain an investment grade credit rating and the capacity to both absorb and respond to market volatility.

As a part of this framework, the Group has set target ranges on a number of key metrics, which are set out below.

Return on Equity was towards the upper end of the target range and the dividend payout ratio was at the mid-point of the target range. The upper end of the target gearing range was raised to realign gearing with leverage metrics following the change in accounting treatment of the Retirement Living business in Australia.

The Development and Investments segments delivered returns above their respective target ranges, while the Construction segment generated an EBITDA margin below its target range.

The segment invested capital mix is weighted towards the Development segment, reflecting the significant amount of development activity that has been undertaken.

In line with strategy, the capital weighting to Australia declined by 11 percentage points. This reflects the investment that has been made in the international development pipeline.

The balance sheet remains resilient. Gearing of 8.2 per cent, cash and cash equivalents, of \$1.2 billion and total liquidity of \$3.0 billion provides capacity to complete the on market buyback while continuing to fund the pipeline and pursue new growth opportunities.

CAPITAL FRAMEWORK	Target	FY17	FY18
Group Metrics			
Return on Equity	10-14%	12.9%	12.7%
Dividend payout ratio	40-60%	51%	50%
Gearing	10-20%	5.0%	8.2%
EBITDA Mix			
Development	35-45%	40%	47%
Construction	20-30%	24%	6%
Investments	30-40%	36%	47%
Segment Returns			
Development	9-12% ROIC ^{1,2}	13.7%	13.4%
Construction	3-4% EBITDA	2.7%	0.6%
Investments	8-11% ROIC ^{1,2}	11.7%	15.5%
Segment Invested Capital Mix			
Development	40-60%	48%	57%
Investments	40-60%	52%	43%
Regional Invested Capital Mix			
Australia	50-70%	70%	59%
Asia	5-20%	10%	12%
Europe	5-20%	12%	16%
Americas	5-20%	8%	13%

1. Through-cycle target based on 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.

3. Remaining estimated development end value.

GROUP OUTLOOK

Earnings visibility remains high with a growing pipeline across all three operating segments.

The development pipeline grew by 44 per cent on the prior year to \$71.1 billion. This includes \$55.9 billion of urbanisation projects following the addition of four major European projects in the year. We expect the urbanisation projects in our targeted international gateway cities to account for a larger proportion of earnings over coming years.

Construction backlog revenue rose by two per cent on the prior year to \$21.1 billion, with approximately \$12 billion of preferred work at balance date. The immediate focus will remain on improving the performance of the Australian Engineering business, which secured a number of projects over the year.

Funds under management rose by 15 per cent on the prior year to \$30.1 billion. The development pipeline, including new sectors across the residential for rent and telecommunications infrastructure markets, supports future growth potential. Together with investment positions of \$3.4 billion, the Investments segment is well placed to continue to deliver a solid base of recurring earnings.

Operational excellence across our platform remains a priority. This will be pursued through a rigorous approach to risk management, an unwavering commitment to health, safety and sustainability, and a disciplined approach to origination.

The Group is well placed for future success with integrated capabilities across property and infrastructure providing a sustainable competitive advantage. Diversification by geography and sector is designed to provide resilience to the business model and optimise risk adjusted returns.

Development Pipeline³

\$71.1 BILLION

Construction Backlog

\$21.1 BILLION

Funds Under Management

\$30.1 BILLION

1. Includes finance revenue.

2. Lendlease's approach to tax and primary drivers of the effective tax rate are outlined in the 2018 Tax Report (<http://www.lendlease.com/investor-centre/taxation>). Details on tax balances are included within the Consolidated Financial Statements.

3. Excludes Corporate.

Development Performance

The Development segment delivered EBITDA of \$673.2 million, up 22 per cent. The segment accounted for 47 per cent of Group operating EBITDA. Invested capital rose by \$1.3 billion to \$4.3 billion and Return on Invested Capital was 13.4 per cent, above the target range. The result was driven by strong performance in Australia with 11 per cent growth in EBITDA to \$551.3 million. Europe also delivered a strong contribution with EBITDA of \$110.4 million, up substantially from \$68.3 million.

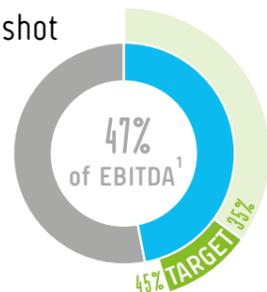
There were 1,314 apartment for sale completions in the year. Apartment units completed at projects in Sydney, Melbourne, Brisbane and London.

A new investment partnership focusing on the residential for rent sector in London was formed with the Canada Pension Plan Investment Board (CPPIB). The first project will deliver 663 units across two buildings at Elephant Park in London.

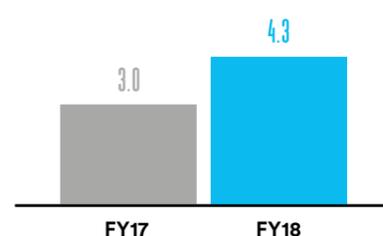
Commercial development was a key contributor to the result, with profit recognised on four office developments following tenant and capital support. In Australia approximately 90,000 sqm of space was commenced across Two Melbourne Quarter, the University of Melbourne Innovation Precinct and Daramu House at Barangaroo South. These buildings have been forward sold to capital

partners and are expected to add over \$1.0 billion to funds under management upon completion. The 26,000 sqm office building at International Quarter London was also forward sold during the year. The European region made significant progress in origination, securing four major urbanisation projects. In London, High Road West, Euston Station and Silvertown Quays were secured. We also secured the Milano Santa Giulia project in Milan. These projects have added a combined \$21.9 billion to the development pipeline. Asia and the Americas were focused on the delivery of their respective pipelines, with major development completions in both regions expected in FY19. Development management fees across our two major urbanisation projects in Asia were the key contributor in the region. In the Americas, progress was made on upscaling the 30 Van Ness project in San Francisco. We also continued to deliver on our telecommunications tower pipeline in the region, which was further enhanced through the formation of a joint venture with SoftBank. Land lot completions across the Australian master planned communities portfolio rose by 28 per cent on the prior year to 3,912 lots at the upper end of the 3,000 to 4,000 target range. Key projects that contributed to the strong result included Springfield Lakes in Queensland and Jordan Springs in New South Wales.

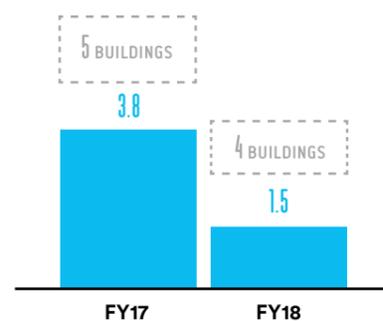
Segment Snapshot



Invested Capital² (\$b)

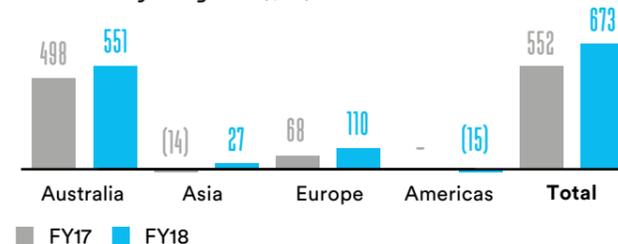


Commercial Commencements (\$b)

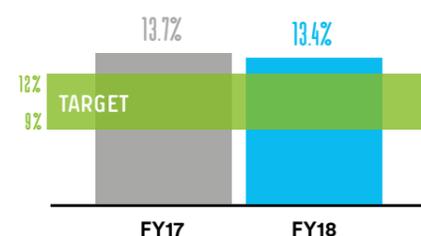


■ Development End Value³

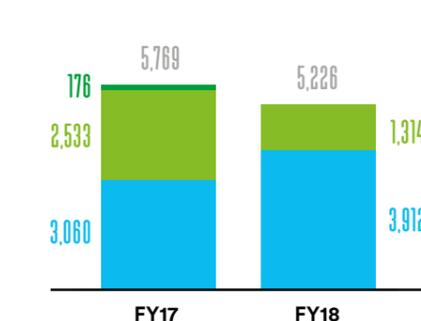
EBITDA by Region (\$m)



Return on Invested Capital



Residential Completions (Units)



■ Communities ■ Apartments ■ Retirement⁴

1. The proportion of EBITDA from Operating Businesses.
2. Securityholder equity plus net debt.
3. Total estimated development end value.

4. Retirement completions exclude resales, Development activity only. Operational and financial metrics for the Australian Retirement Living business have been included in the Investments segment following the Retirement Living transaction.

Development Outlook

The development pipeline which grew to \$71.1 billion, a rise of 44 per cent on the prior year, continues to provide significant earnings visibility. The pipeline comprises \$55.9 billion of urbanisation projects, \$15.1 billion of communities projects and telecommunications infrastructure.

The strong growth in the pipeline was driven by the four newly secured European projects that added a combined \$21.9 billion to the pipeline. Together with progress made on upscaling the 30 Van Ness project in San Francisco, we now have 18 major urbanisation projects across 10 gateway cities.

The Group has 13 major commercial buildings in delivery across 486,000 sqm with a total estimated end value of \$8.3 billion. We have 3,070 presold apartments for sale in delivery and 1,513 apartments for rent in delivery with a combined total estimated end value of \$4.5 billion.

In addition, the Group has a further estimated \$44.4 billion of secured urbanisation pipeline representing an estimated 25,917 apartment units and 1,516,000 sqm of commercial space. These projects are typically held in capital efficient structures,

providing the Group with flexibility around delivery and timing, in line with market cycles.

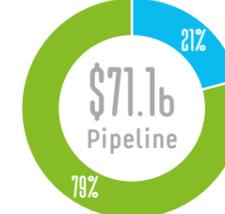
The pipeline supports our target of delivering 1,000 to 2,000 apartment units per annum and commencing two to three commercial buildings per annum.

The origination focus in recent years has centred on our international operations with the year dominated by new projects secured in Europe. The majority of the urbanisation pipeline is now exposed to international gateway cities. We expect this to result in a greater contribution from these international cities over coming years.

The Communities pipeline consists of an estimated 52,333 lots. With an annual target of 3,000 to 4,000 completions, more than a decade of supply has already been secured.

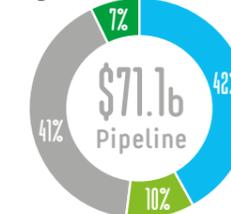
The development pipeline provides long term earnings visibility and the flexibility to be both disciplined and patient with the pursuit of future opportunities. Diversification by geography and sector is expected to provide resilience through market cycles.

Pipeline¹ by Product



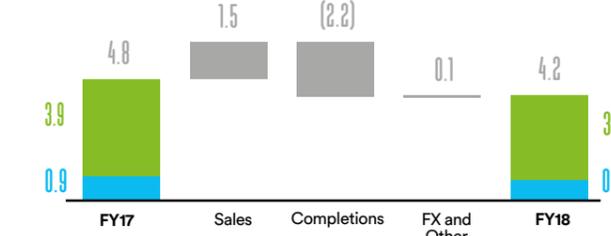
■ Communities² ■ Urbanisation

Pipeline¹ by Region



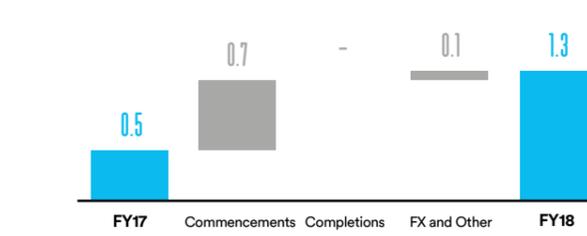
■ Australia ■ Asia ■ Europe ■ Americas

Movement in Presales – Residential for Sale (\$b)



■ Communities ■ Apartments for Sale

Residential for Rent in Delivery³ (\$b)



■ Apartments for Rent

Commercial Buildings Completion Profile

Project	Capital Model	sqm '000 ⁴	Building	Expected Building Completion			
				FY19	FY20	FY21	FY22
Victoria Harbour, Melbourne	Fund through ⁵	39	839 Collins Street	●			
Melbourne Quarter	Fund through ⁵	26	One Melbourne Quarter	●			
	Fund through ⁵	50	Two Melbourne Quarter			●	
Brisbane Showgrounds	Fund through ⁵	15	25 King	●			
Barangaroo South, Sydney	Fund through ⁵	11	Daramu House		●		
University of Melbourne Innovation Precinct	BOOT ⁶	27	Innovation Precinct			●	
Circular Quay Tower, Sydney	Joint venture	55	Commercial				●
Paya Lebar Quarter, Singapore	Joint venture	84	Commercial (3 buildings)	●			
The Lifestyle Quarter, Kuala Lumpur	Joint venture	29	Retail			●	
International Quarter London	Fund through ⁵	26	Commercial building		●		

1. Remaining estimated development end value.
2. Excludes Australian Retirement pipeline which is now included in the Investments segment following the Retirement Living transaction.
3. Total estimated development end value.

4. Floor space measured as Net Lettable Area.
5. A funding model structured through a forward sale to a capital partner resulting in staged payments prior to building completion.
6. Build, Own, Operate, Transfer.

Development Pipeline

Urbanisation Pipeline¹ Profile

Apartments

23 major apartment buildings² in delivery across 3,070 presold units and 1,513 units for rent, expected completion FY19 to FY21

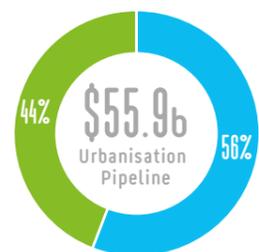


Commercial

13 major buildings⁵ in delivery, with expected completion FY19 to FY22

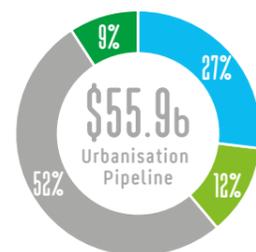


Urbanisation Pipeline¹ by Product



■ Apartments ■ Commercial

Urbanisation Pipeline¹ by Region



■ Australia ■ Asia ■ Europe ■ Americas

Communities Pipeline^{1,7} Profile



1. Remaining estimated development end value.
2. Refer to Apartments Completion Profile on page 77 for a breakdown of the major buildings.
3. Presales balance on major buildings in delivery only.
4. Total estimated development end value of c.\$1.3 billion, with c.\$0.2 billion realised to date.
5. Refer to Commercial Buildings Completion Profile on page 75 for a breakdown of the major buildings.
6. Total estimated development end value of c.\$8.3 billion, with c.\$1.1 billion realised to date.
7. Excludes Australian retirement development units. Includes built form units to be sold with land lots and Asian retirement development units.

Apartments Completion Profile

Apartments for Sale

Project	Building	Total Units	Ownership (%)	Presold (%)	Presales ¹ (\$b)	Delivery ²		
						FY19	FY20	FY21
Darling Square, Sydney	Darling North, Harbour Place and Trinity House	577	100%	100%	0.8	●		
	Darling Rise, Barker House and Arena	390	100%	100%	0.5	●		
Victoria Harbour, Melbourne	Collins Wharf 1	321	100%	89%	0.3	●		
Melbourne Quarter, Melbourne	East Tower	719	50%	76%	0.4	●	●	
Paya Lebar Quarter, Singapore	Residential (3 Buildings)	429	30%	90%	0.5	●	●	
Wandsworth, London	Victoria Drive (remaining sections)	68	50%	10%	-	●		
Elephant Park, London	West Grove (Buildings 1 and 2) (remaining sections)	534	100%	82%	0.4	●	●	
	East Grove and Park Central North ³	166	100%	100%	0.1	●	●	●
Deptford, London	Cedarwood Square	203	100%	85%	0.1	●	●	
Fifth Avenue, New York	277 Fifth Avenue	130	40%	- ⁴	- ⁴	●		
Clippership Wharf, Boston	Building 3	80	100%	100%	0.1	●		

● Indicates expected building completion date during the year

Apartments for Rent

Project	Building	Total Units	Ownership (%)	Delivery ²		
				FY19	FY20	FY21
Elephant Park, London	East Grove and Park Central North	663	20% ⁵	●	●	●
Southbank (formerly Riverline), Chicago	Cooper at Southbank (formerly Riverline D)	452	100% ⁶	●		
Clippership Wharf, Boston	Buildings 1, 2 and 4	398	100%	●	●	

● Indicates expected building completion date during the year

1. Closing presales balance as at 30 June 2018.
2. Based on expected completion date of underlying buildings, subject to change in delivery program. Not indicative of profit recognition.
3. Affordable housing units presold within apartment for rent buildings.
4. Project information subject to joint venture confidentiality.
5. 20% stake in Lendlease Residential Investment Partnership which will own the completed residential for rent product.
6. Following dissolution of the Riverline joint venture, ownership has increased to 100%.

Construction Performance

The Construction segment delivered an EBITDA of \$78.2 million, compared to \$338.3 million in the prior year. The segment accounted for six per cent of Group operating EBITDA. The performance of the Building businesses in each region was solid, with the result impacted by the underperformance of the Australian Engineering business. As a result, the global EBITDA margin of 0.6 per cent was well below the target range of three to four per cent.

Australian Construction delivered an EBITDA loss of \$23.1 million, impacted by weak performance in the Engineering business. Revenue of \$7.0 billion was up nine per cent on the prior year as activity levels remained resilient. The Building portfolio performed strongly with more than \$3.7 billion of work delivered.

There were performance issues across a small number of Engineering projects. The result recognised the impact of expected losses on these projects, including the reversal of previously booked profit. These projects are not expected to contribute to margin for their remaining life and will therefore impact the overall construction margin until they complete.

The Services business in Australia had a solid year, underpinned by the telecommunications and transport sectors. However, an adverse settlement outcome relating to a dispute on a legacy project that was completed in 2014 had a negative impact on EBITDA.

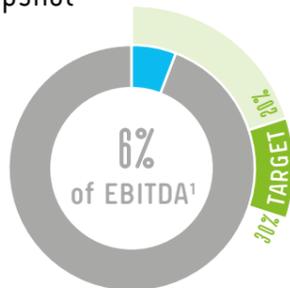
The Australian region enjoyed strong pipeline success in the year. New work secured in Engineering reached \$3.5 billion compared with \$1.0 billion in the prior year with several large transport projects secured, including the Melbourne Metro Tunnel and the Ballarat Line Upgrade. In Building, there was further success in securing projects in the Defence sector and a number of commercial projects including 130 Lonsdale Street, Melbourne.

The EBITDA margin from the Americas normalised in the year, compared with performance upside on several projects that completed in the prior year. While it was a slower year for converting new projects, there was \$3.6 billion of new work secured.

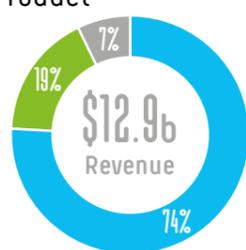
Europe delivered a solid outcome against the backdrop of a softer operating environment reflective of challenging market conditions. EBITDA was supported by some high margin projects during the year. The internal pipeline was the largest source of new work secured.

Asia continues to focus on the delivery of the internal development pipeline. The improved margin outcome was supported by ongoing construction on The Lifestyle Quarter project in Kuala Lumpur.

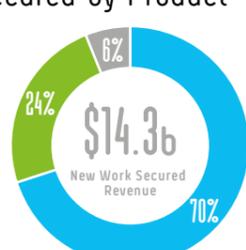
Segment Snapshot



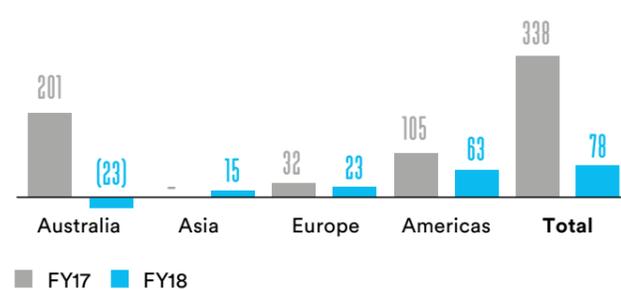
Revenue by Product



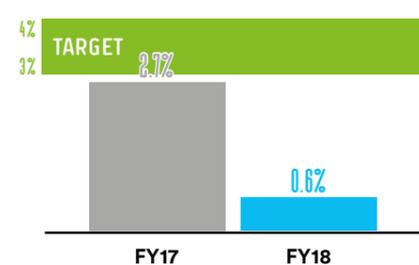
New Work Secured by Product



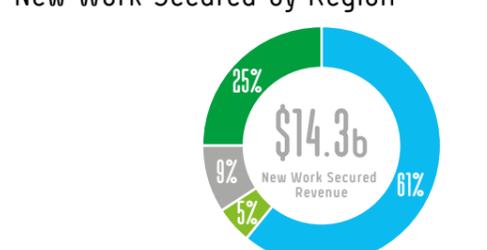
EBITDA by Region (\$m)



EBITDA Margin



New Work Secured by Region



Construction Outlook

The outlook for the Construction segment is solid with backlog revenue of \$21.1 billion, up two per cent on the prior year. New work secured of \$14.3 billion was up eight per cent on the prior year and above revenue realised of \$12.9 billion.

The backlog position is well diversified across multiple geographies, sectors and clients. The workbook is spread across six major sectors, with the largest exposure to transport and residential. The global business has significant diversification by client, with government work accounting for approximately half of the major project¹ backlog.

The Engineering business in Australia remains a key element in the Group's strategy. The anticipated higher level of activity in the transport sector is materialising in key project wins. Significant investment has been made in the business, including origination investment to grow the business to scale and additional resources to deliver the greater volume of work. Near term profitability will be impacted by this investment and the completion of underperforming projects.

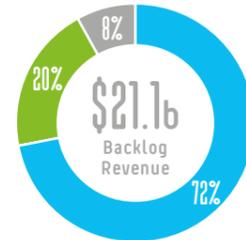
The Building businesses across each region have a combined backlog of \$15.2 billion. Australia has a significant pipeline of work with \$6.5 billion in backlog. Key projects include a number of Defence contracts and major projects including the Crown Sydney

Hotel Resort, 130 Lonsdale Street in Melbourne, 60 Martin Place in Sydney, Western Sydney Stadium and the Joan Kirner Women's and Children's Hospital in Melbourne.

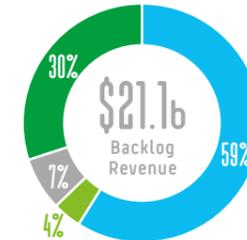
In the Americas, the established Construction business has a strong market share in its target cities and sectors. The now extensive development pipeline in Europe will provide a significant amount of future construction backlog, while the Asian business will continue to focus predominantly on the internal development pipeline.

Beyond the current backlog position, there is approximately \$12 billion of additional work in preferred bidder status. The business is well placed to convert a significant proportion of this preferred work into backlog revenue over coming periods.

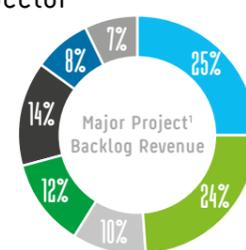
Backlog by Product



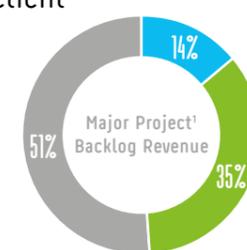
Backlog by Region



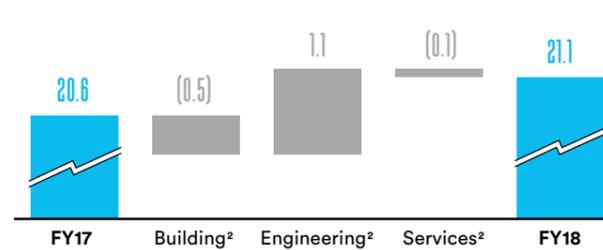
Backlog by Sector



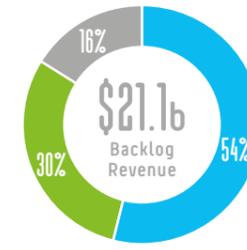
Backlog by Client



Backlog Revenue Movement by Product (\$b)



Backlog Realisation



1. The proportion of EBITDA from Operating Businesses.

1. Includes all Construction projects greater than \$100 million, which represents 80 per cent (\$16.8 billion) of secured backlog.
2. Includes the impact of movement in foreign exchange rates, where applicable.

Investments Performance

The Investments segment delivered EBITDA of \$668.9 million, up 35 per cent. The segment accounted for 47 per cent of Group operating EBITDA. The result was supported by an increase in recurring earnings and strong gains in underlying investment asset values. This boosted the Return on Invested Capital to 15.5 per cent, well above the target range.

The Group made significant progress on its capital partner strategy with three new office developments in Australia receiving support from capital partners. These buildings will add to the growth of the investments platform in future periods.

APG Asset Management N.V. acquired 25 per cent of the Retirement Living business in Australia. This highlights the quality of the portfolio and will assist our future development and growth plans in the sector.

Two new asset classes for Lendlease will add to the investment platform in future periods. A joint venture with SoftBank will develop and own telecommunications infrastructure assets in the United States, and our investment partnership with CPPIB will develop and own residential for rent assets in London.

Ownership EBITDA was \$535.7 million, up 41 per cent on the prior

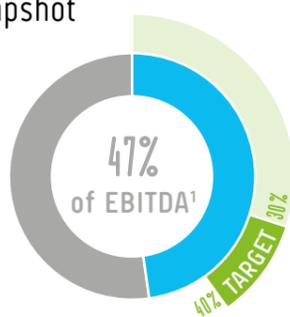
year. The Retirement Living business delivered a solid contribution. While the underlying business performance was impacted by soft trading conditions across the sector, there was an uplift in the value of the retained 75 per cent of the business post the introduction of a capital partner.

Higher investment income was derived from co-investment positions, in particular the inclusion of all three towers at Barangaroo South for the full year. Strong leasing and asset markets generated co-investment revaluations in both Australia and Asia. There was also a substantial uplift in the value of the equity investment in the US Military Housing operations which was revalued during the year.

Operating EBITDA was \$133.2 million, up 15 per cent on the prior year. Higher fund management fees were generated from the 15 per cent growth in funds under management. Asset and property management fees from our US Military Housing operations and the Australian and Asian investment management businesses continue to support recurring earnings.

New equity of \$3.0 billion was raised across the investment management platform, including the residential for rent partnership, telecommunications joint venture and capital partner participation across new office developments.

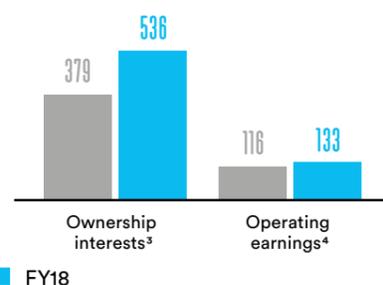
Segment Snapshot



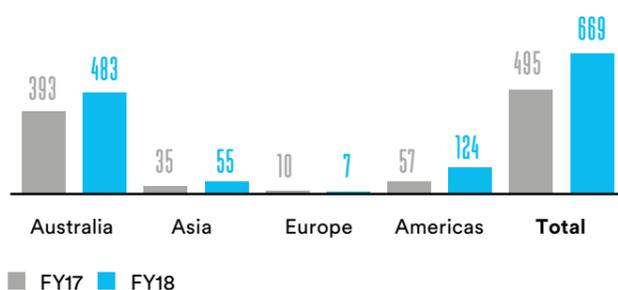
Invested Capital² (\$b)



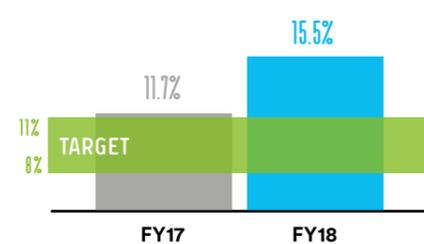
Investments EBITDA by Activity (\$m)



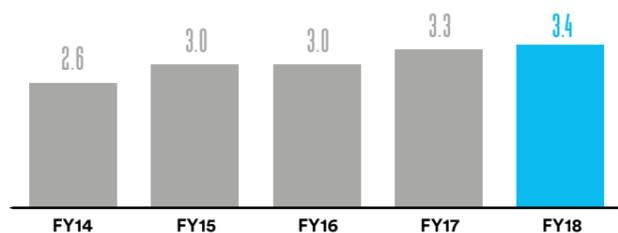
EBITDA by Region (\$m)



Return on Invested Capital



Investments⁵ (\$b)



1. The proportion of EBITDA from Operating Businesses.

2. Securityholder equity plus net debt.

3. Returns derived from investments, the Group's Retirement investment, US Military Housing and infrastructure investment.

4. Earnings primarily derived from the investment management platform and the management of US Military Housing operations.

5. The Group's assessment of market value of ownership interests.

Investments Outlook

The Investments segment is well placed to continue to provide a solid base of recurring earnings to the Group. The integrated business model, with the development pipeline providing product and the Construction segment providing delivery capability, is likely to remain the main source of growth for the Investments segment.

The investments platform ended the year with funds under management of \$30.1 billion, up 15 per cent. In addition, there is approximately \$4 billion of additional secured funds under management based on development projects currently in delivery.

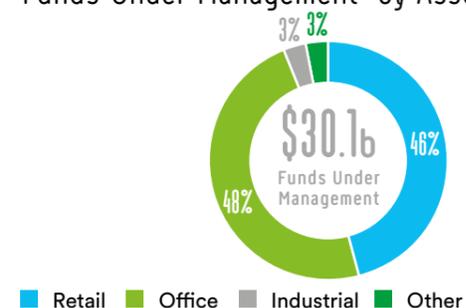
Through the investments platform, Lendlease has established relationships with approximately 150 institutional investors and a strong track record of performance. The further conversion of the development pipeline with our capital partners will provide future opportunities to continue to grow funds under management. The remaining secured urbanisation pipeline totals \$44.4 billion.

The outlook for our new asset classes is strong, with the telecommunications infrastructure joint venture in the United States targeting US\$5 billion of assets over the medium term, and the residential for rent partnership in London targeting an initial £1.5 billion in assets.

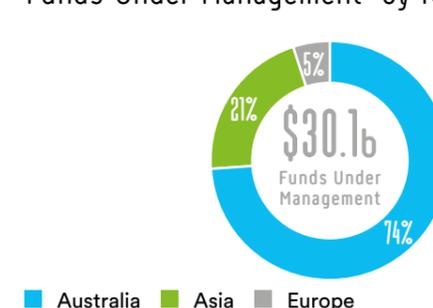
Investments managed on behalf of the Group closed the year at \$3.4 billion. This includes \$1.7 billion of co-investments in our funds under management platform that provides strong alignment with investors along with a high quality income stream. Following the introduction of a capital partner into the Retirement Living business in Australia, the Group's remaining 75 per cent interest accounts for \$1.3 billion of investments. The remaining capital is primarily allocated to the equity in the US Military Housing and US telecommunications infrastructure portfolios.

Continued focus on diversification of the investments across the Group is designed to provide improved risk adjusted returns. Future co-investment income is expected to be derived from telecommunications infrastructure and residential for rent assets in addition to the current commercial property asset classes. Continuing to foster capital partner relationships will be critical for the ongoing success of the Investments segment.

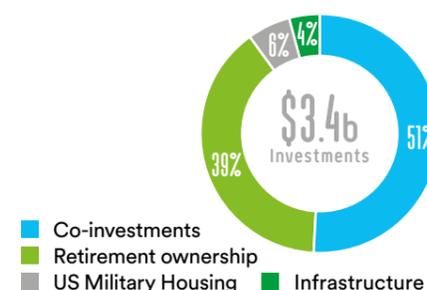
Funds Under Management¹ by Asset Class



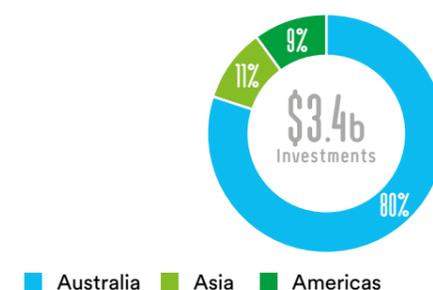
Funds Under Management¹ by Region



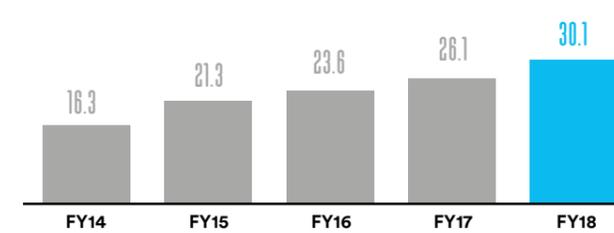
Investments^{1,2} by Product



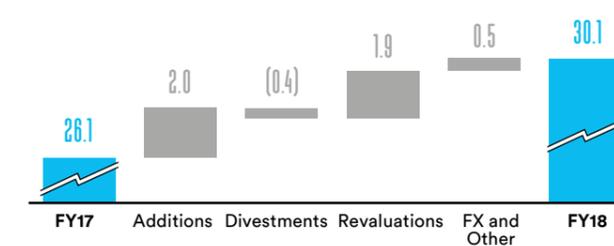
Investments^{1,2} by Region



Funds Under Management¹ (\$b)



Funds Under Management¹ roll forward (\$b)



1. The Group's assessment of market value.

2. The Group's ownership interest. Total invested capital in the segment of \$3.3 billion in FY18.

Financial Position and Cash Flow Movements

Financial Position

	FY17 \$m	FY18 \$m	Percentage Movement
Cash and cash equivalents	1,249.2	1,177.1	(6%)
Inventories	5,127.4	5,546.3	8%
Equity accounted investments	834.6	2,626.6	215%
Investment properties	6,967.4	278.2	(96%)
Other assets (including financial)	6,675.6	7,335.4	10%
Total assets	20,854.2	16,963.6	(19%)
Borrowings and financing arrangements	2,152.4	2,358.5	10%
Other liabilities (including financial)	12,535.3	8,190.9	(35%)
Total liabilities	14,687.7	10,549.4	(28%)
Net assets	6,166.5	6,414.2	4%

Inventories

Inventories increased by eight per cent on the prior year. Key projects in development that contributed to the increase included Clippership Wharf in Boston and Southbank in Chicago.

Equity Accounted Investments

Equity accounted investments increased by \$1.8 billion. This now includes the Group's 75 per cent interest in the Retirement Living business in Australia following a part sale of the business during the year. Also included is the Group's investment in The Lifestyle Quarter project in Kuala Lumpur following the execution of a revised joint ownership agreement and deconsolidation of the investment. The Group continues to retain a 60 per cent interest in the project.

Investment Properties and Other Liabilities (including financial)

The sale of the 25 per cent interest in the Retirement Living business in Australia resulted in the retained share of the investment properties, and corresponding resident liabilities, being recorded on a net basis at the Group's 75 per cent share as an equity accounted investment.

Total Assets, Total Liabilities and Net Assets

The 19 per cent decline in total assets and the 28 per cent decline in total liabilities were primarily driven by the Retirement Living and The Lifestyle Quarter investments shifting to equity accounted investments. Net assets rose by four per cent.

Operating and Investing

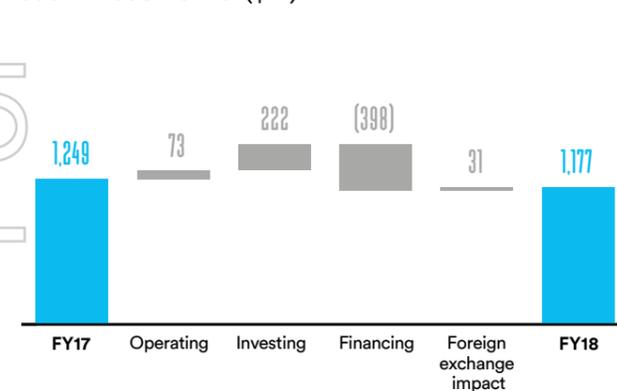
Net operating and investing cash inflows were \$294.6 million. Positive operating cash flow of \$72.8 million was primarily due to the cash proceeds received on apartment settlements in Australia and Europe, and the settlement of the Darling Square commercial building and hotel. This more than offset outflows on major development projects.

Net cash inflow from investing activities of \$221.8 million was primarily due to the proceeds received on sell down of a 25 per cent interest in the Retirement Living business in Australia. Expenditure on major international development projects, notably The Lifestyle Quarter in Kuala Lumpur and Southbank in Chicago, were the main source of investing cash outflows.

Financing

Net cash outflow from financing activities was \$397.8 million. Dividend payments and the maturity of the S\$275 million Singapore Bond during the year were the largest source of outflow. The commencement of the on market buyback was also a source of cash outflow. The Club Revolving Credit and Syndicated Multi Option facilities were the main source of inflows.

Cash Movements (\$m)

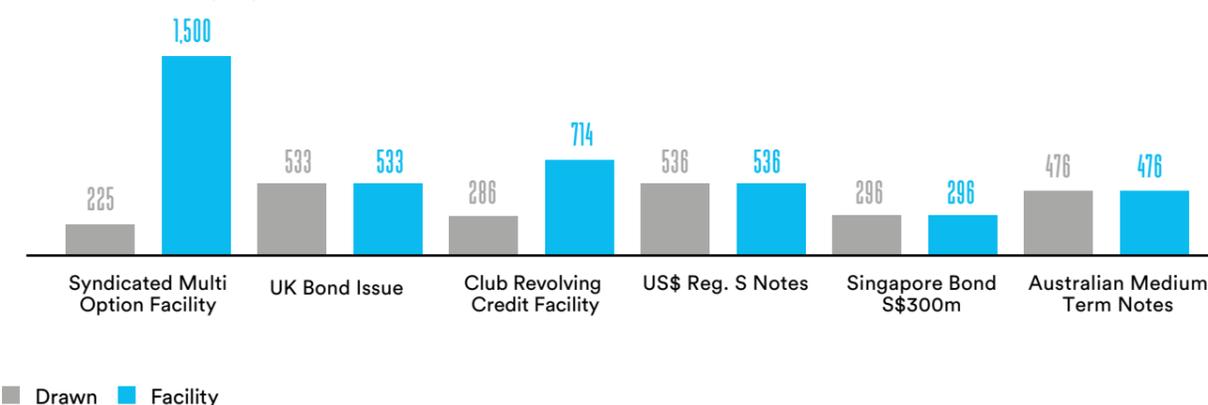


Group Funding and Debt Facilities

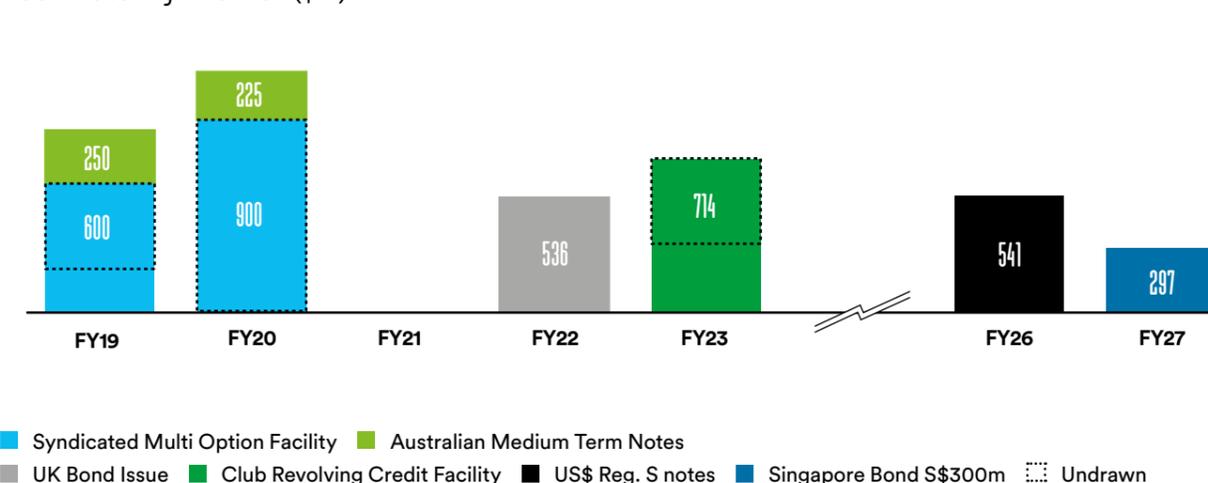
		FY17	FY18	Percentage Movement
Net debt	\$m	912.8	1,181.8	29%
Borrowings to total equity plus borrowings	%	25.9	26.9	4%
Net debt to total tangible assets, less cash	%	5.0	8.2	64%
Interest cover	times	10.3	10.7	4%
Average cost of debt	%	4.9	4.8	(2%)
Average debt maturity	years	5.1	4.6	(10%)
Average debt mix fixed: floating ¹	ratio	86:14	86:14	
Undrawn facilities	\$m	2,225.2	1,827.1	(18%)

Net debt and gearing increased in the year as the Group continued to invest in the development pipeline. An additional \$1.3 billion of capital was deployed into the Development segment. Despite this, interest cover improved from the prior year on both higher earnings and lower average net debt.

Debt Facilities² (\$m)



Debt Maturity Profile³ (\$m)



1. Methodology for ratio has been updated to represent a daily average calculation (Jun-17 comparative has been updated to reflect this change in methodology).
2. Values are shown at amortised cost.
3. Values are shown at gross facility value.

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06

GOVERNANCE



Board of Directors' Information

The Lendlease Board is committed to exceptional corporate governance policies and practices which we see as fundamental to the long term success and prosperity of the Group. In FY18, the Board continued its longstanding practice of reviewing its corporate governance and reporting practices. The Corporate Governance Statement is available on the Lendlease website at: www.lendlease.com/au/company/governance. Membership of the Board as at 22 August 2018 is set out below. For detailed information on the skills, experience and qualifications of each of the Directors, refer to pages 94 to 99 of the Annual Report.

The Corporate Governance Framework is regularly assessed and amended as required to remain current. The Board's four permanent Committees continue to assist, advise and make recommendations to the Board on matters falling within their areas of responsibility, as set out in the Committee charters. 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. The Limits of Authority are reviewed at least annually, and changes were made during FY18.



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. **E M Proust 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 mix of local and international experience and expertise, as well as specialised skills to assist with decision making and to effectively govern and direct the organisation, 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.

These skill areas are reviewed at least annually to assess their alignment and support the Group's strategic direction. The skills matrix assists the Board with succession planning and professional development initiatives for Directors. In determining this skills matrix, each Director undertook a skills and experience self assessment.

Skills/ Experience ¹	Comments	Total
Governance	A commitment to and experience in setting exceptional corporate governance policies, practices and standards.	11
Industry Experience	Possesses industry knowledge, exposure and experience gained in the core Lendlease operating segments of Development, Construction and Investments. This includes advisory roles for these industries.	7
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.	9
Sustainability	Ability to identify economically, socially and environmentally sustainable developments. Ability to set and monitor sustainability aspirations.	8
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 identifying and resolving 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, promoting 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 and change management.	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, IT 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 Board members, led by the Chairman, maintain an active and extensive engagement program to represent the interests of Lendlease at various industry functions and bodies. The Chairman 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 sessions 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 organisational culture.

Board Skills and Experience Matrix

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

7 OUT OF **11** HAVE EXPERIENCE IN ONE OR MORE OF THE CORE SEGMENTS OF DEVELOPMENT, INVESTMENTS, AND OR CONSTRUCTION
Board members

GENDER DIVERSITY

Female Directors **27%** > **30%**
at August 2018 Target of by end 2018

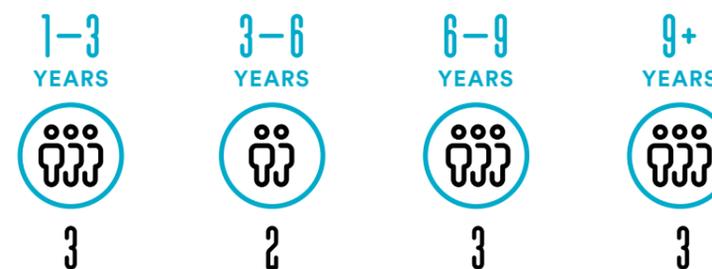
The Lendlease Board adopted a target of 30 per cent female Board members by the end of 2018 to improve gender diversity and to focus its attention on achieving this objective.



DIRECTORS' EXPERIENCE IN GOVERNANCE AND FINANCIAL ACUMEN

100%
experience

DIRECTORS' AVERAGE TENURE



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

Board Regional Program 2017 – 2018

As an international Company and having regard to the scale of individual projects, the Board program reflects the geographic spread of Lendlease businesses. Board meetings are scheduled in Australia and each of the regions where Lendlease operates.

Board members attend program activities in addition to formal meetings. Generally, the program runs over two or three days and comprises formal meetings, 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. Directors are also encouraged to visit Lendlease project sites outside of a scheduled Board program. The program is an important element of the Board's activities and enables Directors to obtain the required deep understanding of the activities and operations within each region.

Some of the sites and regional Lendlease offices visited by Board members during the period 1 January 2017 to 30 June 2018 included:

AUSTRALIA

- Presentation by and networking session with CareerTrackers interns (January 2017)
- Site walk of Victoria Harbour Sales Centre and precinct (May 2017)
- Tour of 889 Collins Street apartment (May 2017)
- Caulfield to Dandenong Rail project review and site visit (June 2017)
- Site walk of NorthConnex project (August 2017)
- Overview and site walk of Melbourne Quarter project (February 2018)
- Attended forum and networking session with Young Indigenous Pathways Program participants, Lendlease RAP initiative (May 2018)
- Board networking forum supporting employee diversity and regional top talent (May 2018)

EUROPE

- Received a detailed presentation on the Milano Santa Giulia project (April 2017)
- Networking session with CEO and Chair of Risanamento, JV partner for Milano Santa Giulia project (April 2017)
- Toured a mixed use urban regeneration project in Milan (April 2017)

AMERICAS

- Tour of 277 Fifth Avenue sales centre and residential apartment (July 2017)
- Overview of the 217 West 57th Street and 220 Central Park South projects; site walk of 220 Central Park South projects (July 2017)
- Guided walk through completed Columbia Mind & Brain Institute, New York (July 2017)
- Board networking forum supporting employee diversity and regional top talent (July 2017 and January 2018)
- Overview and site walk of 30 Van Ness, San Francisco (January 2018)

ASIA

- Overview and site walk of Paya Lebar Quarter, Singapore (PLQ) project and guided walk through integrated project office and worker areas (September 2017)
- Tour of PLQ marketing suite and residential display suite (September 2017)
- Overview of innovation partnership pathways with Starhub (September 2017)
- Stakeholder meeting with Chairman of Singapore Economic Development Board
- Board coffee chat and panel sessions with local employees (September 2017 in Singapore and April 2018 in Malaysia)
- Board networking forum supporting employee diversity and regional top talent (September 2017)
- Overview and site walk of The Lifestyle Quarter, Kuala Lumpur (April 2018)



PROJECT ASSESSMENT – PAYA LEBAR QUARTER (PLQ)

Board Case Study

One of the key responsibilities of the Lendlease Board is to oversee the strategy, allowing the Group to pursue its integrated business model in targeted gateway cities around the world. The PLQ project assessment is an example of how the Board reviews and evaluates strategic opportunities, over a longer term period.

This project was first presented to the Board in 2014. Due to the project's size and significance, the Board initially received progress updates on the PLQ opportunity ahead of a formal request for approval. In arriving at the decision to approve the bid tender, the Board considered numerous factors including the rationale for the investment, macro economic indicators, financial and commercial assessment, funding and development strategy, safety and sustainability issues, and key risks.

While not exhaustive, these factors are indicative of the issues considered by the Board during Boardroom discussions. After careful consideration, the Board approved an equity commitment for Lendlease's interest in PLQ in April 2015.

The Board has continued to receive updates on PLQ both as a standalone project and as part of the Asia regional strategy. In 2015, the Board visited the PLQ site prior to the commencement of construction, as part of its program of regional site visits.

In visiting the site, and gaining an appreciation for its location and proximity to road and rail infrastructure, the Board further understood the operational complexity of this project.

Site visits allowed the Board to see and experience firsthand the challenges associated with this project's delivery, and ensured Board conversations around project challenges and opportunities were appreciated in a fuller geographic context.

The Board visited this project again in September 2017, receiving a detailed commercial update, a tour of the marketing suite, project offices, worker areas and the PLQ residential display suite. The management team also updated the Board on a range of PLQ innovations.

The Board's interactions with PLQ, both before and during delivery, including visits, tours, presentations and project team interactions are indicative of the scrutiny and governance undertaken by the Board to oversee the delivery of projects in accordance with the Group's strategy.

More information on the PLQ development is shared on page 36.



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. This does not represent the full scope of Board activities, but provides an example of some activities.



Health & Safety

Material Issue:

- Ability to operate safely across our operations and projects.

The Board and Sustainability Committee undertook a range of activities as part of its continued review of the Lendlease Health and Safety Framework and its unwavering commitment to health and safety, in conjunction with responsibilities set out in the charter.

Examples of some of the Board activities and actions undertaken to support the value pillars included:

- Board members had conversations with frontline leaders and employees on Lendlease's Global Minimum Requirements and uncompromising approach to safety during site visits.
- Endorsed and discussed the continuing implementation of the Lendlease Global Minimum Requirements across Lendlease and our supply chains.
- Received and discussed Critical Incident reports and health and safety trends with the global leadership team.
- Approved the adoption of additional health and safety key performance indicators for the global leadership team for FY18.
- Received presentations and held regular discussions with the global leadership team, project and business leaders on safety performance, innovations and initiatives.
- Assessed the health and safety culture through regular visits of Lendlease projects as detailed in the Board regional program. Visits were conducted as part of the scheduled calendar of events and by individual Directors outside of the formal program.



Financial

Material Issues:

- Delivering securityholder returns.
- Maintaining strong capital management to enable investment in our future pipeline.

The Board and Risk Management and Audit Committee undertook a range of activities 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, in conjunction with responsibilities set out in the charter.

Examples of some of the Board activities and actions undertaken to support the value pillars included:

- Reviewed the Group's capital position and approach to capital management.
- Reviewed Group financial scenarios as part of the annual financial planning process.
- Continued to work with management on examining the Group's top risks and mitigating activities.
- Approved the sale of 25% of the Retirement Living business to APG Asset Management N.V.
- Approved the commencement of an on market buyback of up to \$500 million after consideration of relevant commercial factors.
- Received a presentation on the 'residential for rent' and multifamily sectors in the Americas, Australia and Europe.
- Received presentations from the respective regional chief executive officers on risk issues. Presentations are cycled quarterly across all regions.



Our Customers

Material Issues:

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

The Board and its Committees undertook a range of activities as part of its support of the Group's customer focused approach, in conjunction with responsibilities set out in the charter.

Examples of some of the Board activities and actions undertaken to support the value pillars included:

- Received presentations from economic research on target markets and gateway cities.
- Received an update on the Retirement Living business in Australia regarding offering alternative forms of contracts.
- Met with the Trustees of the Responsible Entities for the Group's investment funds.
- Received presentations on customer engagement strategies and results of feedback surveys.
- Received a presentation from the chief executive officer of The Hornery Institute on its partnership with Lendlease in driving the development of sustainable urban communities.
- Engaged with clients, investors and other stakeholders at various industry functions, bodies and events.



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 a range of activities to help create an engaged, diverse and capable workforce, in conjunction with responsibilities set out in the charter.

Examples of some of the Board activities and actions undertaken to support the value pillars included:

- Approved a revised Executive Reward strategy, establishing a clearer link between strategy and reward and providing longer dated rewards better aligned to the Group's earnings profile. See Remuneration Report for details.
- Discussed the outcomes of the gender pay review to further embed the Group's standard compensation approach.
- Received a presentation from the Australia Building business on a range of flexible working initiatives.
- Received updates on specialised leadership programs across the Group.
- Attended Board networking events in Asia, Australia and the Americas to engage in discussions with employees around culture and development opportunities.
- Received a presentation from emerging young leaders in the Asia business on career development opportunities within Lendlease.
- Conducted an external Board review covering Board culture, effectiveness and performance.
- Reviewed skills of the Board and identified gaps in Board composition.



Sustainability

Material Issue:

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

The Board and Sustainability Committee undertook a range of activities to help deliver environmental, social and economic value, in conjunction with responsibilities set out in the charter.

Examples of some of the Board activities and actions undertaken to support the value pillars included:

- Approved sustainability strategy, including targets for energy, water and waste.
- Received presentations from business unit leaders on initiatives to deliver against environmental targets.
- Approved community engagement strategy, and received reports on Lendlease Foundation programs for employee development, health and wellbeing.
- Monitored progress on Reconciliation Action Plan, including initiatives to employ Indigenous trainees on major projects.
- Received reports from regional business leaders on community engagement programs related to urban regeneration projects and skilling opportunities in areas of disadvantage.
- Endorsed initiatives to address housing affordability in Australia.
- Supported management in participating in industry roundtables on modern slavery and supply chain.
- Requested a report on the transition plan for the Springboard program in the Tasman Peninsula which concluded in June 2018.
- Endorsed a 10 year partnership between Lendlease and the Great Barrier Reef Foundation.

Continued

- Endorsed management to undertake preparatory analysis of its climate change risks and opportunities, in line with recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). Progress will be reported in FY19.

Board of Directors' Profiles

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



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 and a former Non Executive Director of BHP Billiton Corporation Limited. He was appointed an Officer of the Order of Australia (AO) in June 2009 in recognition for service in various fields including to business as a Director of public companies, to sport 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)

Inaugural Chairman and Non Executive Director of South32 Limited (appointed May 2015)

Non Executive Director of Evans Dixon Limited (appointed May 2018)

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 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 appointment as Group Chief Executive Officer, Mr McCann was Group Finance Director, appointed in March 2007 and Chief Executive Officer for Lendlease's Investment Management business from September 2005 to December 2007.

Mr McCann is a highly regarded and experienced business leader with over 25 years' of executive experience. Prior to joining Lendlease, Mr McCann had 15 years' experience in property, funds management, investment banking and capital markets transactions gained through senior leadership roles at ABN AMRO and as Head of Property at Bankers Trust. Previous roles included four years as a mergers and acquisitions lawyer at Freehills and four years in taxation accounting.

Mr McCann is a member of the Business Council of Australia and the Property Council of Australia's Property Male Champions of Change. In 2013 Mr McCann was announced as the Property Person of the Year by the Urban Taskforce Australia.

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' experience in management consulting 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', published by Harvard Business School Press. Mr Carter was also a former Non Executive Director of Wesfarmers Limited, serving on that board for 12 years.

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, retired March 2018)

Other Current Appointments

President of Geelong Football Club
Director of The National Golf Club

Board Committee Memberships

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



4. 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 of Westpac Banking Corporation, from April 2014 until his retirement in May 2017. As the Deputy Chief Executive Officer, 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 Westpac'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, the 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 a Senior Fellow of the Financial Services Institute of Australasia.

Other Current Appointments

Chairman of the Westpac Bicentennial Foundation
Director of Clean Energy Finance Corporation Board

Board Committee Memberships

Member of the Nomination Committee
Member of the People and Culture Committee
Member of the Risk Management and Audit Committee

Board of Directors' Profiles



5. 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 extensive experience in insurance, strategy, risk management and investment banking, gained over an international career spanning 35 years. He held a number of senior roles at large international corporations including Swiss Reinsurance Company, Zurich, where he served on the Executive Board, and at Credit Suisse Group, where he was Chief Financial Officer and subsequently Chief Executive Officer of Credit Suisse Asset Management and also served on the Executive Board.

Mr Colebatch has extensive experience as a company director, including 10 years on the Man Group Board, a FTSE 250 company, and six years as a Non Executive Director of international general insurance group IAG Limited.

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, retired September 2017)

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 People and Culture 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 is a business leader with a successful international career spanning over 37 years in finance, accounting, audit, risk management, strategy and mergers and acquisitions, in the banking, property and professional services industries. He was the Chief Financial Officer of Commonwealth Bank of Australia from 2006, through the global financial crisis, until he retired in June 2017. At Commonwealth Bank, he was responsible for leading the finance, treasury, property, security, audit and investor relations teams.

Mr Craig's previous leadership roles have included Chief Financial Officer for Australand Property Group, Global Chief Financial Officer for PwC Consulting and a Partner at PwC (17 years).

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

Other Current Appointments

President of the Financial Executives Institute of Australia
Deputy Chairman of the Victor Chang Cardiac Research Institute

Board Committee Memberships

Chairman of the Risk Management and Audit Committee
Member of the Nomination Committee
Member of the People and Culture Committee



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. After 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 US, 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 and worked with clients across Australia, Asia and the US.

She 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 of the Council of the National Library of Australia and 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, retired October 2017)

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
Council of the National Library of Australia
Vice President of the Board of The Walter and Eliza Hall Institute

Board Committee Memberships

Chairman of the People and Culture Committee
Member of the Nomination Committee
Member of the Risk Management and Audit Committee

Board of Directors' Profiles



9. E M Proust AO

(Independent Non Executive Director)

Term of Office

Ms Proust joined the Board in February 2018.

Skills, Experience and Qualifications

Ms Proust is one of Australia's leading business figures and has had a diverse career holding leadership roles in the public and private sectors for over 30 years. Ms Proust spent eight years at ANZ Group including four years as Managing Director of Esanda, Managing Director of Metrobanking and Group General Manager, Human Resources, Corporate Affairs and Management Services. Before joining ANZ, Ms Proust was Secretary (CEO) of the Department of Premier and Cabinet (Victoria) and Chief Executive of the City of Melbourne.

Ms Proust has extensive board experience on listed and private companies, subsidiaries and joint ventures, as well as government and not for profit boards. She was made an Officer of the Order of Australia in 2010 for distinguished service to public administration and to business, through leadership roles in government and private enterprise, as a mentor to women, and to the community through contributions to arts, charitable and educational bodies. Ms Proust holds a Bachelor of Arts (Hons) from La Trobe University and a Bachelor of Laws from the University of Melbourne.

Listed Company Directorships (held within the last three years)

Non Executive Director of Perpetual Limited (appointed January 2006, retired November 2015)

Other Current Appointments

Chairman of the Australian Institute of Company Directors
Chairman of Nestle (Australia)
Chairman of the Advisory Board of the Bank of Melbourne

Board Committee Memberships

Member of the Nomination 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, finance and professional services. He was the Deputy Group Chief Executive Officer of National Australia Bank (NAB) from 2007 until he retired 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 (US) 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 Bachelor of 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 Evans is an experienced Non Executive Director and has considerable management and legal experience having spent 29 years at King & Wood Mallesons (20 years as a partner). Nicola was a mergers & acquisitions and capital markets lawyer and held a number of senior management roles. She has been involved in a number of significant and groundbreaking M&A transactions and has advised some of the largest companies in Australia, Asia and globally. She has 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. 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 Limited.

Ms Wakefield Evans holds a Bachelor of Jurisprudence and Bachelor of Laws degree 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

Chair of 30% Club, Australia
Director of Bupa Australia & New Zealand
Director of the Clean Energy Finance Corporation
Director of O'Connell St & Associates
Director of UNSW Foundation Limited
Director of Australian Institute of Company Directors
Director of Chief Executive Women Limited

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 Group General Counsel in January 2013. Prior to this 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 Company Secretary 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 the Stapled Securities of the Group at 22 August 2018 is set out below.

Current Directors	Securities Held Directly 2018	Securities Held Beneficially/ Indirectly 2018 ¹	Total 2018	Securities Held Directly 2017	Securities Held Beneficially/ Indirectly 2017 ¹	Total 2017
D A Crawford	962	82,353	83,315	926	80,437	81,363
S B McCann	495,492	270,644	766,136	380,243	364,754	744,997
C B Carter		15,000	15,000		15,000	15,000
P M Coffey		9,810	9,810		4,810	4,810
F M Colebatch	8,790	9,533	18,323	6,712	11,611	18,323
D P Craig		24,870	24,870		14,870	14,870
S B Dobbs		12,000	12,000		8,000	8,000
J S Hemstritch		20,000	20,000		20,000	20,000
E M Proust ²		10,000	10,000	-	-	-
M J Ullmer		50,000	50,000		50,000	50,000
N M Wakefield Evans		16,766	16,766		16,131	16,131
Former Director						
D J Ryan ³		37,703	37,703		37,200	37,200

1. Includes securities in the Retirement Plan beneficially held by D A Crawford, P M Colebatch and D J Ryan.

2. E M Proust joined the Board in February 2018.

3. D J Ryan ceased to be a Non Executive Director on 17 November 2017. The balance of securities held at the end of the financial year shown here represents the balance held at that date.

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 2018, 14 Board meetings were held. Four of these meetings were held in Australia, two in the US and two in Asia. In addition, six meetings were held via teleconference to discuss specific matters, and matters were dealt with as required by circular resolution. Three 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 2018, 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 2018, five 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 2018, 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 2018, 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 2017 to 30 June 2018

The number of Board and Board Committee meetings held, and the number of meetings attended by each Director during the 2018 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 (Group CEO)	14	14	
	C B Carter ⁴	14	13	
	P M Coffey	14	14	
	P M Colebatch	14	14	
	D P Craig	14	14	
	S B Dobbs	14	14	
	J S Hemstritch ⁴	14	13	
	E M Proust ²	5	5	
	D J Ryan ³	7	7	
	M J Ullmer	14	14	
	N M Wakefield Evans ⁴	14	13	
	Board Subcommittee Meetings ⁵	D A Crawford (Chairman)	2	2
S B McCann (Group CEO)		3	3	
C B Carter		1	1	
P M Coffey		2	2	
P M Colebatch		1	1	
D P Craig		2	2	
S B Dobbs		1	1	
J S Hemstritch		1	1	
M J Ullmer		3	3	
N M Wakefield Evans		2	2	
Nomination Committee		D A Crawford (Chairman)	8	8
		S B McCann (Group CEO)	8	8
		C B Carter ⁴	8	8
	P M Coffey	8	8	
	P M Colebatch	8	8	
	D P Craig	8	8	
	S B Dobbs	8	8	
	J S Hemstritch ⁴	8	8	
	E M Proust ²	3	3	
	D J Ryan ³	4	4	
	M J Ullmer	8	8	
	N M Wakefield Evans ⁴	8	8	
	People and Culture Committee	J S Hemstritch (Chairman)	5	5
C B Carter		5	5	
P M Coffey		2	2	
P M Colebatch		2	2	
D P Craig		2	2	
D J Ryan ³		3	3	
Standing Invitees:				
D A Crawford		5	5	
S B McCann (Group CEO)		5	5	
Risk Management and Audit Committee		D P Craig (Chairman)	4	4
		P M Coffey	2	2
		P M Colebatch	4	4
		S B Dobbs	4	4
	J S Hemstritch	2	2	
	M J Ullmer	4	4	
	N M Wakefield Evans	4	4	
	Standing Invitees:			
	D A Crawford	4	4	
	S B McCann (Group CEO)	4	4	
	Sustainability Committee	M J Ullmer (Chairman)	4	4
		C B Carter	4	4
		S B Dobbs	4	4
E M Proust ²		1	1	
D J Ryan ³		2	2	
N M Wakefield Evans		4	4	
Standing Invitees:				
D A Crawford		4	3	
S B McCann (Group CEO)		4	4	

1. Reflects the number of meetings held during the time the Director held office during the year. 6 out of the 14 meetings were out of schedule Board teleconference constituted to address specific issues.

2. E M Proust was appointed to the Board on 1 February 2018. The number of meetings attended reflects the number of meetings since E M Proust's appointment.

3. D J Ryan retired from the Board on 17 November 2017. The number of meetings attended reflects the number of meetings since D J Ryan's retirement.

4. C B Carter, J S Hemstritch and N M Wakefield Evans were unable to attend the out of schedule Board teleconference as this was called at short notice to address a specific issue.

5. Three subcommittees of the Board were convened during the reporting period to address specific issues. Only the subcommittee members attended the relevant meeting.

Remuneration Report

Message from the Board

We are pleased to present the 2018 Remuneration Report where we explain how performance has been linked to reward outcomes for Key Management Personnel (KMP) during this year.

Lendlease has developed and embedded a competitive Executive Reward Strategy (ERS) to deliver long term outperformance and to secure the right people to lead the Group. Our approach to executive reward has been a factor in driving our success.

For securityholders, this performance has been illustrated in Lendlease's Total Securityholder Return (TSR) of 193.8 per cent over the past five years, compared to 72.2 per cent for the ASX 100 accumulation index over the same period (see graph below).

Short Term Incentive (STI) outcomes are strongly linked to business performance. During the year, the Group delivered financial and operational outcomes slightly ahead of the challenging targets set by the Board.

Stretch goals to continue to improve safety performance were set in 2018. There have been improvements in these broader measures, however tragically two fatalities were reported during 2018.

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 Group CEO, and in STIs paid to other executives based on either accountability or having responsibility for safety outcomes.

Changes Considered During 2018

As indicated in last year's Remuneration Report, the Board has been actively reviewing the Executive Reward Strategy (ERS) this year to assess opportunities to better align senior executives' pay to Lendlease's strategy and to drive continued success.

Following a thorough review process and consultation with internal and external stakeholders, the Board has made the decision to make substantial changes to the ERS for 2019.

A summary of the changes is included in the final section of the Remuneration Report. The most common questions raised during the consultation period have been included – along with the answers.

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

Executives and Non Executive Directors Covered by this Report	104
a. Executive Remuneration at Lendlease and 2018 Performance	105
b. Executive Remuneration Outcomes and Disclosures	110
c. Remuneration Governance	114
d. How Executive Rewards are Linked to Performance	118
e. Executive Contracts	123
f. Equity Based Remuneration	124
g. Non Executive Directors' Fees	129
h. Executive Reward Changes for 2019	130

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 2018. Former Executives and Non Executive Directors who were KMP for the year ended 30 June 2017 are also covered by this report.

Group CEO and Senior Executives

Current Executives

Stephen McCann	Group Chief Executive Officer and Managing Director (Group CEO)
Johannes Dekker	Group Head of Engineering and Building since 1 May 2018
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
David Andrew Wilson	Group Chief Commercial and Risk Officer since 15 January 2018

Former Executive

Robert McNamara	Group Chief Risk Officer until 31 March 2017 and ceased employment with the Group on 31 March 2017
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Note: the term senior executives used throughout this Remuneration Report refers to all the executives listed above, unless 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
Phillip Colebatch	Independent Non Executive Director
David Craig	Independent Non Executive Director
Steve Dobbs	Independent Non Executive Director
Jane Hemstritch	Independent Non Executive Director
Elizabeth Proust	Independent Non Executive Director (appointed 1 February 2018)
Michael Ullmer	Independent Non Executive Director
Nicola Wakefield Evans	Independent Non Executive Director

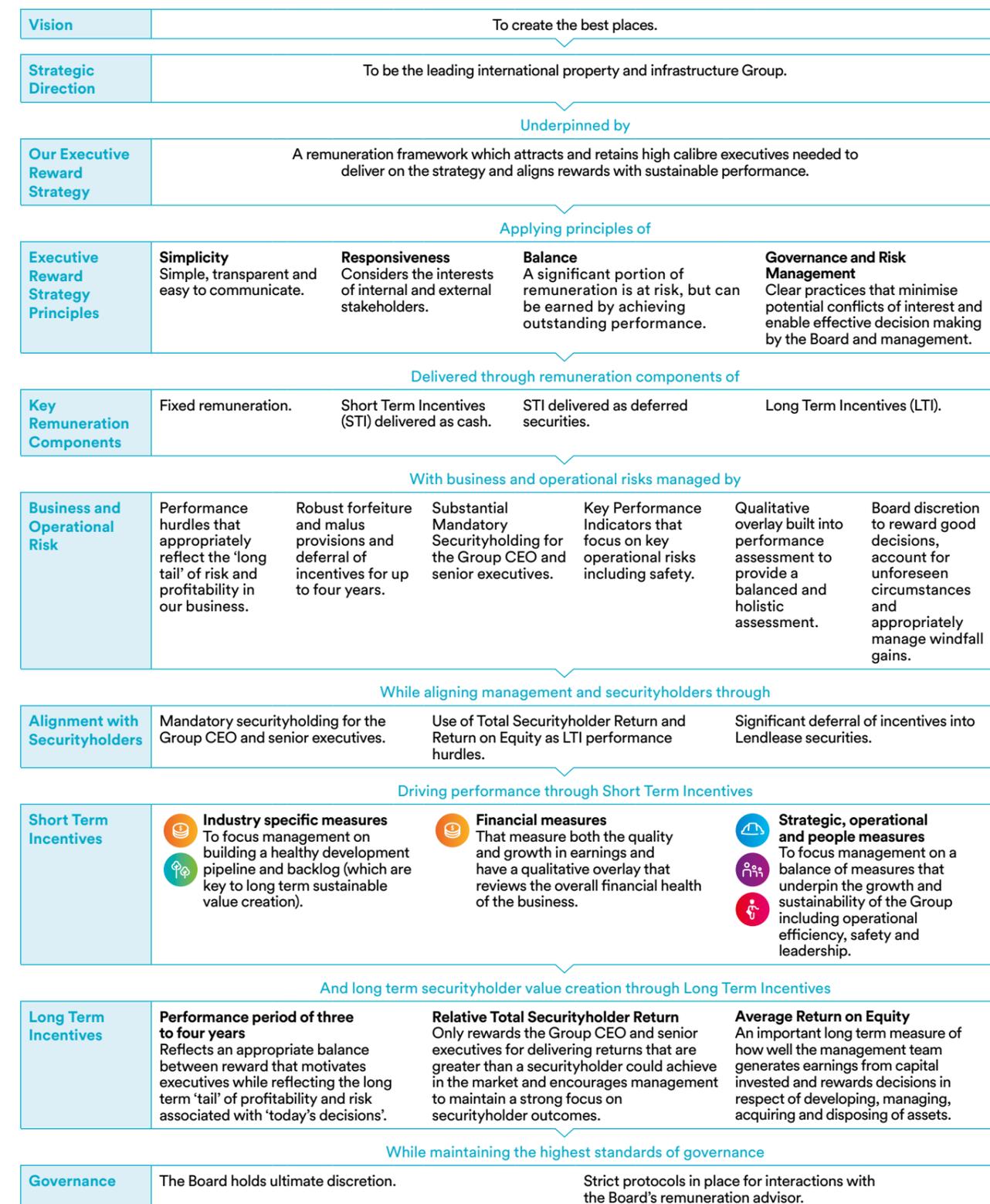
Former Non Executive Director

David Ryan	Independent Non Executive Director (ceased this role 17 November 2017)
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a. Executive Remuneration at Lendlease and 2018 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.



Remuneration Report continued

a. Executive Remuneration at Lendlease and 2018 Performance continued

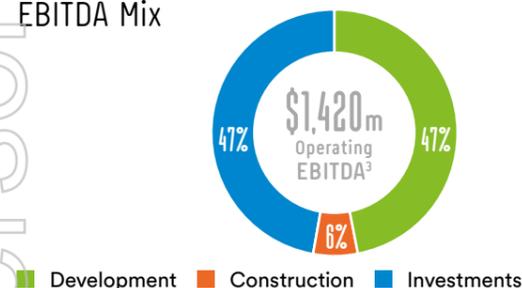
2018 Performance & Outlook

For a detailed analysis of our Group and segment Performance and Outlook, please refer to pages 70 to 83. A summary is included below.

Key Financials

FINANCIAL		FY17	FY18	Percentage Movement
Key Metrics				
Revenue ¹	\$m	16,671.0	16,572.1	(1%)
EBITDA	\$m	1,201.8	1,244.8	4%
Profit after Tax (PAT)	\$m	758.6	792.8	5%
Operating and Investing Cash Flow	\$m	216.1	294.6	36%
Net Assets	\$m	6,166.5	6,414.2	4%
Net Debt	\$m	912.8	1,181.8	29%
Effective Tax Rate ²	%	24.7	25.6	4%
Key Returns				
Earnings per Security	cents	130.1	136.1	5%
Distribution per Security	cents	66.0	69.0	5%
Weighted avg Securities	no.(m)	583.0	582.5	-

EBITDA Mix

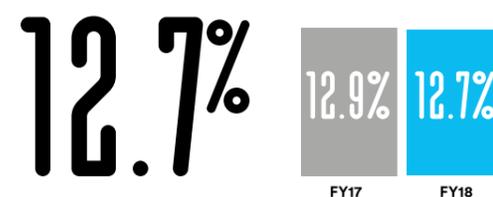


- Includes finance revenue.
- Lendlease's approach to tax and primary drivers of the effective tax rate are outlined in the 2018 Tax Report (<http://www.lendlease.com/investor-centre/taxation>). Details on tax balances are included within the Consolidated Financial Statements.
- Excludes Corporate.

Profit after Tax



Return on Equity



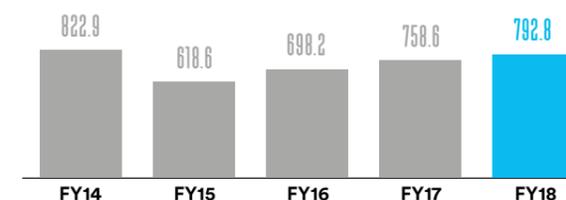
Earnings per Security



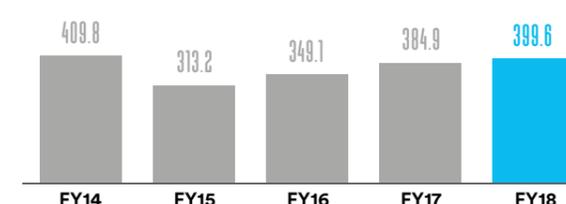
Five Year Performance Summary

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

Statutory Profit after Tax (PAT) Attributable to Securityholders (\$m)

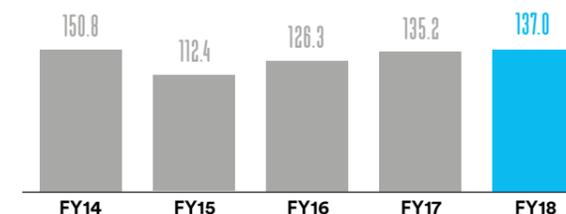


Total Dividends/Distributions (\$m)¹

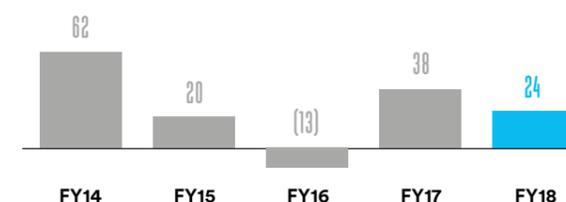


Earnings per Stapled Security (EPSS) (cents)²

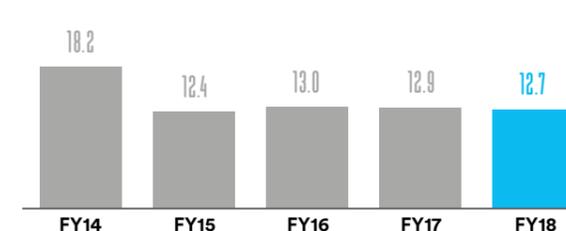
(Excluding Treasury Securities)



Annual Total Securityholder Return (%)³



Return on Equity (ROE) (%)⁴



- \$174.2 million company unfranked dividend was declared subsequent to the reporting date for June 2018.
- 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 and Outlook section of this report.
- Represents the movement in the Group's security price, distribution yield and any return on capital during the financial year.
- 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.

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 2018. 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 2017, whilst PAT increased by 5 per cent.

Group CEO Scorecard and Performance in 2018

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 Group 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. Since 2017 a simpler approach to goal setting has been used for senior executives, which focuses efforts on fewer, more 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 Group CEO and senior executives against Lendlease's defined:

- Leadership capabilities (including health and safety, sustainability and diversity and inclusion);
- 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 Group CEO and each senior executive. While the assessment is not structured formulaically or as a 'gateway' measure, expectations are clearly communicated to the Group 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 2018 have been considered in assessing the Group CEO's STI award. Notwithstanding the increase to PAT and continuing strong scorecard results, the Group CEO's STI award has been assessed at target, rather than at a level that would have been substantially above target.

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

Remuneration Report continued

a. Executive Remuneration at Lendlease and 2018 Performance continued

Group CEO Scorecard and Performance in 2018 continued

The Board has assessed the Group CEO's 2018 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 Group CEO's STI awarded for the year ended

30 June 2018 was \$1,750,000 (being the combined cash and deferred components of his STI), which equated to 100 per cent of the Group CEO's target STI award. Refer to the table Remuneration Awarded by the Board on page 111 to see the total remuneration awarded to the Group CEO for 2018.

PERFORMANCE MEASURES for year ended 30 June 2018	PILLARS OF VALUE	REASON CHOSEN	RESULT	PERFORMANCE ASSESSMENT PER CENT															
Financial performance																			
<p>A range of financial measures that include specific targets for:</p> <ul style="list-style-type: none"> - Profit after Tax - EBITDA - Return on Equity - Operating and Investing Cash Flow - Overheads <p>An assessment of the overall financial health of the business:</p> <ul style="list-style-type: none"> - Comparing the quality of the result relative to the targets set. 		A breadth of financial measures, in combination with the forward-looking assessment of the financial health of the business, focuses the Group CEO on the delivery of financial results in the short term whilst taking decisions with an emphasis on the long term interests of securityholders.	<p>BELOW ABOVE</p>	<p>A summary of the result against each financial measure is below:</p> <table border="1"> <tr> <td>Profit after Tax</td> <td>Ahead of Target</td> <td>Target increased by 6 per cent from \$735m in FY17 to \$780m in FY18. Actual Profit after Tax is 2 per cent ahead of target for FY18 and 5 per cent ahead of FY17.</td> </tr> <tr> <td>EBITDA \$</td> <td>Behind Target</td> <td>Target increased by 12 per cent from \$1,144m in FY17 to \$1,277m in FY18. Actual EBITDA was \$1,245m, behind target and up 4 per cent on FY17.</td> </tr> <tr> <td>Return on Equity</td> <td>On Target</td> <td>At 12.7 per cent the result was in the upper half of the stated target range of 10 per cent - 14 per cent.</td> </tr> <tr> <td>Operating and Investing Cash Flow</td> <td>Ahead of Target</td> <td>Actual cash flow was \$294.6m, up 36 per cent from FY17.</td> </tr> <tr> <td>Overheads</td> <td>Ahead of Target</td> <td>Actual overheads were 6 per cent better than target.</td> </tr> </table> <p>The Group continues to deliver results in line with its Portfolio Management Framework, with strong Return On Investment Capital (ROIC) performance in the Development and Investments segments. The balance sheet remains strong with gearing at 8 per cent and total liquidity at \$3.0 billion.</p>	Profit after Tax	Ahead of Target	Target increased by 6 per cent from \$735m in FY17 to \$780m in FY18. Actual Profit after Tax is 2 per cent ahead of target for FY18 and 5 per cent ahead of FY17.	EBITDA \$	Behind Target	Target increased by 12 per cent from \$1,144m in FY17 to \$1,277m in FY18. Actual EBITDA was \$1,245m, behind target and up 4 per cent on FY17.	Return on Equity	On Target	At 12.7 per cent the result was in the upper half of the stated target range of 10 per cent - 14 per cent.	Operating and Investing Cash Flow	Ahead of Target	Actual cash flow was \$294.6m, up 36 per cent from FY17.	Overheads	Ahead of Target	Actual overheads were 6 per cent better than target.
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Return on Equity	On Target	At 12.7 per cent the result was in the upper half of the stated target range of 10 per cent - 14 per cent.																	
Operating and Investing Cash Flow	Ahead of Target	Actual cash flow was \$294.6m, up 36 per cent from FY17.																	
Overheads	Ahead of Target	Actual overheads were 6 per cent better than target.																	
Non financial performance																			
Health and 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.	<p>BELOW ABOVE</p>	<p>The frequency rate of critical incidents fell by 27 per cent during the year and the Level 3 CIFR decreased by 63 per cent compared to FY17 – ahead of the challenging 50 per cent reduction target that was set. Level 3 incidents are the most serious incidents that have the potential to cause fatalities to multiple workers or member of the public.</p> <p>Notwithstanding the progress made during FY18 there were two fatal incidents recorded. These incidents in FY18 have been considered in assessing the Group CEO's overall performance and STI outcome.</p> <p>The Group CEO provided visible health and safety leadership throughout the year. A deeper review of our safety culture and approach to implementing our GMRs is underway to drive continuous improvement in safety.</p>															
Strategic initiatives focused on capital allocation and alternative sources of capital		Effective capital management drives longer term securityholder returns.	<p>BELOW ABOVE</p>	<p>Capital allocation targets are embedded by segment and region; and are aligned to the Portfolio Management Framework. Lendlease is ranked 3rd out of 50 peers in terms of capital management and financial discipline (Corporate Confidence Index).</p> <p>Surplus capital has been utilised through an on market buyback. Offshore invested capital is forecast to grow in line with our Portfolio Management Framework.</p>															
Customers and Innovation	 	Satisfied customers drive long term value. Innovation contributes to better performance – capturing and responding to disruption creates opportunity.	<p>BELOW ABOVE</p>	<p>There has been continued focus on innovation, knowledge management and digital opportunities throughout the year. In FY18 we started measuring customer satisfaction (CSAT) and advocacy (NPS) globally. More than 21,000 government, business and consumer customers were surveyed across our Development, Construction and Investment businesses. There were some consistent themes across results, with the main drivers of satisfaction strongly dependent on the quality of key relationships and the customer service touchpoint experience. This research will be regularly repeated in the future and we will be able to track performance against this value pillar, to further identify improvement opportunities.</p>															
People		Having the right people in leadership roles is critical to long term success. The Group CEO sponsors key people initiatives and supports the internal movement of resources. The Group CEO actively promotes diversity and inclusion to grow capability.	<p>BELOW ABOVE</p>	<p>The average number of unique successors for regional leadership roles has increased by 23 per cent across the Group.</p> <p>The Group continues to invest in tailored talent development programs for project directors and other targeted groups. Retention of critical talent (those individuals identified in targeted groups) is 94 per cent, which is significantly in excess of the target retention rate of >90 per cent.</p> <p>The proportion of women in leadership roles¹ has increased from 24.0 per cent to 24.3 per cent compared to our target of 24.5 per cent. Substantial progress across the Group was impacted by a 25 per cent headcount increase in the Engineering business where female representation in leadership roles improved from 11.5 per cent to 13.4 per cent, but is well below our Group target.</p> <p>The Group continues to address the issue of gender pay equity and the Group CEO is a member of the Property Male Champions of Change group.</p>															
Sustainability		Capital investors, policy makers, customers and communities are seeking partners who can deliver efficient, healthy, resilient, culturally and socially inclusive outcomes which deliver long terms value	<p>BELOW ABOVE</p>	<p>This year, we report meaningful progress against our 20 per cent by 2020 reduction targets for energy, water and waste. Cumulative results for Q3 FY18 are as follows:²</p> <ul style="list-style-type: none"> - Energy (16 per cent reduction) - Water (9 per cent reduction) - Waste (28 per cent reduction) (subject to audit confirmation). <p>Lendlease achieved recognition at the 90th percentile on the Dow Jones Sustainability Index. Lendlease maintained a leadership position against the Global Real Estate Sustainability Benchmarks (GRESB), where the following funds/trusts achieved global number one rankings:</p> <ul style="list-style-type: none"> - APPF Commercial, - Lendlease International Towers Sydney Trust - Lendlease One International Towers Sydney Trust. <p>The Group continues to demonstrate strong market leadership in indigenous engagement, including the following highlights:</p> <ul style="list-style-type: none"> - Indigenous employment at 2 per cent of the total workforce (based on employees who identify as being Aboriginal or Torres Strait Islander) - 19 interns from the CareerTracker program are employed as permanent employees, as at June 2018. More than 90 indigenous university interns have been hosted by Lendlease through our partnership with CareerTrackers since 2011. - \$68.3 million was spent in FY18 with registered and certified Indigenous businesses (compared to FY17 spend of \$26m). 															

1. Leadership roles include a number of levels in the Lendlease Career Job Framework, including executive level roles.

2. The above performance is at March 2018 and is a cumulative measure. Full FY18 performance is subject to Limited Assurance by KPMG and will be available on www.lendlease.com in October 2018. In FY18, we have updated our FY14 waste baseline due to additional project information becoming available. This has resulted in an increased performance for waste in FY18 relative to the previous baseline utilised.

Remuneration Report continued

b. Executive Remuneration Outcomes and Disclosures

Comparison of Remuneration Tables

In this section, the value of remuneration for the Group 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 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 Table
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 2017 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 accruals.
Short Term Incentive (STI) Cash	The cash portion of the 2018 STI award that will be paid in September 2018 in respect of the 2018 financial year.	The cash portion of the 2018 STI award that will be paid in September 2018 in respect of the 2018 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 2018 but deferred until September 2019 and September 2020.	The accounting expense attributed to this financial year for Deferred STI granted in September 2016 and September 2017.
Long Term Incentive (LTI)	In the Remuneration Awarded table, the face value of 2018 LTI grants made in September 2017. These vest in September 2020 and September 2021 and are subject to relative Total Securityholder Return (TSR) and average Return on Equity (ROE) hurdles (explained in detail on page 120).	The accounting expense attributed to this financial year for LTI awards made in the 2014, 2015, 2016, 2017 and 2018 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 2017 were granted in September 2015 and September 2016. The LTIs which vested in September 2017 were granted in September 2013 and September 2014.	
Security Price Growth and Distributions	In the Remuneration Received graph, the value of security price growth on vested awards 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 2018

The remuneration awarded by the Board to the Group CEO and senior executives during this year is set out in the table below.

No fixed remuneration increases were awarded to senior executives in 2018, with the exception of an increase for Kylie Rampa. Any other increases to total remuneration for senior executives were made in the form of LTI awards.

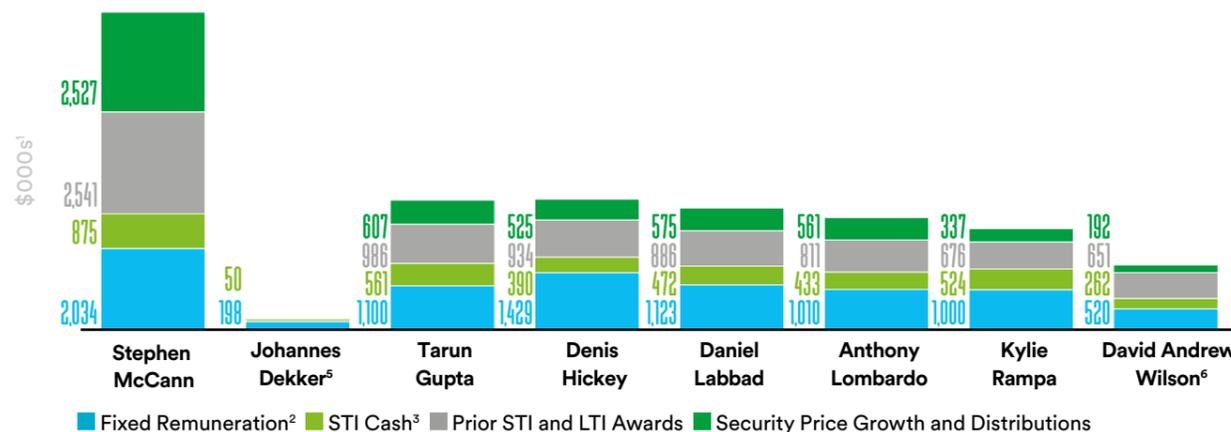
Name	\$000s ¹	SHORT TERM		'AT RISK' – DEFERRED TO FUTURE PERIODS		STI OPPORTUNITY		
		Fixed ²	STI Cash ³	STI Deferred	LTI Face Value ⁴	Total Potential	% of Target STI Paid	% of Maximum STI Paid
Stephen McCann		2,034	875	875	3,300	7,084	100%	67%
Johannes Dekker ⁵		198	50	50	-	298	78%	52%
Tarun Gupta		1,100	561	627	1,040	3,328	120%	80%
Denis Hickey		1,429	390	390	720	2,929	65%	43%
Daniel Labbad		1,123	472	472	890	2,957	100%	67%
Anthony Lombardo		1,010	433	433	790	2,666	100%	67%
Kylie Rampa		1,000	524	635	720	2,879	140%	93%
David Andrew Wilson ⁶		1,247	262	306	-	1,815	130%	87%

Remuneration Received 2018

The graph below outlines the remuneration received by the Group CEO and by senior executives during the year.

Remuneration received is different from:

- The remuneration awarded by the Board in 2018 which is wholly in respect of the current year; whilst remuneration received includes remuneration for this and previous years; and
- The Statutory Remuneration disclosures (on page 112), 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 0.57 (applied to Daniel Labbad), SGD 1.04 (applied to Anthony Lombardo), USD 0.77 (applied to 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 2018 that will be paid in cash in September 2018. As outlined on page 118, the STI cash portion reflects half of the STI awarded up to a senior executive's target STI and one third of the STI awarded above their target.
4. LTI awards were granted on 1 September 2017 on a face value basis. Refer to page 120 for a detailed explanation of LTI awards.
5. Johannes Dekker became KMP from 1 May 2018 when he commenced employment with Lendlease as Group Head of Engineering and Building. The amounts in the table and graph represent the total remuneration awarded or received.
6. David Andrew Wilson became KMP from 15 January 2018 when he returned from a period of unpaid leave and was appointed Group Chief Commercial and Risk Officer. The amounts in the table and graph are not pro rated for his time as KMP. Fixed remuneration in the awarded table represents his full year contractually awarded amount.

Remuneration Report continued

b. Executive Remuneration Outcomes and Disclosures continued

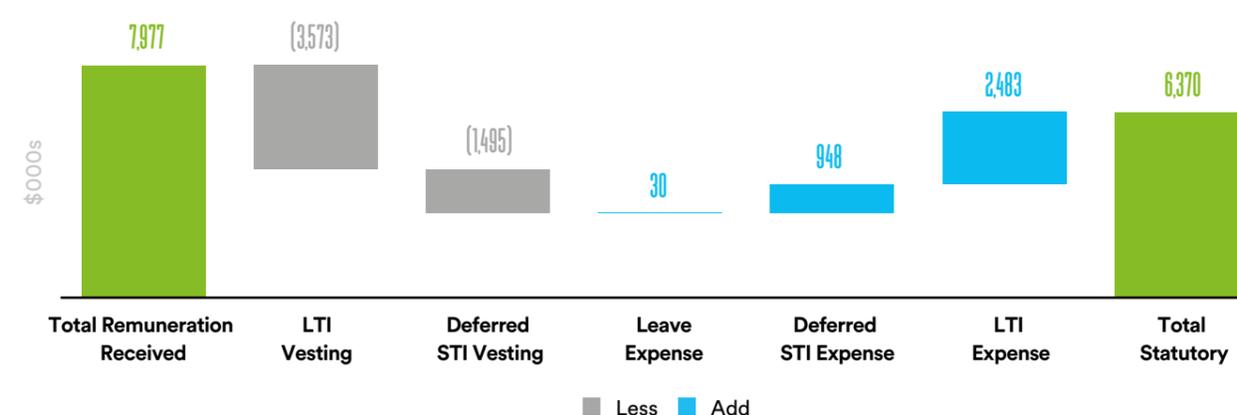
Statutory Disclosures – Remuneration of the Group CEO and Senior Executives for the Years Ended 30 June 2018 and 2017

Name	Year	SHORT TERM BENEFITS				POST EMPLOYMENT BENEFITS	SECURITY BASED PAYMENTS ⁶		Other Long Term Benefits ⁷	Total
		Cash Salary ²	STI Cash ³	Non Monetary Benefits ⁴	Superannuation ⁵	LTI	STI Deferred			
Group CEO										
Stephen McCann	2018	2,014	875	-	20	2,483	948	30	6,370	
	2017	2,014	875	-	20	2,342	1,190	30	6,471	
Senior Executives										
Johannes Dekker ⁸	2018	195	50	198	3	-	151	122	719	
Tarun Gupta	2018	1,080	561	-	20	648	677	1	2,987	
	2017	1,080	578	-	20	533	725	16	2,952	
Denis Hickey	2018	1,429	390	50	11	461	624	-	2,965	
	2017	1,503	628	98	11	395	686	-	3,321	
Daniel Labbad ⁹	2018	1,145	472	75	99	544	601	-	2,936	
	2017	1,088	538	47	117	456	585	-	2,831	
Anthony Lombardo	2018	1,010	433	226	-	555	389	-	2,613	
	2017	1,000	343	246	-	496	551	-	2,636	
Kylie Rampa	2018	967	524	11	20	362	504	15	2,403	
	2017	900	442	3	20	264	575	13	2,217	
David Andrew Wilson ¹⁰	2018	511	262	43	9	282	139	8	1,254	
Former Executives										
Robert McNamara ¹¹	2017	1,099	-	211	7	1,198	906	-	3,421	

- All executives are paid in local currency but reported in the above table in AUD for 2018 based on the following 12 month average historic foreign exchange rates: GBP 0.57 (applied to Daniel Labbad), SGD 1.04 (applied to Anthony Lombardo), USD 0.77 (applied to Denis Hickey).
- Cash salary includes the payment of cash allowances such as motor vehicle allowance and holiday pay on termination.
- Short Term Incentive (STI) Cash refers to the portion of the STI award for the year ended 30 June 2018 that will be paid in cash in September 2018. As outlined on page 118, the STI cash portion reflects half of the STI awarded up to a Seniors Executive's target STI and one third of the STI awarded above their target.
- 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.
- Superannuation includes the value of pension contributions for non Australian based executives.
- The amounts for security based payments reflect the accounting expense on a fair value basis.
- Other long term benefits represent the accrual of long term leave entitlements (e.g. long service leave). For Johannes Dekker, the value includes an amount representing the pro rated accounting expense of future payments relating to remuneration foregone on resignation from his previous employer.
- Johannes Dekker became KMP from 1 May 2018 when he was appointed to the role of Group Head of Engineering and Building. The information for the current year reflects his remuneration for the time he was KMP being the period 1 May 2018 to 30 June 2018. Amounts under STI Deferred include the pro rated accounting expense of future payments relating to remuneration foregone on resignation from his previous employer.
- Superannuation benefit includes an allowance paid in lieu of pension contributions.
- David Andrew Wilson became KMP from 15 January 2018 when he was appointed Group Chief Commercial and Risk Officer. The information reflects his remuneration for the time he was KMP being the period 15 January 2018 to 30 June 2018.
- Robert McNamara was KMP until 31 March 2017 when he retired. 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 2018 Statutory Remuneration with Actual Remuneration Received for the Group CEO

The following table shows the difference between the Group CEO's remuneration received (page 111) and the statutory remuneration disclosure (page 112).



Long Term Incentive Performance

During 2018, two LTI awards were subject to performance testing. The performance hurdles were Relative TSR and average Return on Equity (ROE). Each hurdle is tested over a three and four year performance period. The outcomes are shown below.

2014 Award

The four year Relative TSR test was conducted in July 2017. Lendlease's relative TSR performance achieved the 85th percentile when compared to the comparator group. As a result, 100 per cent of the tested award vested.

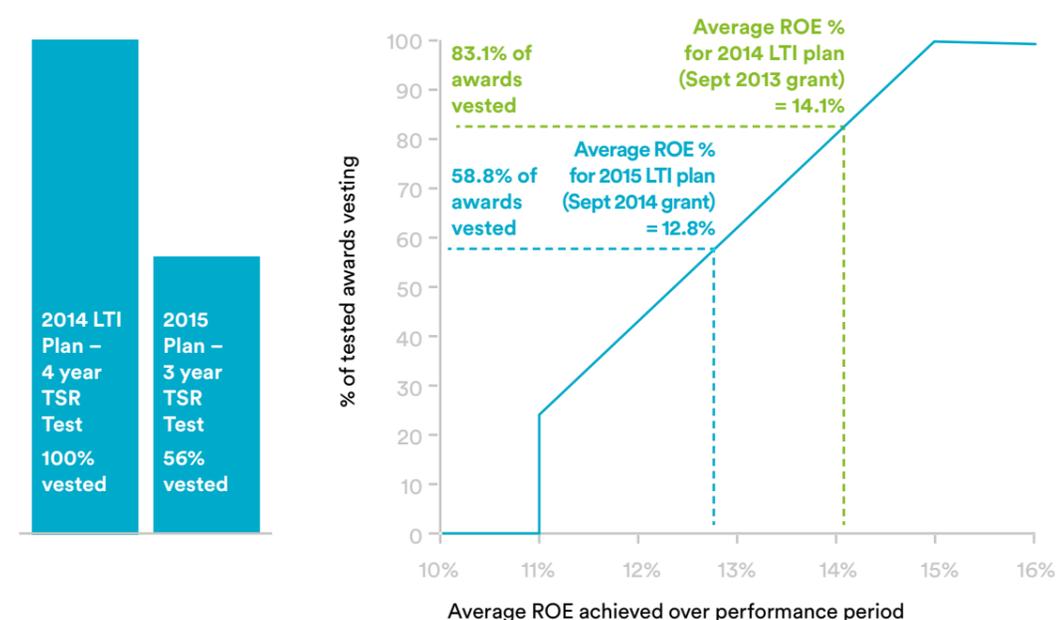
The four year average ROE test was also conducted in July 2017. Lendlease's four year average ROE performance was 14.1 per cent. As a result, 83.1 per cent of the tested award vested.

2015 Award

The three year Relative TSR test was conducted in July 2017. Lendlease's relative TSR performance achieved the 53rd percentile when compared to the comparator group. As a result, 56 per cent of the tested award vested.

The three year average ROE test was also conducted in July 2017. Lendlease's three year average ROE performance was 12.8 per cent. As a result, 58.8 per cent of the tested award vested.

The four year Relative TSR and four year ROE tests are scheduled for July 2018 and the results will be shown in the 2019 Remuneration Report.



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 Group CEO.

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 100.

Management

Management makes recommendations to the P&C Committee in relation to developing and implementing the Executive Reward Strategy and structure. The Group 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 Group CEO's, senior executives' and Non Executive Directors' remuneration for FY18 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

Lendlease benchmarks remuneration mix and levels to confirm 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 Group CEO and senior executives (or during the year if there are any role changes or new executive appointments).

Primary Sources of Data	<p>The P&C Committee typically uses a number of sources for benchmarking Group CEO and senior executive remuneration including:</p> <ul style="list-style-type: none"> • Data provided by the Board's remuneration advisor, PwC, about remuneration for similar roles in companies of a similar size: <ul style="list-style-type: none"> – 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, Avdiiev and others.
Market Positioning	<p>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.</p> <p>The remuneration outcomes for each senior executive will also take into consideration the target remuneration mix in the Executive Reward Strategy.</p>
Application of Data to Lendlease Group CEO and Senior Executives	<p>The P&C Committee has applied a number of principles when applying remuneration benchmarks to Lendlease roles. These principles include:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>

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 117), aligns the interests of senior executives with securityholders. Remuneration awarded (refer to page 111) is delivered over a period of up to four years, over which time senior executives are exposed to movements in the security price on any deferred amounts.

Year 1	Year 2	Year 3	Year 4	Year 5 and beyond
Fixed remuneration				
Cash STI				
Deferred STI for 1 year				
Deferred STI for 2 years				
LTI 3 year performance period				
LTI 4 year performance period				

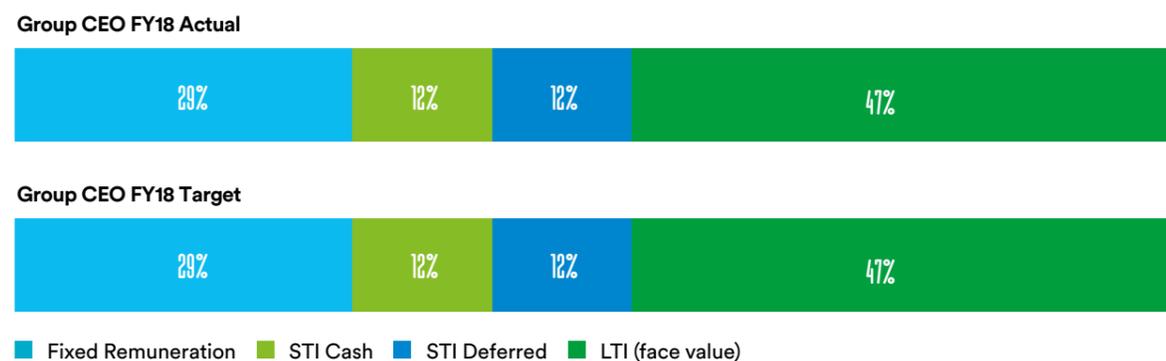
The Group CEO and senior executives must maintain a holding of Lendlease securities until the Mandatory Securityholding requirement is achieved

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 FY18 for the Group CEO is shown below.

Percentage of Total Target Remuneration

The FY18 Actual remuneration mix for the Group CEO is compared to the target remuneration mix for the same period.



The target remuneration mix for FY18 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 Group CEO and senior executives. During the year, changes to remuneration were made to LTI with the exception of a fixed remuneration increase for Kylie Rampa.

During 2018, the Board has reviewed the Executive Reward Strategy (ERS) and is making changes to the remuneration mix for senior executives for 2019. Refer to the Executive Reward Changes for 2019 section on page 130.

Mandatory Securityholding

The Mandatory Securityholding requires the Group 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 Group CEO and senior executives to consider long term securityholder value when making decisions.

The Group 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 Group 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 128.

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	<ul style="list-style-type: none"> 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 safety performance, overall profit make up, the quality and sustainability of earnings and other financial and non financial factors.
STI Targets and Opportunity	<ul style="list-style-type: none"> STIs are based on 'target opportunities' which are set using the remuneration mix outlined on page 116. The minimum possible STI outcome is zero and the maximum STI outcome is generally limited to 150 per cent of the senior executive's 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	<ul style="list-style-type: none"> STI outcomes are based on performance during the financial year, primarily measured through the use of the Group CEO and senior executive scorecards. The Group CEO 2018 scorecard (approved by the Board) and performance against the scorecard is set out in summary on pages 108 and 109. 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 Group CEO and each senior executive. While the assessment is not structured formulaically or as a 'gateway' measure, expectations are clearly communicated to the Group 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 2018 have been considered in assessing the Group CEO's STI for FY18. Notwithstanding the increase to Profit after Tax (PAT) and continuing strong scorecard results, the Group CEO's STI award has been assessed at target, rather than at a level that would have been substantially above target. 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	<ul style="list-style-type: none"> 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. Half of the deferred portion 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 Group 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Malus provisions work alongside the Deferred STI terms to provide discretion for the Board to adjust unvested awards on termination of employment. In particular: <ul style="list-style-type: none"> If an employee is terminated for fraud or other serious misconduct, unvested Deferred STI awards will lapse; Where an employee is terminated for poor performance, the number of unvested Deferred STI awards 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 awards may remain on foot until the original vesting date, subject to the original terms. 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.

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.



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

This section presents a summary of the key features of the 2018 LTI plan (granted September 2017). Page 122 demonstrates the key differences between this award and other awards that remain on foot.

The key features of the 2018 LTI plan (granted September 2017) are:

LTI Design How the LTI Works

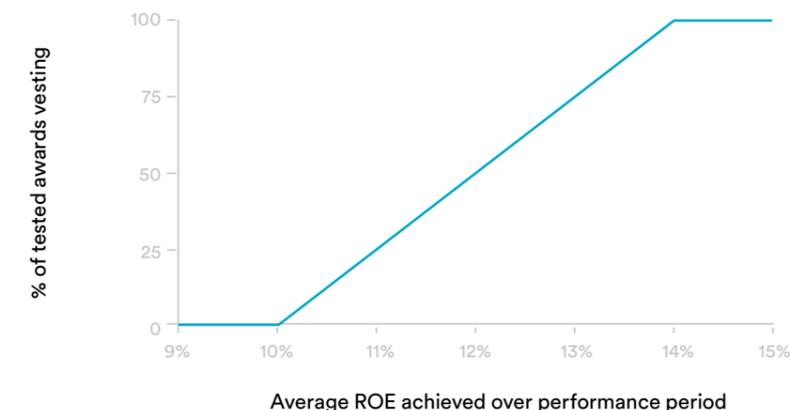
Overview	<ul style="list-style-type: none"> LTI awards are designed to reward executives for delivering on Lendlease's long term strategy and for delivering sustained long term securityholder value. LTI awards align the interests of senior executives and securityholders because of the senior executives' 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 companies that comprise the Standards & Poor's (S&P)/Australian Securities Exchange (ASX) 100 index. Average ROE is measured against an absolute measure with progressive vesting when average ROE over the performance period is between 10 and 14 per cent. 										
Performance Securities	<ul style="list-style-type: none"> An annual grant of 'performance securities' is made to a limited number of executives. The allocation for FY18 is made on a face value basis. 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	<ul style="list-style-type: none"> 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 award. 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	<p>The vesting schedule is shown below:</p> <table border="1"> <caption>Vesting Schedule for Relative TSR Hurdle</caption> <thead> <tr> <th>Percentile achieved</th> <th>% of tested awards vesting</th> </tr> </thead> <tbody> <tr> <td>25</td> <td>0</td> </tr> <tr> <td>50</td> <td>50</td> </tr> <tr> <td>75</td> <td>100</td> </tr> <tr> <td>100</td> <td>100</td> </tr> </tbody> </table>	Percentile achieved	% of tested awards vesting	25	0	50	50	75	100	100	100
Percentile achieved	% of tested awards vesting										
25	0										
50	50										
75	100										
100	100										

LTI Design

How the LTI Works

Performance Hurdle – Average ROE

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 Securityholder Return incentivises senior executives to deliver returns that outperform what a securityholder could achieve in the market and promotes management to maintain 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 range 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. For the LTI grant made in 2018, the Board revised the vesting range to align with the Group's stated target range above. The Board believes that the updated vesting range 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 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 declared 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

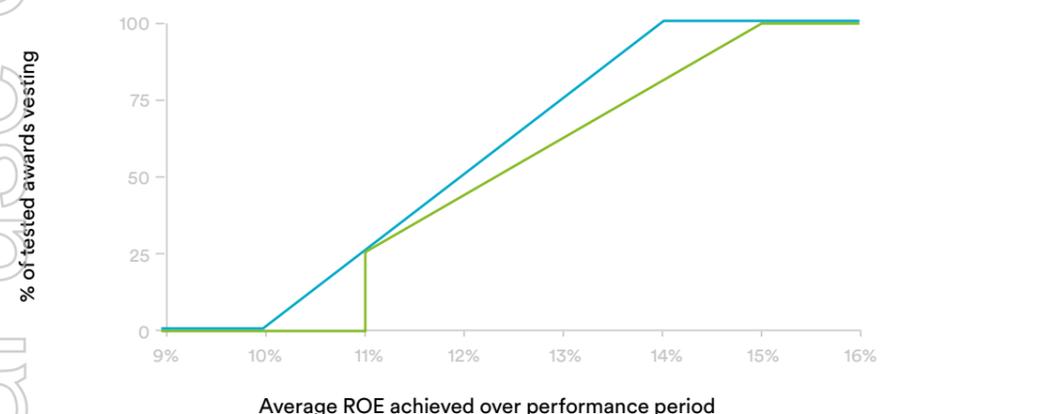
Key features of the 2014, 2015, 2016 and 2017 plans are the same as the 2018 LTI plan except for:

- The ROE performance hurdle; and
- Awards were allocated on a fair value basis.

A comparison between the ROE vesting schedules for 2014-2017 (inclusive) and the 2018 plan is set out below.

LTI Design – How the LTI Works

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

Remuneration	How risk management is incorporated into the remuneration component
Short Term Incentive (STI)	<ul style="list-style-type: none"> • 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 safety performance, 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). • 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: <ul style="list-style-type: none"> – 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)	<ul style="list-style-type: none"> • 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 121).
Mandatory Securityholding	<ul style="list-style-type: none"> • 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

Group CEO Contract

The Board and the Group 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 \$2,034,000, including superannuation.												
Incentives	STI and LTI plan participation is at the Board's discretion. The Group CEO's target Short Term Incentive (STI) for 2018 was \$1,750,000 and target Long Term Incentive (LTI) for 2018 was \$3,300,000 (with the number of awards determined on a face value basis). This results in a target remuneration package of \$7,084,000 for 2018.												
Notice Periods	The contract has no fixed term. The notice periods under the contract are as follows: <table border="1"> <tbody> <tr> <td>Notice by Group CEO</td> <td>6 months</td> </tr> <tr> <td>Notice by Lendlease</td> <td>12 months</td> </tr> <tr> <td>Payment in lieu of notice</td> <td>Where the Group 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.</td> </tr> <tr> <td>Non compete period</td> <td>12 months</td> </tr> <tr> <td>Non solicitation period</td> <td>12 months</td> </tr> <tr> <td>Treatment of incentives</td> <td>The Group 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.</td> </tr> </tbody> </table>	Notice by Group CEO	6 months	Notice by Lendlease	12 months	Payment in lieu of notice	Where the Group 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 Group 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.
Notice by Group CEO	6 months												
Notice by Lendlease	12 months												
Payment in lieu of notice	Where the Group 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 Group 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
Johannes Dekker ¹	12 months	6 months	Notice payment is based on Total Package Value. Payment for accrued leave is based on Total Package Value less superannuation.
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.
David Andrew Wilson	6 months	6 months	Notice payment is based on Total Package Value. Payment for accrued leave is based on Total Package Value less superannuation.

1. Notice by Lendlease for the first three years of employment is 12 months and reverts to 6 months notice by Lendlease thereafter.

Remuneration Report continued

f. Equity Based Remuneration

Deferred Securities

In 2018, Deferred Short Term Incentive (STI) awards were granted to the Group CEO and senior executives based on the value of the 2017 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 \$	Total Fair Value At Grant Date ^{1,2} \$	Expense For The Year Ended 30 June 2018 \$	% Vested	% Forfeited
Group CEO										
Stephen McCann	Deferred STI	2015	Sept 2015	Sept 2017	43,304	13.47	583,171	-	100%	-
	Deferred STI ³	2016	Sept 2016	Sept 2017	43,434	13.43	583,336	-	100%	-
	Deferred STI ³	2016	Sept 2016	Sept 2018	43,434	13.43	583,336	291,668	-	-
	Deferred STI	2017	Sept 2017	Sept 2018	26,725	16.37	437,512	437,512	-	-
	Deferred STI	2017	Sept 2017	Sept 2019	26,725	16.37	437,512	218,756	-	-
Total					183,622		2,624,867	947,936		
Current Senior Executives										
Johannes Dekker ⁴	Sign-On Award	-	May 2018	Sept 2018	14,225	17.57	250,000	125,000	-	-
	Sign-On Award	-	May 2018	Sept 2019	8,535	17.57	150,000	18,750	-	-
	Sign-On Award	-	May 2018	Sept 2020	5,690	17.57	100,000	7,143	-	-
Total					28,450		500,000	150,893		
Tarun Gupta	Deferred STI	2015	Sept 2015	Sept 2017	26,733	13.47	360,011	-	100%	-
	Deferred STI	2016	Sept 2016	Sept 2017	26,324	13.79	363,013	-	100%	-
	Deferred STI	2016	Sept 2016	Sept 2018	26,324	13.79	363,013	181,506	-	-
	Deferred STI	2017	Sept 2017	Sept 2018	19,285	17.11	330,004	330,004	-	-
	Deferred STI	2017	Sept 2017	Sept 2019	19,285	17.11	330,004	165,002	-	-
Total					117,951		1,746,045	676,512		
Denis Hickey	Deferred STI	2015	Sept 2015	Sept 2017	29,193	13.47	393,139	-	100%	-
	Deferred STI	2016	Sept 2016	Sept 2017	23,642	13.79	326,028	-	100%	-
	Deferred STI	2016	Sept 2016	Sept 2018	23,642	13.79	326,028	163,014	-	-
	Deferred STI	2017	Sept 2017	Sept 2018	17,966	17.11	307,434	307,434	-	-
	Deferred STI	2017	Sept 2017	Sept 2019	17,966	17.11	307,434	153,717	-	-
Total					112,409		1,660,063	624,165		
Daniel Labbad	Deferred STI	2015	Sept 2015	Sept 2017	27,521	13.47	370,623	-	100%	-
	Deferred STI	2016	Sept 2016	Sept 2017	19,302	13.79	266,178	-	100%	-
	Deferred STI	2016	Sept 2016	Sept 2018	19,302	13.79	266,178	133,089	-	-
	Deferred STI	2017	Sept 2017	Sept 2018	18,234	17.11	312,020	312,020	-	-
	Deferred STI	2017	Sept 2017	Sept 2019	18,234	17.11	312,020	156,010	-	-
Total					102,593		1,527,019	601,119		
Anthony Lombardo	Deferred STI	2015	Sept 2015	Sept 2017	20,050	13.47	270,011	-	100%	-
	Deferred STI	2016	Sept 2016	Sept 2017	20,121	13.79	277,473	-	100%	-
	Deferred STI	2016	Sept 2016	Sept 2018	20,121	13.79	277,473	138,737	-	-
	Deferred STI	2017	Sept 2017	Sept 2018	9,753	17.11	166,893	166,893	-	-
	Deferred STI	2017	Sept 2017	Sept 2019	9,753	17.11	166,893	83,447	-	-
Total					79,798		1,158,743	389,077		

Deferred Securities continued

Name	Plan	STI Award Performance Year	Grant Date	Vesting Date	Number Granted	Fair Value Per Deferred Security ¹ \$	Total Fair Value At Grant Date ^{1,2} \$	Expense For The Year Ended 30 June 2018 \$	% Vested	% Forfeited
Kylie Rampa	Deferred STI	2015	Sept 2015	Sept 2017	17,636	13.47	237,502	-	100%	-
	Deferred STI	2016	Sept 2016	Sept 2017	22,062	13.79	304,239	-	100%	-
	Deferred STI	2016	Sept 2016	Sept 2018	22,062	13.79	304,239	152,119	-	-
	Deferred STI	2017	Sept 2017	Sept 2018	13,710	17.11	234,605	234,605	-	-
	Deferred STI	2017	Sept 2017	Sept 2019	13,710	17.11	234,605	117,303	-	-
Total					89,180		1,315,190	504,027		
David Andrew Wilson	Deferred STI	2016	Sept 2016	Sept 2018	22,843	13.79	315,010	72,064	-	-
	Deferred STI	2017	Sept 2017	Sept 2018	5,698	17.11	97,504	44,611	-	-
	Deferred STI	2017	Sept 2017	Sept 2019	5,698	17.11	97,504	22,306	-	-
Total					34,239		510,018	138,981		

1. The fair value at grant date is the value of the Deferred STI award (as advised to the senior 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. Fair Value per Deferred Security and Total Fair Value at Grant Date have been revised downward to reflect updated management information. This does not impact the expense for the year ended 30 June 2018 shown in the table above.
4. Johannes Dekker received a 'sign on' award in lieu of forfeited awards from his previous employer. The award is split into three tranches, and will vest during the first, second and third years of his employment.

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 \$	Total Fair Value At Grant Date ^{1,2} \$	Expense For The Year Ended 30 June 2018 \$	% Vested	% Forfeited
Group CEO									
Stephen McCann	June 2014 LTI (50%)	Sept 2013	Sept 2017	140,069	7.80	1,092,530	45,522	92%	8%
	June 2015 LTI (50%)	Sept 2014	Sept 2017	106,128	11.14	1,182,266	65,681	57%	43%
	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	462,211	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2020	122,440	11.44	1,400,714	350,178	-	-
	June 2018 LTI (50%)	Sept 2017	Sept 2020	100,388	13.07	1,311,569	364,325	-	-
	June 2018 LTI (50%)	Sept 2017	Sept 2021	100,388	13.23	1,327,631	276,590	-	-
	Total				1,001,617		11,023,853	2,482,825	
Current Senior Executives									
Tarun Gupta	June 2014 LTI (50%)	Sept 2013	Sept 2017	25,990	7.80	202,714	8,446	92%	8%
	June 2015 LTI (50%)	Sept 2014	Sept 2017	21,226	11.14	236,458	13,137	57%	43%
	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	125,602	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2020	33,272	11.44	380,632	95,158	-	-
	June 2018 LTI (50%)	Sept 2017	Sept 2020	31,638	13.07	413,350	114,820	-	-
	June 2018 LTI (50%)	Sept 2017	Sept 2021	31,638	13.23	418,413	87,169	-	-
	Total				245,620		2,762,137	648,167	
Denis Hickey	June 2014 LTI (50%)	Sept 2013	Sept 2017	20,010	7.80	156,074	6,503	92%	8%
	June 2015 LTI (50%)	Sept 2014	Sept 2017	18,573	11.14	206,903	11,495	57%	43%
	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	85,413	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2020	22,626	11.44	258,841	64,710	-	-
	June 2018 LTI (50%)	Sept 2017	Sept 2020	21,904	13.07	286,176	79,493	-	-
	June 2018 LTI (50%)	Sept 2017	Sept 2021	21,904	13.23	289,680	60,350	-	-
	Total				179,368		2,009,411	461,114	
Daniel Labbad	June 2014 LTI (50%)	Sept 2013	Sept 2017	25,990	7.80	202,714	8,446	92%	8%
	June 2015 LTI (50%)	Sept 2014	Sept 2017	18,573	11.14	206,903	11,495	57%	43%
	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	104,503	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2020	27,683	11.44	316,694	79,173	-	-
	June 2018 LTI (50%)	Sept 2017	Sept 2020	27,076	13.07	353,748	98,263	-	-
	June 2018 LTI (50%)	Sept 2017	Sept 2021	27,076	13.23	358,080	74,600	-	-
	Total				210,540		2,356,593	544,031	

LTI Awards continued

Name	Plan (For The Year Ended)	Grant Date	Vesting Date	Number Granted	Fair Value Per Performance Security ¹ \$	Total Fair Value At Grant Date ^{1,2} \$	Expense For The Year Ended 30 June 2018 \$	% Vested	% Forfeited
Anthony Lombardo	June 2014 LTI (50%)	Sept 2013	Sept 2017	25,990	7.80	202,714	8,446	92%	8%
	June 2015 LTI (50%)	Sept 2014	Sept 2017	21,226	11.14	236,458	13,137	57%	43%
	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	100,483	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2020	26,618	11.44	304,510	76,127	-	-
	June 2018 LTI (50%)	Sept 2017	Sept 2020	24,034	13.07	314,004	87,223	-	-
	June 2018 LTI (50%)	Sept 2017	Sept 2021	24,034	13.23	317,850	66,219	-	-
	Total				217,104		2,410,750	555,470	
Kylie Rampa	June 2014 LTI (50%)	Sept 2013	Sept 2017	14,326	7.80	111,739	4,656	92%	8%
	June 2015 LTI (50%)	Sept 2014	Sept 2017	9,552	11.14	106,409	5,912	57%	43%
	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	72,348	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2020	19,165	11.44	219,248	54,812	-	-
	June 2018 LTI (50%)	Sept 2017	Sept 2020	21,904	13.07	286,176	79,493	-	-
	June 2018 LTI (50%)	Sept 2017	Sept 2021	21,904	13.23	289,680	60,350	-	-
	Total				134,512		1,535,769	362,097	
David Andrew Wilson ³	June 2015 LTI (50%)	Sept 2014	Sept 2017	15,920	11.14	177,349	4,508	57%	43%
	June 2015 LTI (50%)	Sept 2014	Sept 2018	15,920	11.27	179,339	20,514	-	-
	DE Award (50%) ³	May 2016	May 2021	80,000	13.42	1,073,904	98,270	-	-
	DE Award (50%) ³	May 2016	May 2023	80,000	13.42	1,073,904	70,193	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2018	14,208	10.34	146,840	22,395	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2019	14,208	10.56	149,965	17,153	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2019	15,971	11.33	180,872	27,585	-	-
June 2017 LTI (50%)	Sept 2016	Sept 2020	15,971	11.44	182,708	20,899	-	-	
Total				252,198		3,164,881	281,517		

- 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.
- 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.
- David Andrew Wilson was granted a Distinguished Executive (DE) Award in May 2016 that vests in two equal tranches over five and seven years. Refer to Note 34(c) of the Notes to Consolidated Financial Statements. The amount included here represents the expense for the time David Andrew Wilson has been a KMP.

Remuneration Report continued

f. Equity Based Remuneration continued

Equity Holdings and Transactions for the Year Ended 30 June 2018

	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						
David Crawford	2018	-	81,363	-	1,952	83,315
	2017	-	79,388	-	1,975	81,363
Colin Carter	2018	-	15,000	-	-	15,000
	2017	-	15,000	-	-	15,000
Philip Coffey	2018	-	4,810	-	5,000	9,810
	2017	-	-	-	4,810	4,810
Phillip Colebatch	2018	-	18,323	-	-	18,323
	2017	-	18,323	-	-	18,323
David Craig	2018	-	14,870	-	10,000	24,870
	2017	-	14,870	-	-	14,870
Steve Dobbs	2018	-	8,000	-	4,000	12,000
	2017	-	2,000	-	6,000	8,000
Jane Hemstritch	2018	-	20,000	-	-	20,000
	2017	-	20,000	-	-	20,000
David Ryan ³	2018	-	37,200	-	503	37,703
	2017	-	36,172	-	1,028	37,200
Michael Ullmer	2018	-	50,000	-	-	50,000
	2017	-	50,000	-	-	50,000
Nicola Wakefield Evans	2018	-	16,131	-	635	16,766
	2017	-	12,517	-	3,614	16,131
Elizabeth Proust ⁴	2018	-	-	-	10,000	10,000
Executive Director						
Stephen McCann	2018	186,000	744,997	405,249	(384,110)	766,136
	2017	234,000	827,194	417,803	(500,000)	744,997
Senior Executives						
Johannes Dekker ⁵	2018	-	-	-	-	-
Tarun Gupta	2018	67,000	110,487	98,670	(50,825)	158,332
	2017	84,000	116,850	104,467	(110,830)	110,487
Denis Hickey ⁶	2018	88,000	38,202	40,522	(29,661)	49,063
	2017	112,000	26,271	33,931	(22,000)	38,202
Daniel Labbad ⁶	2018	67,000	100,227	48,565	(81,791)	67,001
	2017	100,000	161,139	59,870	(120,782)	100,227
Anthony Lombardo	2018	58,000	174,680	84,204	(122,176)	136,708
	2017	80,000	247,308	61,030	(133,658)	174,680
Kylie Rampa	2018	61,000	34,081	62,168	(84,771)	11,478
	2017	70,000	-	34,081	-	34,081
David Andrew Wilson ⁷	2018	-	-	51,788	(28,791)	22,997
Total	2018		1,468,371	791,166	(750,035)	1,509,502
Total	2017		1,627,032	711,182	(869,843)	1,468,371

- Mandatory Securityholding requirements are reviewed in August each year. Mandatory Securityholding requirements for Johannes Dekker and David Andrew Wilson will be set for the first time in August 2018.
- For the Executive Director and senior executives, securities received relate to security entitlements under employee benefits vehicles.
- David Ryan ceased to be a Non Executive Director on 17 November 2017. The balance of securities held at the end of the financial year shown here represents the balance held at that date.
- Elizabeth Proust joined the Board on 1 February 2018.
- Johannes Dekker became a Key Management Personnel (KMP) from 1 May 2018.
- Securities received during the period were after withholding tax obligations.
- David Andrew Wilson became a KMP from 15 January 2018.

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 on 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

No changes were made to fees payable to Non Executive Directors during the year.

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 may be 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) \$
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 other than superannuation. However, some Directors have retirement benefits or securities accrued previously.

Remuneration of Non Executive Directors for the Years Ended 30 June 2018 and 2017

\$000s	Year	SHORT TERM BENEFITS			POST EMPLOYMENT BENEFITS		Total
		Base Fees	Committee Chair Fees	Committee Membership Fees	Travel Fees	Superannuation ¹	
David Crawford	2018	640	-	-	35	20	695
	2017	640	-	-	36	20	696
Colin Carter	2018	160	36	72	35	20	323
	2017	160	36	72	24	20	312
Philip Coffey ²	2018	160	-	36	35	20	251
	2017	80	-	-	-	10	90
Phillip Colebatch	2018	160	-	54	38	20	272
	2017	160	-	36	72	20	288
David Craig	2018	160	48	18	35	20	281
	2017	160	40	6	30	20	256
Steve Dobbs	2018	160	-	72	75	20	327
	2017	160	-	72	90	20	342
Jane Hemstritch	2018	160	48	18	35	20	281
	2017	160	48	-	36	20	264
Elizabeth Proust ³	2018	67	-	6	6	7	86
David Ryan ⁴	2018	67	-	30	12	12	121
	2017	160	8	66	30	20	284
Michael Ullmer	2018	160	48	36	35	20	299
	2017	160	48	36	36	20	300
Nicola Wakefield Evans	2018	160	-	72	35	20	287
	2017	160	-	72	30	20	282

- Directors have superannuation contributions paid on their behalf in accordance with superannuation legislation.
- Philip Coffey was appointed to the Board in January 2017.
- Elizabeth Proust was appointed to the Board on 1 February 2018.
- David Ryan ceased to be a Non Executive Director on 17 November 2017.

Remuneration Report continued

h. Executive Reward Changes for 2019

As indicated in last year's Remuneration Report, the Board has been actively reviewing the Executive Reward Strategy (ERS) to assess opportunities to better align senior executives' pay to Lendlease's Group Strategy and to drive continued success.

Following a thorough review process and consultation with internal and external stakeholders, the Board has made the decision to proceed with enhancements to the ERS for the year ending 30 June 2019.

Board Objectives and Alignment to Strategy

The Board's key objectives in making changes to the remuneration structure are:

- To create longer dated rewards that align to earnings;
- To further align with securityholder interests;
- To promote team behaviours and an enterprise leadership mindset;
- To retain the senior executive team; and
- To better align reward and strategy.

A summary of how the proposed approach aligns to these objectives is set out below.

Longer Dated Rewards, Aligned to Earnings	<ul style="list-style-type: none"> • Reduce short term pay. • Increase the time horizon of long term awards to six years, to align with Lendlease's earnings profile (a significant portion of the expected profit from business activity taking place in the current period will be recognised over a five+ years' timeframe). • Retain long term awards post employment, which aligns senior executives' interests to creating long term value and effective succession.
+	
Alignment to Securityholders	<ul style="list-style-type: none"> • Majority of variable reward is directly linked to securityholder outcomes and delivered in securities.
+	
Team Behaviours and Enterprise Leadership	<ul style="list-style-type: none"> • Shift the weighting of team based reward in both long term and short term pay, with more than 85% of target variable pay based on Group outcomes, in order to promote an enterprise leadership mindset and collaborative approach. • Align reward opportunity across similarly sized roles, supporting a team approach and senior executive mobility.
+	
Retention of Senior Executive Team	<ul style="list-style-type: none"> • Increase the maximum long term award, to create a compelling reward opportunity if securityholder outcomes are achieved. • Forfeiture of deferred rewards to disincentivise working for a competitor.
=	

An Executive Reward Strategy that better aligns strategy and reward by:

- Recognising the importance of the integrated model to deliver growth from long dated urbanisation projects;
- Recognising the importance of securityholders, our customers, employees and communities with direct links to the pillars of value;
- Shifting the pay mix towards long term awards that are strongly aligned to shareholder returns; and
- Adapting short term pay to reward senior executives for maintaining focus on disciplined execution and growth within a target portfolio mix.

Impact of Changes on Pay for Senior Executives

The table below shows the key changes to pay for the Group CEO and provides an illustrative example for a senior executive. The changes are proposed to take effect during 2019.

	GROUP CEO		SENIOR EXECUTIVE		Notes
	Current	Proposed FY19	Current	Proposed FY19	
Fixed	2,034	2,200↑	1,100	1,200 ↑	Some senior executives will receive a fixed pay increase to align fixed pay levels for similar sized roles. This simplifies pay setting and supports mobility.
Short Term Award Target	1,750	1,200↓	1,000	500↓	STI reduced and delivered as cash (currently cash and Deferred STI). Performance will be assessed using Group pillars of value (health and safety, our people, our customers, sustainability, financial) to drive collaboration and operational excellence.
Short Term Award Maximum	2,625	1,800↓	1,500	750↓	As above.
Long Term Award Target¹	3,300	3,700	900	1,600	Increased weighting to focus senior executives on creating long term value. Awards delivered over a six year time period, with performance assessed over a three year period (currently awards are measured and released over three years (50 per cent) and four years (50 per cent)). ROE and Relative TSR hurdles will continue to be used to assess performance. Long Term Award is reported as face value.
Long Term Award Maximum	3,300	5,550↑	900	3,200↑	Opportunity for a higher long term award for outstanding performance creates a compelling wealth opportunity. Long Term Award is reported as face value.
Long Term Award Minimum	0	500↑	0	500↑	Introduce a minimum award to align senior executives and securityholders at all times and align senior executives' interests with effective risk management.
Total Target Reward²	7,084	7,100↑	3,000	3,300↑	Higher total target reward offsets impact of longer dated reward for senior executives.

1. Under the current LTI plan the target and maximum values both represent the maximum award that can be received. Under the proposed Long Term Award plan a distinction is drawn between target and maximum awards with the latter paid for delivering exceptional performance.

2. Total Target Reward comprises Fixed, Short Term Award Target and Long Term Award Target above.

Short Term Award (Focus)

Objective: The short term award is designed to focus senior executives on priority areas for delivery in the current financial year, including key Group financial targets, safety and other non financial targets aligned to the Group's pillars of value.

Assessment period: One year.

Delivery: It is intended the award is delivered as cash in September after the end of the financial year.

Maximum opportunity: Group CEO and senior executives will have the opportunity to earn up to 150 per cent of the target short term award for outperformance. Whilst performance is assessed against a set of group metrics when determining awards, the Board will assess overall performance and contribution of individual senior executives, particularly around safety performance.

Performance hurdles: See below for the weighting and some illustrative examples of targets for the short term award.

50 per cent of award assessed against a set of team targets for Group financial performance. Example targets may include:

- Target PAT
- EBITDA segment mix
- ROIC for Development and Investments
- Cash (operating and investing)

50 per cent of award assessed against non financial performance. Example targets may include:

- Health and Safety – Critical Incidents and Lost Time Injury Frequency Rate (LTIFR) targets
- Our People – Succession and retention of critical talent
- Sustainability – Progress towards 2020 sustainability targets
- Our Customers – NPS or similar, in line with customer framework

Remuneration Report continued

h. Executive Reward Changes for 2019 continued

Long Term Award (Grow)

Objective: The long term award supports behaviours that drive long term securityholder value.

Assessment period: Three years

Delivery: The award is delivered as a target number of 'rights' to acquire securities. The number of rights is adjusted up or down at vesting based on performance over the assessment period.

Deferral period: Once the award has been determined, awards are retained and released in four equal tranches over a three year period. The value of retained awards can be reduced in circumstances where the Board considers that delivery of all or part of the award would result in a benefit that is unwarranted or inappropriate.



Maximum opportunity: Executives will have the opportunity to earn an award above target for outperformance across both performance hurdles.

Minimum award: This promotes alignment with securityholders as a minimum of 15 per cent of target compensation is delivered in Lendlease securities. This gives the long term award a retention value across the cycle, balances the dominant weighting of long term awards in the pay mix and better aligns reward to risk management.

Distributions: Distributions are paid on the minimum and as an adjustment of additional securities to any awards that vest.

Performance hurdles:

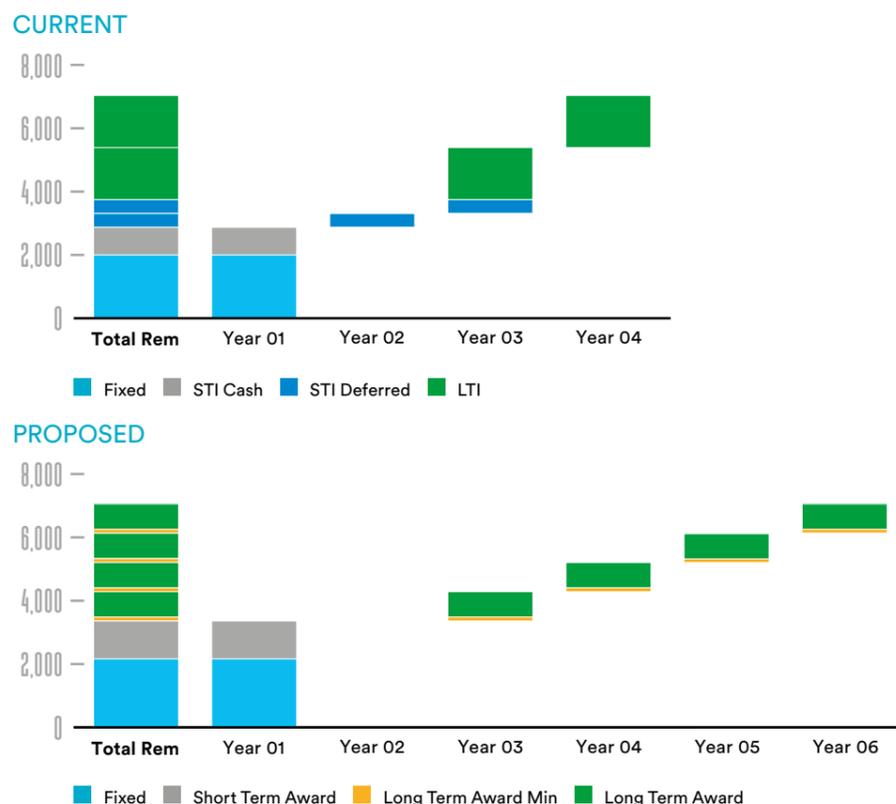
Performance hurdles are all based on Group outcomes.

Relative TSR: Vesting (above the minimum) is achieved if Lendlease TSR over the three year performance period is \geq 50th percentile of TSR performance among a comparator group that comprises companies in the S&P/ASX index 100 at the grant date. Maximum vesting is achieved if TSR performance is at or above the 75th percentile.

Average ROE: Average ROE over three years. Target and maximum ROE are set by the Board for each three year period, with reference to the Group's Portfolio Management Framework.

Time Horizon of Reward – Illustrated for the Group CEO

The graph below illustrates the current and proposed time horizon of target reward for the Group CEO. Short term and long term remuneration would be paid at the end of each year shown here.



Questions and Answers Concerning the Enhancements to the ERS.

The following questions were raised in the consultation period by internal and external stakeholders. Our answers are included below.

1. Can senior executives earn more under the new ERS?

Yes. There is the potential for executives to earn more under the new ERS in circumstances where long term performance substantially exceeds expectations. In these circumstances, we expect there will be superior returns for securityholders. Reward will be delivered over a longer period (for a comparison with current remuneration see page 132) and a higher proportion of pay is directly aligned to securityholder outcomes.

2. Some companies are combining short and long term incentive plans – why have you decided to keep them separate?

The short term award is designed to focus senior executives on priority areas for delivery in the current financial year, including key group financial targets, safety and other non financial targets linked to our pillars of value. The long term award rewards senior executives when they deliver long term value for securityholders.

3. Why will some senior executives receive a fixed pay increase?

The Board has chosen to use a tiered approach to set pay levels, and senior executives will be moved towards the target fixed pay for their tier over time. This approach supports mobility and simplifies pay setting. The Board will still externally benchmark pay against a number of 'anchor roles'. Executives based outside Australia will receive similar pay, adjusted to account for cost of living, housing and currency differences.

Some senior executives have had no adjustment to their fixed pay for several years, and in the case of the Group CEO there has been no increase to fixed pay since September 2011.

4. Why is there a minimum long term award?

The minimum long term award delivers a component of senior executives' remuneration in Lendlease securities and assists senior executives build towards their Mandatory Securityholding requirements (for more information please refer to page 117). The minimum promotes alignment between securityholders and senior executives, increases the value of the long term award to senior executives and aligns reward to effective risk management.

5. Do senior executives earn distributions on their long term awards?

Yes, initially only on the minimum component of the long term award, during the performance period. Otherwise distributions are not paid on long term awards until performance conditions are met and awards vest. When awards do vest, a 'true up' will be performed and any distributions that would have been paid on vested awards during the performance period (greater than the minimum) will be paid at the time of vesting as additional securities.

6. Are there any provisions for awards to be reduced and under what circumstances would these provisions be used?

Yes. The Board may adjust long term awards downwards where the Board reasonably determines that delivery of part, or all, of an award would result in the senior executive receiving an inappropriate or unwarranted benefit.¹

The Board has discretion to forfeit the awards of any senior executive in circumstances where they join (or subsequently join) a competitor.

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.

Directors' Report

The Directors' Report for the financial year ended 30 June 2018 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 6 to 83 incorporating the Performance & Outlook on pages 70 to 83;
- Biographical information for the Directors and Company Secretary on pages 94 to 99;
- Officers who were previously partners of the audit firm on page 99;
- Directors' interests in capital on page 100;
- Board and Committee meetings and attendance on page 101;
- Remuneration Report on pages 102 to 133; and
- Auditor's Independence Declaration on page 136.

a. Dividends/Distributions

The 2017 final dividend/distribution of \$192.5 million (33.0 cents per security, unfranked) referred to in the Directors' Report dated 28 August 2017, was paid on 20 September 2017. Details of dividends/distributions in respect of the current year are as follows:

	\$m
Interim dividends/distributions of 34.0 cents per security (unfranked) paid on 22 March 2018 ¹	198.6
Final dividends/distributions of 35.0 cents per security (unfranked) declared by Directors to be payable on 21 September 2018 ²	201.0
Total dividends/distributions	399.6

1. Comprised of an unfranked dividend of 29.43223 cents per share paid by the Company and a trust distribution of 4.56777 cents per unit paid by Lendlease Trust.
2. Comprised of an unfranked dividend of 30.3271 cents per share payable by the Company and a trust distribution of 4.6729 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 94 to 99 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 94 to 99 of this report and for officers 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 the 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.

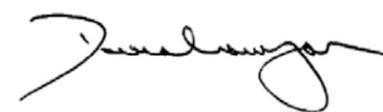
Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and other services provided during the year are set out below.

	CONSOLIDATED	
	June 2018 \$000s	June 2017 \$000s
Audit and Other Assurance Services		
Audit services	6,338	5,922
Other assurance services	399	485
Total audit and other assurance services	6,737	6,407
Non audit services	447	280
Total audit, non audit and other assurance services	7,184	6,687

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 \$50,000 or less, to 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, 22 August 2018



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 2018 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

DM McLennan
Partner

Sydney
22 August 2018

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07

FINANCIAL STATEMENTS

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Financial Statements

Table of Contents

Consolidated Financial Statements	
Income Statement	141
Statement of Comprehensive Income	142
Statement of Financial Position	143
Statement of Changes in Equity	144
Statement of Cash Flows	146
Notes to the Consolidated Financial Statements	147

Notes Index

Section A: Performance

1. Segment Reporting	148
2. Dividends/Distributions	150
3. Earnings Per Share/Stapled Security	150
4. Revenue	151
5. Share of Profit of Equity Accounted Investments	152
6. Other Income	155
7. Other Expenses	156
8. Finance Revenue and Finance Costs	158
9. Taxation	159
10. Events Subsequent to Balance Date	162

Section B: Investment

11. Inventories	163
12. Equity Accounted Investments	164
13. Investment Properties	168
14. Other Financial Assets	170

Section C: Liquidity and Working Capital

15. Cash and Cash Equivalents	171
16. Notes to Statement of Cash Flows	171
17. Borrowings and Financing Arrangements	172
18. Issued Capital	173
19. Capital Management	174
20. Liquidity Risk Exposure	174
21. Commitments	175
22. Loans and Receivables	176
23. Trade and Other Payables	177

Section D: Risk Management

24. Financial Risk Management	178
25. Hedging	180
26. Fair Value Measurement	181
27. Contingent Liabilities	182

Section E: Basis of Consolidation

28. Consolidated Entities	183
29. Employee Benefit Vehicles	184
30. Parent Entity Disclosures	185
31. Related Party Information	186

Section F: Other Notes

32. Intangible Assets	188
33. Defined Benefit Plans	190
34. Employee Benefits	192
35. Impact of New and Revised Accounting Standards	194
36. Other Significant Accounting Policies	195

Directors' Declaration	196
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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 2018 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 22 August 2018.

Consolidated Financial Statements

Income Statement

Year Ended 30 June 2018

	Note	June 2018 \$m	June 2017 \$m
Revenue	4	16,556.1	16,659.0
Cost of sales		(15,038.1)	(14,841.0)
Gross profit		1,518.0	1,818.0
Share of profit of equity accounted investments	5	131.2	77.9
Other income	6	496.2	247.2
Other expenses		(1,007.2)	(1,039.5)
Results from operating activities		1,138.2	1,103.6
Finance revenue	8	16.0	12.0
Finance costs	8	(88.0)	(108.6)
Net finance costs		(72.0)	(96.6)
Profit before Tax		1,066.2	1,007.0
Income tax expense	9	(272.6)	(248.3)
Profit after Tax		793.6	758.7
Profit after Tax attributable to:			
Members of Lendlease Corporation Limited		580.0	645.7
Unitholders of Lendlease Trust		212.8	112.9
Profit after Tax attributable to securityholders		792.8	758.6
External non controlling interests		0.8	0.1
Profit after Tax		793.6	758.7
Basic/Diluted Earnings per Lendlease Corporation Limited Share (EPS)			
Shares excluding treasury shares (cents)	3	100.2	115.1
Shares on issue (cents)	3	99.6	110.8
Basic/Diluted Earnings per Lendlease Group Stapled Security (EPSS)			
Securities excluding treasury securities (cents)	3	137.0	135.2
Securities on issue (cents)	3	136.1	130.1

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statement of Comprehensive Income

Year Ended 30 June 2018

	Note	June 2018 \$m	June 2017 \$m
Profit after Tax		793.6	758.7
Other Comprehensive Income/(Expense) After Tax			
Items that may be reclassified subsequently to profit or loss:			
Movements in fair value revaluation reserve ¹			
Movements in hedging reserve	9b	(6.9)	19.0
Movements in foreign currency translation reserve ²	9b	80.4	(41.0)
Total items that may be reclassified subsequently to profit or loss³		73.5	(22.0)
Items that will not be reclassified to profit or loss:			
Movements in non controlling interest acquisition reserve	9b	(3.8)	2.8
Defined benefit plan remeasurements	9b	55.2	(11.6)
Total items that will not be reclassified to profit or loss		51.4	(8.8)
Total comprehensive income after tax		918.5	727.9
Total comprehensive income after tax attributable to:			
Members of Lendlease Corporation Limited		704.7	615.0
Unitholders of Lendlease Trust		212.8	112.9
Total comprehensive income after tax attributable to securityholders		917.5	727.9
External non controlling interests		1.0	
Total comprehensive income after tax		918.5	727.9

1. June 2017 Statement of Comprehensive Income has been adjusted to reflect the impact of the first time adoption of AASB 9 *Financial Instruments* (refer to Impact of New and Revised Accounting Standards) by transferring \$1.1 million from Movements in fair value revaluation reserve to opening retained earnings.
2. Includes \$0.2 million relating to external non controlling interests (June 2017: (\$0.1) million).
3. Includes \$28.1 million (June 2017: (\$8.6) million) relating to share of other comprehensive income of equity accounted investments.

Statement of Financial Position

As at 30 June 2018

	Note	June 2018 \$m	June 2017 \$m
Current Assets			
Cash and cash equivalents	15	1,177.1	1,249.2
Loans and receivables	22	2,670.2	2,749.2
Inventories	11	2,369.2	2,152.0
Other financial assets	14	6.7	33.0
Other assets		91.0	77.9
Total current assets		6,314.2	6,261.3
Non Current Assets			
Loans and receivables	22	787.8	507.7
Inventories	11	3,177.1	2,975.4
Equity accounted investments	12	2,626.6	834.6
Investment properties	13a	278.2	6,967.4
Other financial assets	14	1,547.8	1,203.3
Deferred tax assets	9c	120.0	129.4
Property, plant and equipment		464.7	425.8
Intangible assets	32	1,421.4	1,415.1
Defined benefit plan asset	33	154.7	64.3
Other assets		71.1	69.9
Total non current assets		10,649.4	14,592.9
Total assets		16,963.6	20,854.2
Current Liabilities			
Trade and other payables	23	5,769.5	5,578.8
Resident liabilities	13b		4,573.0
Provisions		329.9	285.6
Borrowings and financing arrangements	17a	474.8	291.9
Current tax liabilities		10.4	6.4
Other financial liabilities		3.4	22.0
Total current liabilities		6,588.0	10,757.7
Non Current Liabilities			
Trade and other payables	23	1,530.7	1,772.1
Provisions		67.8	58.4
Borrowings and financing arrangements	17a	1,883.7	1,860.5
Other financial liabilities		0.7	0.8
Deferred tax liabilities	9c	478.5	238.2
Total non current liabilities		3,961.4	3,930.0
Total liabilities		10,549.4	14,687.7
Net assets		6,414.2	6,166.5
Equity			
Issued capital	18	1,296.8	1,289.8
Treasury securities		(44.1)	(24.7)
Reserves ¹		61.0	(15.5)
Retained earnings ¹		3,855.1	3,696.8
Total equity attributable to members of Lendlease Corporation Limited		5,168.8	4,946.4
Total equity attributable to unitholders of Lendlease Trust		1,244.5	1,117.0
Total equity attributable to securityholders		6,413.3	6,063.4
External non controlling interests		0.9	103.1
Total equity		6,414.2	6,166.5

1. June 2017 Statement of Financial Position has been adjusted to reflect the impact of the first time adoption of AASB 9 *Financial Instruments* (refer to Impact of New and Revised Accounting Standards) by transferring \$10.2 million from Reserves to opening Retained earnings.

Consolidated Financial Statements continued

Statement of Changes in Equity	RESERVES													Total Equity
	Year Ended 30 June 2018	Issued Capital \$m	Treasury Securities ¹ \$m	Fair Value Revaluation Reserve ³ \$m	Hedging Reserve \$m	Foreign Currency Translation Reserve \$m	Non Controlling Interest Acquisition Reserve \$m	Other Reserve \$m	Equity Compensation Reserve \$m	Other Compensation Reserve \$m	Retained Earnings \$m	Members of Lendlease Corporation Limited \$m	Unitholders of Lendlease Trust \$m	
Balance as at 1 July 2016	1,276.3	(99.5)	20.7	(35.6)	(54.4)	(88.9)	111.7	81.6	53.8	3,299.8	4,565.5	1,048.6	1.7	5,615.8
Total Comprehensive Income														
Profit for the period										645.7	645.7	112.9	0.1	758.7
Other Comprehensive Income (Net of tax)			(1.1)	19.0	(40.9)	2.8				(11.6)	(31.8)		(0.1)	(31.9)
Total Comprehensive Income	-	-	(1.1)	19.0	(40.9)	2.8	-	-	-	634.1	613.9	112.9	-	726.8
Other Comprehensive Income (Net of tax)														
Fair value gains			0.4								0.4			0.4
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)	-	-	(1.1)	19.0	(40.9)	2.8	-	-	-	(11.6)	(31.8)	-	(0.1)	(31.9)
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				(0.2)	(5.6)	(11.4)	(53.8)	83.8	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)	-	(16.5)	(95.3)	(86.3)	106.1	76.5	-	3,696.8	4,946.4	1,117.0	103.1	6,166.5
Balance as at 1 July 2017	1,289.8	(24.7)	-	(16.5)	(95.3)	(86.3)	106.1	76.5	-	3,696.8	4,946.4	1,117.0	103.1	6,166.5
Total Comprehensive Income														
Profit for the period										580.0	580.0	212.8	0.8	793.6
Other Comprehensive Income (Net of tax)				(6.9)	80.2	(3.8)				55.2	124.7		0.2	124.9
Total Comprehensive Income	-	-	-	(6.9)	80.2	(3.8)	-	-	-	635.2	704.7	212.8	1.0	918.5
Other Comprehensive Income (Net of tax)														
Net investment hedging					(7.9)						(7.9)			(7.9)
Effect of foreign exchange movements				0.5	88.1	(3.8)					84.8		0.2	85.0
Effective cash flow hedges				(7.4)							(7.4)			(7.4)
Defined benefit plans remeasurements										55.2	55.2			55.2
Other Comprehensive Income (Net of Tax)	-	-	-	(6.9)	80.2	(3.8)	-	-	-	55.2	124.7	-	0.2	124.9
Transactions with Owners of the Company														
Capital contributed by non controlling interests													21.6	21.6
Distribution Reinvestment Plan (DRP) ⁴	7.0										7.0	1.5		8.5
On market buyback of securities										(144.7)	(144.7)	(33.3)		(178.0)
Dividends and distributions										(337.2)	(337.2)	(53.5)		(390.7)
Treasury securities acquired		(46.1)									(46.1)			(46.1)
Treasury securities vested		26.7									26.7			26.7
Fair value movement on allocation and vesting of securities								18.7			18.7			18.7
Asset disposal and transfers				0.4 ²	(9.9) ²						(9.5)		(124.8)	(134.3)
Other movements						(2.1)	(0.1)			5.0	2.8			2.8
Total other movements through reserves	7.0	(19.4)	-	0.4	(9.9)	(2.1)	(0.1)	18.7	-	(476.9)	(482.3)	(85.3)	(103.2)	(670.8)
Balance as at 30 June 2018	1,296.8	(44.1)	-	(23.0)	(25.0)	(92.2)	106.0	95.2	-	3,855.1	5,168.8	1,244.5	0.9	6,414.2

- Opening balance for number of treasury securities 1 July 2017 was 4.3 million (1 July 2016: 29.2 million) and closing balance at 30 June 2018 was 3.7 million.
- These movements in reserves were transferred to profit and loss in the year.
- The June 2018 and June 2017 Statement of Changes in Equity has been adjusted to reflect the impact of the first time adoption of AASB 9 *Financial Instruments* (refer to Impact of New and Revised Accounting Standards). Prior year and current year opening Fair Value Revaluation Reserve balances of \$9.1 million and \$10.2 million respectively, have been transferred to retained earnings. Other Comprehensive Income (Net of tax) of \$1.1 million has been transferred to prior year opening retained earnings.
- During the year the Group neutralised stapled securities issued under the 2018 Interim Distribution Reinvestment Plan by acquiring an equivalent number of stapled securities on market.

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statement of Cash Flows

Year Ended 30 June 2018

	Note	June 2018 \$m	June 2017 \$m
Cash Flows from Operating Activities			
Cash receipts in the course of operations		16,354.3	16,254.6
Cash payments in the course of operations		(16,216.4)	(15,928.7)
Interest received		13.1	9.9
Interest paid		(122.1)	(120.4)
Dividends/distributions received		76.5	75.4
Income tax paid in respect of operations		(32.6)	(144.8)
Net cash provided by operating activities	16	72.8	146.0
Cash Flows from Investing Activities			
Sale/redemption of investments		74.4	164.9
Acquisition of investments		(448.9)	(257.3)
Acquisition of/capital expenditure on investment properties		(112.4)	(244.4)
Net loan repayments from associates and joint ventures		409.7	5.7
Disposal of consolidated entities (net of cash disposed and transaction costs)		433.6	548.4
Disposal of property, plant and equipment		7.9	13.1
Acquisition of property, plant and equipment		(110.3)	(136.4)
Acquisition of intangible assets		(32.2)	(23.9)
Net cash provided by investing activities		221.8	70.1
Cash Flows from Financing Activities			
Proceeds from borrowings		2,021.0	2,800.6
Repayment of borrowings		(1,870.7)	(2,576.8)
Dividends/distributions paid		(372.0)	(337.9)
Proceeds from sale of treasury securities			106.5
Payments for on market buyback of stapled securities		(178.0)	
Payments for on market buyback of stapled securities – Distribution Reinvestment Plan		(10.1)	
Increase in capital of non controlling interest		21.6	37.0
Other financing activities		(9.6)	(20.9)
Net cash (used in)/provided by financing activities		(397.8)	8.5
Other Cash Flow Items			
Effect of foreign exchange rate movements on cash and cash equivalents		31.1	16.2
Net (decrease)/increase in cash and cash equivalents		(72.1)	240.8
Cash and cash equivalents at beginning of financial year		1,249.2	1,008.4
Cash and cash equivalents at end of financial year	15	1,177.1	1,249.2

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 (\$), 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, 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 'Other Significant Accounting Policies'; 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.

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 below 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 and allocation of resources 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 the distinct products and services provided by each segment, the distinct target returns profile and allocation of resources for each segment, and internal reports that are reviewed and used by the Group Chief Executive Officer and Managing Director (the chief operating decision maker) in assessing performance, determining the allocation of resources, setting operational targets, and managing the Group.

The Group has arranged the segments around business activity rather than geography due to the Group's business model being broadly consistent in all regions.

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. Its products and services include 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. Its products and services include the provision of project management, design and construction services, predominantly in the infrastructure, defence, mixed use, commercial and residential sectors.

Investments

Services include owning and/or managing 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 2018 \$m	June 2017 \$m	June 2018 \$m	June 2017 \$m	June 2018 \$m	June 2017 \$m
Development	668.8	549.4	(176.9)	(151.6)	491.9	397.8
Construction	42.3	303.1	(19.8)	(91.4)	22.5	211.7
Investments	661.6	488.7	(168.2)	(107.3)	493.4	381.4
Total segment	1,372.7	1,341.2	(364.9)	(350.3)	1,007.8	990.9
Reconciling items						
Corporate activities	(306.5)	(334.3)	91.5	102.0	(215.0)	(232.3)
Statutory result attributable to securityholders	1,066.2	1,006.9	(273.4)	(248.3)	792.8	758.6
External non controlling interests		0.1	0.8		0.8	0.1
Statutory result	1,066.2	1,007.0	(272.6)	(248.3)	793.6	758.7

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

	Segment Revenue ¹ \$M	Finance Revenue \$M	Finance Expense \$M	Share of Results EAI ² \$M	Depreciation and Amortisation \$M	Material Non Cash Items ³ \$M	Non Current Segment Assets ⁴ \$M	Group Total Assets \$M
Year Ended June 2018								
Development	3,204.2	3.1	(1.9)	40.5	(5.6)	14.8	4,649.3	7,226.7
Construction	12,940.4	0.5	(1.3)	4.2	(35.1)	(65.1)	1,952.3	5,549.5
Investments	393.6	1.1	(0.7)	86.5	(7.7)	256.1	1,969.2	3,762.0
Total segment	16,538.2	4.7	(3.9)	131.2	(48.4)	205.8	8,570.8	16,538.2
Corporate activities	33.9	11.3	(84.1)		(58.2)	17.8	255.9	425.4
Statutory result	16,572.1	16.0	(88.0)	131.2	(106.6)	223.6	8,826.7	16,963.6
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

1. Segment Revenue, as disclosed in the Performance and 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 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 2018 \$m	June 2017 \$m	June 2018 \$m	June 2017 \$m
Australia	10,156.0	10,029.7	4,931.5 ³	9,936.5
Asia	652.0	574.2	856.4	860.6
Europe	900.2	1,328.8	1,180.9	1,135.7
Americas	4,830.0	4,711.5	1,602.0	994.6
Total segment	16,538.2	16,644.2	8,570.8	12,927.4
Corporate activities	33.9	26.8	255.9	268.5
Statutory result	16,572.1	16,671.0	8,826.7	13,195.9

1. Segment Revenue, as disclosed in the Performance and 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.

3. The reduction in Non Current Assets for Australia reflects the sale of a 25 per cent interest in the Group's Retirement Living investment during the period. As a result of this transaction, the Non Current Assets related to Retirement Living have been derecognised.

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/Distributions¹

	Cents Per Share/Unit	COMPANY/TRUST	
		June 2018 \$m	June 2017 \$m
Parent Company Interim Dividend			
December 2017 – paid 22 March 2018	29.4	171.9	
December 2016 – paid 24 March 2017	29.8		173.5
Lendlease Trust Interim Distribution			
December 2017 – paid 22 March 2018	4.6	26.7	
December 2016 – paid 24 March 2017	3.2		18.9
Parent Company Final Dividend			
June 2018 – declared subsequent to reporting date ²	30.3	174.2	
June 2017 – paid 20 September 2017	28.4		165.8
Lendlease Trust Final Distribution			
June 2018 – provided for (payable 21 September 2018)	4.7	26.8	
June 2017 – paid 20 September 2017	4.6		26.7
		399.6	384.9

- Final and interim dividends/distributions were not franked in the current and prior year.
- No provision for this dividend has been recognised in the Statement of Financial Position at 30 June 2018, 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 2018 is \$14.3 million, based on a 30 per cent tax rate (30 June 2017: \$13.0 million). This is calculated after adjusting for franking credits which will arise from the payment of income tax provided in the financial statements and tax losses utilised 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.

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 2018		JUNE 2017	
		Shares/ Securities Excluding Treasury Securities	Shares/ Securities on Issue	Shares/ Securities Excluding Treasury Securities	Shares/ Securities on Issue
Basic/Diluted Earnings Per Share (EPS)					
Profit attributable to members of Lendlease Corporation Limited (Company)	\$m	580.0	580.0	645.7	645.7
Weighted average number of ordinary shares	m	578.7	582.5	561.0	583.0
Basic/Diluted EPS	cents	100.2	99.6	115.1	110.8
Basic/Diluted Earnings Per Stapled Security (EPSS)					
Profit attributable to securityholders of Lendlease Group	\$m	792.8	792.8	758.6	758.6
Weighted average number of stapled securities	m	578.7	582.5	561.0	583.0
Basic/Diluted EPSS	cents	137.0	136.1	135.2	130.1

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. 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 – 12 years, or 30 per cent – 36 per cent in total) plus a share of the capital gain realised on turnover. For owned retirement villages (investment property) 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 2018 \$m	June 2017 \$m
Revenue from the provision of services		
Construction	12,922.4	12,646.5
Development	605.0	581.6
Investments	291.9	507.0
Total revenue from the provision of services	13,819.3	13,735.1
Revenue from the sale of development properties	2,602.9	2,829.3
Rental revenue	37.9	23.3
Other revenue	96.0	71.3
Total revenue	16,556.1	16,659.0

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 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 2018 \$m	June 2017 \$m
Associates		
Share of profit	24.1	20.7
Joint Ventures		
Share of profit	107.1	57.2
Total share of profit of equity accounted investments	131.2	77.9

a. Associates ¹	June 2018 \$m	June 2017 \$m
Australia		
Development		
Lendlease Communities Fund 1		(0.2)
Investments		
Lendlease Sub Regional Retail Fund	1.8	3.2
Total Australia	1.8	3.0
Asia		
investments		
Lendlease Asian Retail Investment Fund 2	0.5	0.5
Lendlease Asian Retail Investment Fund 3	19.5	14.9
Total Asia	20.0	15.4
Americas		
Investments		
Other	2.3	2.3
Total Americas	2.3	2.3
Total share of profit from associates	24.1	20.7

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 Ventures¹

	June 2018 \$m	June 2017 \$m
Australia		
Development		
Circular Quay Tower	(0.7)	
Melbourne Metro	0.2	
Other	5.9	6.6
Investments		
Lendlease International Towers Sydney Trust ²		17.6
Lendlease One International Towers Sydney Trust ²		(0.3)
Lendlease Retirement Living Trust ³	51.8	
Total Australia	57.2	23.9
Asia		
Development		
Paya Lebar Quarter	18.6	(4.8)
The Lifestyle Quarter ⁴	(0.1)	
Investments		
CDR JV Ltd (313@somerset)	4.2	(3.5)
Total Asia	22.7	(8.3)
Europe		
Development		
Stratford City Business District Limited (International Quarter London)	23.4	37.1
Other	0.5	2.0
Investments		
Other	8.0	0.5
Total Europe	31.9	39.6
Americas		
Development		
Other	(3.3)	2.0
Construction		
Other	(1.4)	
Total Americas	(4.7)	2.0
Total share of profit from joint ventures	107.1	57.2
Total share of profit from equity accounted investments	131.2	77.9

- 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.
- As a result of reaching the operational phase in FY2017 for the three towers at International Towers Sydney, the governance structures of Lendlease International Towers Sydney Trust and Lendlease One International Towers Sydney Trust changed. The Group has 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 in the prior period. The Group recorded its share of comprehensive income in relation to these investments for the period joint control was maintained.
- During the period, the Group sold a 25 per cent interest in the Lendlease Retirement Living Trust. As a result of this transaction, the Group equity accounts its residual interest in the Lendlease Retirement Living Trust as the Group has joint control over the major decisions over the entity with its joint venture partner.
- Following a change to the Group's voting rights on the investment in The Lifestyle Quarter during the period, the Group has reassessed its ability to control the major decisions governing this investment. The Group can no longer exercise control over major decisions of the entities comprising the investment in The Lifestyle Quarter. As a result, this investment has been reclassified from a controlled consolidated entity with a Non Controlling Interest to an Equity Accounted Investment. The Group has consolidated the results of this investment for the period 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 joint ventures is investment in and development of property assets.

Income Statement	LENLEASE RETIREMENT LIVING TRUST ¹	
	June 2018 \$m	
Revenue from provision of services		145.3
Depreciation and amortisation		(0.8)
Other expenses		(75.9) ²
Income tax expense		0.1
Profit for the period		68.7
Other comprehensive income		
Total comprehensive income		68.7
Group's ownership interest		75.0%
Group's total share of:		
Profit for the period		51.5
Other comprehensive income		0.3
Total comprehensive income		51.8

1. Lendlease Retirement Living Trust Income Statement has been presented from when this investment was deconsolidated, representing approximately a six month period.
2. Other expenses include the Group's share of transaction costs of \$16.6 million incurred following deconsolidation.

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

Income Statement	ASSOCIATES		JOINT VENTURES	
	June 2018 \$m	June 2017 \$m	June 2018 \$m	June 2017 ¹ \$m
Aggregate amounts of the Group's share of:				
Profit from continuing operations	24.1	20.7	55.3	20.1
Other comprehensive income/(expense)	10.1	(11.1)	17.7	4.3
Aggregate amounts of Group's share of total comprehensive income of individually immaterial equity accounted investments	34.2	9.6	73.0	24.4

1. Stratford City Business District Limited (International Quarter London) was disclosed as a material joint venture for June 2017. The Group's share of total comprehensive income relating to this investment was \$35.3 million in the prior year. This investment is no longer considered a material joint venture. 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 consolidated entities and Equity Accounted Investments 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 2018 \$m	June 2017 \$m
Net gain on sale/transfer of investments		
Consolidated entities ¹	69.4	94.5
Financial assets	0.1	23.2
Other assets and liabilities	2.2	2.0
Total net gain on sale/transfer of investments	71.7	119.7
Net gain on fair value measurement		
Investment properties	29.7	22.5
Fair value through profit or loss assets ²	275.5	55.1
Total net gain on fair value measurement	305.2	77.6
Other³	119.3	49.9
Total other income	496.2	247.2

1. During the current year, the Group sold a 25 per cent interest in the Lendlease Retirement Living Trust and an 80 per cent interest in the LRIP LP. The loss on disposal of the Lendlease Retirement Living Trust was \$20.9 million offset by the profit on disposal of the LRIP LP of \$90.3 million.
2. The assets comprising the fair value uplift are disclosed in Note 14 'Other Financial Assets'.
3. Other income includes the \$101.8 million revaluation gain on the Lendlease Retirement Living Trust retained equity accounted investment, which was based on the transaction price. The overall net loss on sale of the 25 per cent interest in the Lendlease Retirement Living Trust was \$15.5 million, which is comprised of the revaluation gain of \$101.8 million, loss on disposal of \$20.9 million noted in footnote 1, \$16.6 million for the Group's share of transaction costs recorded within total Share of Profit from Equity Accounted Investments in Note 5c, and tax expense of \$79.8 million reflected in total income tax expense.

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 34d '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.

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 or 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 2018 \$m	June 2017 \$m
Profit before income tax includes the following other expense items:		
Employee benefit expenses ¹	2,627.3	2,330.4
Superannuation accumulation plan expense	65.9	56.2
Net defined benefit plans expense	4.2	5.4
Expenses include impairments raised/(reversals) relating to:		
Loans and receivables	0.7	0.7
Property inventories	(1.6)	(31.6)
Property, plant and equipment		1.5
Equity accounted investments	1.8	(4.0)
Operating lease expense	92.7	99.3
Depreciation and amortisation	106.6	98.2
Net foreign exchange loss		11.4

1. Total expense before recoveries through projects.

Auditors' Remuneration

	June 2018 \$000s	June 2017 \$000s
Amounts received or due and receivable by the auditors of Lendlease Group for:		
Audit and Other Assurance Services		
Audit services	6,338	5,922
Other assurance services	399	485
Total audit and other assurance services	6,737	6,407
Non audit services	447	280
Total audit, other assurance and non audit services	7,184	6,687

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 2018 \$m	June 2017 \$m
Finance Revenue		
Other corporations	12.4	9.2
Other finance revenue	0.7	
Total interest finance revenue	13.1	9.2
Interest discounting	2.9	2.8
Total finance revenue	16.0	12.0
Finance Costs		
Other corporations	118.0	117.9
Less: Capitalised interest finance costs ¹	(36.2)	(25.3)
Total interest finance costs	81.8	92.6
Non interest finance costs	5.3	16.0
Initial discounting of receivables	0.9	
Total finance costs	88.0	108.6
Net finance costs	(72.0)	(96.6)

1. The weighted average interest rate used to determine the amount of interest finance costs eligible for capitalisation was 4.8 per cent (30 June 2017: 4.9 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, 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 2018 \$m	June 2017 \$m
a. Income Tax Expense		
Recognised in the Income Statement		
Current Tax Expense		
Current year	238.3	181.3
Adjustments for prior years	4.0	(5.1)
Benefit of tax losses recognised	(2.1)	(2.1)
	242.3	174.1
Deferred Tax Expense		
Origination and reversal of temporary differences	153.2	99.9
Temporary differences recovered/recognised	(82.6)	(4.8)
Net tax losses (recognised)/written off	(14.5)	8.9
Change in tax rate	(14.0)	2.4
Adjustments for prior years	(11.8)	(32.2)
	30.3	74.2
Total income tax expense	272.6	248.3
Reconciliation of Effective Tax Rate		
Profit before Tax	1,066.2	1,007.0
Income tax using the domestic corporation tax rate 30%	319.9	302.1
Adjustments for prior year	4.0	(5.1)
Non assessable and exempt income ¹	(71.8)	(56.0)
Non allowable expenses ²	9.7	4.8
Net (recognition)/writeoff of tax losses through income tax expense	(17.7)	24.8
Temporary differences recognised through income tax expense ³	47.1	(4.8)
Utilisation of capital losses on disposal of assets	(1.6)	(2.1)
Effect of tax rates in foreign jurisdictions ⁴	(19.6)	(4.0)
Other	2.6	(11.4)
Income tax expense	272.6	248.3
Deferred Tax Recognised Directly in Equity		
Relating to:		
Defined benefit plan remeasurements	16.3	(2.8)
Foreign currency translation reserve	4.1	(17.6)
Hedging reserve	(1.3)	(1.3)
Non controlling interest acquisition reserve	3.0	4.2
Total deferred tax expense/(benefit) recognised directly in equity	23.4	(17.5)⁵

b. Tax Effect Relating to Other Comprehensive Income

	JUNE 2018			JUNE 2017		
	Before Tax \$m	Tax (Expense)/ Benefit \$m	Net of Tax \$m	Before Tax \$m	Tax (Expense)/ Benefit \$m	Net of Tax \$m
Movements in hedging reserve	(6.9)		(6.9)	17.7	1.3	19.0
Movements in foreign currency translation reserve	84.5	(4.1)	80.4 ⁶	(58.6)	17.6	(41.0) ⁶
Movements in non controlling interest acquisition reserve	(3.8)		(3.8)	2.8		2.8
Movements in defined benefit plan remeasurements	71.5	(16.3)	55.2	(14.4)	2.8	(11.6)
Total other comprehensive income net of tax	145.3	(20.4)	124.9	(52.5)⁵	21.7⁵	(30.8)

- Includes Lendlease Trust profit.
- Includes accounting expenses for which a tax deduction is not allowed permanently.
- 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.
- The Group operates in a number of foreign jurisdictions for trading purposes which have significantly lower tax rates than Australia such as the United Kingdom and Singapore and higher tax rates such as the United States of America and Japan. Also includes the effect of change in tax rates.
- The June 2017 Other comprehensive income net of tax has been adjusted to reflect the impact of the first time adoption of AASB 9 *Financial Instruments* (refer to Impact of New and Revised Accounting Standards) by transferring \$7.3 million to opening retained earnings.
- Includes \$0.2 million relating to external non controlling interests (June 2017: \$(0.1) million).

c. Deferred Tax Assets and Liabilities

	JUNE 2018		JUNE 2017	
	Assets \$m	Liabilities \$m	Assets \$m	Liabilities \$m
Recognised Deferred Tax Assets and Liabilities				
Deferred tax assets and liabilities are attributable to the following:				
Loans and receivables	2.0	(130.4)	1.8	(286.3)
Inventories	111.7	(375.4)	137.8	(186.4)
Other financial assets	0.8	(55.2)	8.5	(57.9)
Other assets	32.4	(28.9)	15.1	(18.0)
Equity accounted investments	7.2	(299.2)	5.5	(33.5)
Investment properties				(273.2)
Property, plant and equipment	13.0	(41.5)	26.3	(28.9)
Intangible assets		(15.1)		(10.8)
Net defined benefit plan	13.7	(24.2)	30.2	(25.2)
Trade and other payables	133.3	(0.2)	163.8	(2.9)
Resident liabilities			81.5	
Provisions	124.6		109.5	
Borrowings and financing arrangements	6.1	(0.1)	14.7	
Other financial and non financial liabilities	10.3		2.0	(0.1)
Unused revenue tax losses recognised	99.0		231.3	
Items with a tax base but no carrying value	76.8	(19.2)	20.7	(34.3)
Total deferred tax assets/(liabilities)	630.9	(989.4)	848.7	(957.5)
Deferred tax set off	(510.9)	510.9	(719.3)	719.3
Net deferred tax assets/(liabilities)	120.0	(478.5)	129.4	(238.2)

June 2018

	1 July 2017 \$m	Recognised in Income \$m	Recognised in Equity \$m	Other/ Foreign Exchange \$m	30 June 2018 \$m
Movement in temporary differences during the financial year:					
Loans and receivables	(284.5)	156.3		(0.2)	(128.4)
Inventories	(48.6)	(212.3)		(2.8)	(263.7)
Other financial assets	(49.4)	(3.4)		(1.6)	(54.4)
Other assets	(2.9)	6.4			3.5
Equity accounted investments	(28.0)	(256.5)	(7.3)	(0.2)	(292.0)
Investment properties	(273.2)	273.2			
Property, plant and equipment	(2.6)	(30.2)		4.3	(28.5)
Intangible assets	(10.8)	(4.3)			(15.1)
Net defined benefit plan	5.0	(0.2)	(16.3)	1.0	(10.5)
Trade and other payables	160.9	(30.2)		2.4	133.1
Resident liabilities	81.5	(81.5)			
Provisions	109.5	13.7		1.4	124.6
Borrowings and financing arrangements	14.7	0.4	3.2	(12.3)	6.0
Other financial and non financial liabilities	1.9	12.9		(4.5)	10.3
Unused revenue tax losses recognised	231.3	50.7		(183.0)	99.0
Items with a tax base but no carrying value	(13.6)	74.7	(3.0)	(0.5)	57.6
Total deferred tax assets/(liabilities)	(108.8)	(30.3)	(23.4)	(196.0)	(358.5)

Notes to Consolidated Financial Statements continued

Section A: Performance continued

9. Taxation continued

June 2017	1 July 2016 \$m	Recognised in Income \$m	Recognised in Equity \$m	Other/Foreign Exchange \$m	30 June 2017 \$m
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 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)

	June 2018 \$m	June 2017 \$m
Unrecognised Deferred Tax Assets		
Deferred tax assets have not been recognised in respect of the following items:		
Unused revenue tax losses	63.5	55.2
Unused capital tax losses	16.2	28.3
Net deductible temporary differences	32.4	42.2
Total unrecognised deferred tax assets	112.1	125.7

Of the unrecognised deferred tax assets of \$112.1 million, only \$13.8 million expires by 2038. 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 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 2018 \$m	June 2017 \$m
Current		
Development properties	1,475.8	1,163.0
Construction work in progress	882.7	975.7
Other	10.7	13.3
Total current	2,369.2	2,152.0
Non Current		
Development properties	3,177.1	2,975.4
Total non current	3,177.1	2,975.4
Total inventories	5,546.3	5,127.4

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	Note	June 2018 \$m	June 2017 \$m
Associates			
Investment in associates	12a	247.7	223.5
Less: Impairment		(7.4)	(6.3)
Total associates		240.3	217.2
Joint Ventures			
Investment in joint ventures	12b	2,393.1	629.1
Less: Impairment		(6.8)	(11.7)
Total joint ventures		2,386.3	617.4
Total equity accounted investments		2,626.6	834.6

	INTEREST		NET BOOK VALUE	
	June 2018 %	June 2017 %	June 2018 \$m	June 2017 \$m
a. Associates				
Australia				
Development				
Lendlease Communities Fund 1	20.8	20.8	4.1	4.1
Investments				
Lendlease Sub Regional Retail Fund ¹	10.0	10.0	38.6	39.3
Total Australia			42.7	43.4
Asia				
Investments				
Lendlease Asian Retail Investment Fund 2	36.8	36.4	26.7	23.2
Lendlease Asian Retail Investment Fund 3	20.1	20.1	172.7	151.8
Total Asia			199.4	175.0
Europe				
Development				
Other			4.5	3.8
Total Europe			4.5	3.8
Americas				
Investments				
Other			1.1	1.3
Total Americas			1.1	1.3
Total			247.7	223.5
Less: Impairment			(7.4)	(6.3)
Total associates			240.3	217.2

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 2018 %	June 2017 %	June 2018 \$m	June 2017 \$m
b. Joint Ventures				
Australia				
Development				
Circular Quay Tower	20.0	20.0	43.5	34.9
Melbourne Quarter R1	50.0		11.6	
Melbourne Metro	30.0		58.2	
Other			16.7	18.2
Investments				
Lendlease Retirement Living Trust ¹	75.0		1,303.0	
Total Australia			1,433.0	53.1
Asia				
Development				
Paya Lebar Quarter	30.0	30.0	218.3	179.6
The Lifestyle Quarter ²	60.0		316.3	
Investments				
CDR JV Ltd (313@somerset)	25.0	25.0	84.5	75.5
Total Asia			619.1	255.1
Europe				
Development				
Hungate (York) Regeneration Limited	50.0	50.0	7.4	6.9
Intown SRL Joint Venture	50.0		21.6	
LRIP LP	20.0		12.0	
Stratford City Business District Limited (International Quarter London)	50.0	50.0	118.7	89.8
Victoria Drive Wandsworth	50.0	50.0	37.9	34.6
Investments				
Treviso	50.0	50.0	14.4	8.9
Other			3.6	5.0
Total Europe			215.6	145.2
Americas				
Development				
277 Fifth Avenue	40.0	40.0	54.5	52.0
Riverline ³		60.0		93.1
845 Madison	70.0	70.0	31.5	26.6
Lendlease Towers LLC	50.0		31.2	
Other			6.6	0.9
Construction				
Other			1.6	3.1
Total Americas			125.4	175.7
Total			2,393.1	629.1
Less: Impairment			(6.8)	(11.7)
Total joint ventures			2,386.3	617.4
Total equity accounted investments			2,626.6	834.6

- During the period, the Group sold a 25 per cent interest in its Retirement Living investment. As a result of this transaction, the Group equity accounts its residual interest in the Lendlease Retirement Living Trust as the Group has joint control over the major decisions of the entity with its joint venture partner, which leads to classification of an equity accounted investment.
- Following a change to the Group's voting rights on the investment in The Lifestyle Quarter during the period, the Group has reassessed its ability to control the major decisions governing this investment. The Group can no longer exercise control over major decisions of the entities comprising the investment in The Lifestyle Quarter. As a result, this investment has been reclassified from a controlled consolidated entity with a Non Controlling Interest to an Equity Accounted Investment. The Group has consolidated the results of this investment for the period control was maintained.
- The Riverline Joint Venture was dissolved in the current period. The Group acquired its share of net assets as part of the dissolution, which are recorded as inventory.

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.

	LENDLEASE RETIREMENT LIVING TRUST
	June 2018 \$m
Statement of Financial Position	
Current Assets	
Cash and cash equivalents	25.2
Other current assets	40.8
Total current assets	66.0
Non Current Assets	
Investment properties	6,969.4
Other non current assets	1.9
Total non current assets	6,971.3
Current Liabilities	
Resident liabilities	4,685.9
Other current liabilities	47.2
Total current liabilities	4,733.1
Non Current Liabilities	
Financial liabilities (excluding trade payables)	584.7
Total non current liabilities	584.7
Net assets	1,719.5
Reconciliation to Carrying Amounts	
Opening net assets 1 July	-
Total comprehensive income for the year	51.8
Acquisition/contributions	1,667.7
Closing net assets	1,719.5
% Ownership	75.0%
Group's share of net assets	1,289.6
Other adjustments	13.4
Carrying amount at end of year	1,303.0

Material joint ventures had \$41.8 million in capital expenditure commitments and \$2.1 million in operating lease commitments as at 30 June 2018.

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

	ASSOCIATES		JOINT VENTURES	
	June 2018 \$m	June 2017 \$m	June 2018 \$m	June 2017 \$m
Aggregate carrying value of individually immaterial equity accounted investments¹	240.3	217.2	1,083.3	527.6

- Stratford City Business District Limited (International Quarter London) was disclosed as a material joint venture for June 2017 and the Group's share of net assets was \$89.8 million. It is no longer considered to be a material equity investment for the Group as the net book value of the investment is no longer material to the overall equity accounted investment balance, and has been disclosed as an immaterial joint venture for June 2018. 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 \$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 comprises retirement villages (both operating villages and villages under development) held for long term income yields which 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.

Deferred management fees receivable on owned sites (DMF) represent 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 2018 \$m	June 2017 \$m
a. Investment Properties – Non Current		
Retirement Living properties ¹		6,443.4
Retail properties	74.3	72.6
Telecommunication towers	141.3	83.3
Assets under construction ²	23.2	368.1
Other investment properties	39.4	
Total investment properties	278.2	6,967.4

1. During the period, the Group sold a 25 per cent interest in its Retirement Living investment. As a result of this transaction, the investment properties related to Retirement Living have been derecognised. Refer to Note 5 'Share of Profit of Equity Accounted Investments', Note 6 'Other Income', and Note 12 'Equity Accounted Investments' for more information.

2. Assets under construction at June 2017 include investment properties under construction relating to the Group's investment in The Lifestyle Quarter. Following a change to the Group's voting rights on the investment during the period, the Group reassessed its ability to control the major decisions governing this investment. The Group can no longer exercise control over major decisions of the entities comprising the investment in The Lifestyle Quarter. As a result, this investment has been reclassified from a controlled consolidated entity with a Non Controlling Interest to an Equity Accounted Investment.

Financial Disclosure	June 2018 \$m	June 2017 \$m
Reconciliations		
Reconciliations of the carrying amount for investment properties are as follows:		
Carrying amount at beginning of financial year	6,967.4	5,940.7
(Disposal)/acquisition and transfers of investment properties	(6,889.0)	218.1
Capital expenditure	101.7	300.2
Fair value gain recognised through the Income Statement	29.7	22.5
Increase attributable to capital gain	49.0	468.8
Foreign exchange rate/other movements	19.4	17.1
Carrying amount at end of financial year	278.2	6,967.4
b. Resident Liabilities¹		
Gross resident liabilities		5,295.7
Deferred management fees receivable on owned sites		(722.7)
Total resident liabilities	-	4,573.0

1. During the period, the Group sold a 25 per cent interest in its Retirement Living investment. As a result of this transaction, the investment properties, resident liabilities, and deferred revenue related to Retirement Living have been derecognised. The Group equity accounts its residual interest in the Lendlease Retirement Living Trust. Refer to Note 5 'Share of Profit of Equity Accounted Investments', Note 6 'Other Income', and Note 12 'Equity Accounted Investments' for more information.

Net investment properties are classified as Level 3 in the fair value hierarchy.

Net investment properties include net Retirement Living properties after deducting resident liabilities and related deferred revenue, \$nil million (June 2017: \$1,738.7 million), retail and telecommunication and other properties \$255.0 million (June 2017: \$155.9 million) and assets under construction \$23.2 million (June 2017: \$368.1 million).

c. Valuation Technique

Disclosures on the valuation techniques adopted for investment properties held at 30 June 2018 are not material, as the balance at 30 June 2018 is no longer considered material.

d. Fair Value Reconciliation

Reconciliation of carrying value for Level 3 net investment properties:

	June 2018 \$m	June 2017 \$m
Carrying amount at beginning of financial year	2,262.7	1,705.7
Additions/(disposals) and capital expenditure	(2,041.7)	429.5
Gains/(losses) recognised in Income Statement	29.7	22.5
Other movements	27.5	105.0
Carrying amount at end of financial year	278.2	2,262.7

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

Financial Assets at fair value through profit or loss on initial recognition are measured at fair value (generally transaction price) and subsequently stated at fair value. Transaction costs are recorded as expenses when they are incurred. Any gain or loss arising from a change in fair value is recognised in the Income Statement.

Financial Assets at amortised cost are presented within loans and receivables in Note 22.

	Fair Value Level ¹	June 2018 \$m	June 2017 \$m
Current Measured at Fair Value			
Fair Value Through Profit or Loss – Designated at Initial Recognition			
Negotiable instruments	Level 1		31.4
Derivatives	Level 2	6.7	1.6
Total current		6.7	33.0
Non Current Measured at Fair Value			
Fair Value Through Profit or Loss – Designated at Initial Recognition			
Lendlease International Towers Sydney Trust	Level 3	515.2	411.5
Lendlease One International Towers Sydney Trust	Level 3	246.0	202.7
Australian Prime Property Fund – Industrial ²	Level 3	74.5	70.9
Australian Prime Property Fund – Commercial ²	Level 3	292.0	211.6
Australian Prime Property Fund – Retail ²	Level 3	76.4	73.4
Lendlease Public Infrastructure Investment Company	Level 3	40.7	40.7
Military Housing Projects Initiative ²	Level 3	195.4	102.8
Lendlease Asian Retail Investment Fund ²	Level 3	38.7	24.9
Parkway Parade Partnership Limited ²	Level 3	39.8	37.2
Other investments ²	Level 3	10.6	19.6
	Level 1	18.5	
		1,547.8	1,195.3
Other	N/A		8.0
Total non current		1,547.8	1,203.3
Total other financial assets		1,554.5	1,236.3

- Refer to Note 26 'Fair Value Measurement' for details on basis of determining fair value and valuation technique.
- As a result of the first time adoption of AASB 9 *Financial Instruments* (refer to Impact of New and Revised Accounting Standards), these investments have been reclassified from Available for Sale to Fair Value Through Profit or Loss. June 2017 comparatives have been restated to include units in Australian Prime Property Fund - Industrial of \$4.2 million, Australian Prime Property Fund - Commercial of \$6.3 million, Australian Prime Property Fund - Retail of \$45.9 million, Lendlease Asian Retail Investment Fund of \$24.9 million, Parkway Parade Partnership Limited of \$37.2 million, Military Housing Projects Initiative of \$102.8 million and Other Investments of \$9.5 million. These investments were previously classified as Available for Sale Investments.

a. Fair Value Reconciliation¹

The reconciliation of the carrying amount for Level 3 financial assets is set out as follows.

	June 2018 \$m	June 2017 \$m
Carrying amount at beginning of financial year	1,195.3	619.4
Additions	73.4	37.3
Gains recognised in Income Statement	258.4	48.1
Other movements	12.3	490.5
Transfers	(10.1)	
Carrying amount at end of financial year	1,529.3	1,195.3

- Following the adoption of AASB 9 *Financial Instruments*, the assets previously classified as Available for Sale have been reclassified to unlisted investments. Comparative balances have also been reclassified.

The potential effect of using reasonably possible alternative assumptions for valuation inputs would not have a material impact on the Group.

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 2018 \$m	June 2017 \$m
Cash	647.4	889.6
Short term investments ¹	529.7	359.6
Total cash and cash equivalents	1,177.1	1,249.2

- Short term investments earned variable rates of interest which averaged 1.7 per cent per annum during the year (30 June 2017: 2.0 per cent).

16. Notes to Statement of Cash Flows

	June 2018 \$m	June 2017 \$m
Reconciliation of Profit after Tax to Net Cash Provided by Operating Activities		
Profit after tax (including external non controlling interests)	793.6	758.7
Amortisation and depreciation	106.6	98.2
Net gain on sale of investments, plant and equipment	(71.7)	(119.7)
Impairment/(write back) of equity accounted investments	1.8	(4.0)
Impairment of property, plant and equipment		1.5
Net unrealised foreign exchange gain and currency hedging costs	(2.5)	(18.8)
Net fair value gain on investments	(275.5)	(55.1)
Share of profit of equity accounted investments	(131.2)	(77.9)
Dividends/distributions from equity accounted investments	15.6	33.9
Fair value gain on investment properties	(29.7)	(22.5)
Other	(172.5)	(252.5)
Net cash provided by operating activities before changes in assets and liabilities	234.5	341.8
Changes in Assets and Liabilities Adjusted for Effects of Purchase and Disposal of Consolidated Entities and Operations During the Financial Year		
Increase in receivables	(18.3)	(454.0)
Increase in inventories	(318.6)	(802.4)
Increase in other assets	(10.4)	(29.4)
Increase in net defined benefit plans	(16.3)	(73.3)
(Decrease)/increase in payables	(79.1)	1,096.7
Increase in operating derivatives assets/liabilities	(14.7)	(36.2)
Decrease in deferred tax items	233.4	74.8
Decrease in current tax	4.0	28.7
Increase/(decrease) in other provisions	58.3	(0.7)
Net cash provided by operating activities	72.8	146.0

Notes to Consolidated Financial Statements continued

Section C: Liquidity and Working Capital continued

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 2018 \$m	June 2017 \$m
a. Borrowings – Measured at Amortised Cost		
Current		
Commercial notes	249.8	291.9
Bank credit facilities	225.0	
Total current	474.8	291.9
Non Current		
Commercial notes	1,589.9	1,776.2
Bank credit facilities	293.8	84.3
Total non current	1,883.7	1,860.5
Total borrowings	2,358.5	2,152.4
b. Finance Facilities		
The Group has access to the following lines of credit:		
Commercial Notes		
Facility available	1,839.7	2,068.1
Amount of facility used	(1,839.7)	(2,068.1)
Amount of facility unused	-	-
Bank Credit Facilities		
Facility available	2,222.4	2,186.0
Amount of facility used	(518.8)	(84.3)
Amount of facility unused	1,703.6	2,101.7
Bank Overdrafts		
Facility available and amount unused	123.5	123.5

Commercial notes include:

- £300.0 million of guaranteed unsecured notes issued in October 2006 in the UK 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 US private placement market with a 5.8 per cent per annum coupon that matured and was repaid in October 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 guaranteed senior unsecured notes issued in July 2012 in the Singapore bond market with a 4.625 per cent per annum coupon that matured and was repaid in July 2017; S\$300.0 million of guaranteed unsecured senior notes issued in April 2017 in the Singapore bond market under Lendlease's Euro Medium Term Note Programme with a 3.9 per cent coupon maturing in April 2027; and
- \$475.0 million of unsecured medium term notes issued in May 2013 (\$375.0 million) and June 2014 (\$100.0 million) in the Australian bond market comprising \$250.0 million with a 5.5 per cent per annum coupon maturing in November 2018 and \$225.0 million with a 6.0 per cent per annum coupon maturing in May 2020. The \$250.0 million unsecured medium term note maturing in November 2018 has been classified as current for June 2018.

Bank credit facilities include:

- £400.0 million club bank facility maturing in March 2023 drawn to \$285.7 million as at 30 June 2018; and
- \$1,500.0 million syndicated multi option facility maturing in June 2019 (tranche A: \$600.0 million) and June 2020 (tranche B: \$900.0 million) drawn to \$225.0 million as at 30 June 2018. Tranche A of the syndicated multi option facility has been classified as current for June 2018 and tranche B remains undrawn as at 30 June 2018.

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.

c. Movement in Borrowings and Financing Arrangements

	Note	June 2018 \$m
Balance at beginning of financial year	17a	2,152.4
Net proceeds from borrowings		150.3
Effect of foreign exchange rate movements		54.0
Other movements		1.8
Balance at end of financial year	17a	2,358.5

	INTEREST EXPOSURE			CURRENCY				
	Fixed \$m	Floating \$m	Total \$m	A\$ \$m	US\$ \$m	£ \$m	S\$ \$m	Total \$m
June 2018								
Between one and five years	1,008.3	510.7	1,519.0	700.5		818.5		1,519.0
More than five years	831.4	8.1	839.5		535.8	8.1	295.6	839.5
Total	1,839.7	518.8	2,358.5	700.5	535.8	826.6	295.6	2,358.5
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

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	LENLEASE CORPORATION LIMITED				LENLEASE TRUST			
	June 2018		June 2017		June 2018		June 2017	
	No. of Shares (m)	\$m	No. of Shares (m)	\$m	No. of Units (m)	\$m	No. of Units (m)	\$m
Issued capital at beginning of financial year	583.5	1,289.8	582.3	1,276.3	583.5	918.9	582.3	915.8
Distribution Reinvestment Plan ¹	0.5	7.0	1.2	13.5	0.5	1.5	1.2	3.1
Issued capital at end of financial year	584.0	1,296.8	583.5	1,289.8	584.0	920.4	583.5	918.9
On market buyback of stapled securities ²	(9.7)	(144.7)			(9.7)	(33.3)		
Issued capital net of on market buyback at end of financial year	574.3	1,152.1	583.5	1,289.8	574.3	887.1	583.5	918.9

1. The Group neutralised stapled securities issued under the 2018 Interim Distribution Reinvestment Plan (DRP) by acquiring an equivalent number of stapled securities on market. The total value of neutralised stapled securities at 30 June 2018 is \$8.2 million for the company, and \$1.9 million for Lendlease Trust representing 0.6 million number of stapled securities.

2. Stapled securities acquired as part of the Group's on market stapled security buyback have been recorded in retained earnings for the Company and in Buyback Reserves for Lendlease Trust.

a. Issuance of Securities

As at 30 June 2018, the Group had 574.3 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 30 August 2018. The Group intends to neutralise stapled securities issued under the DRP for the upcoming dividend by acquiring an equivalent number of stapled securities on market. 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.

Notes to Consolidated Financial Statements continued

Section C: Liquidity and Working Capital continued

18. Issued Capital continued

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 evaluate 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 2018 are Baa3/BBB- respectively (June 2017: 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 and Performance & Outlook sections of 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 2018, the Group does not anticipate a significant liquidity risk in relation to these facilities in the next 12 months. This is due to its continued strong cash flows, as supported by the on market buyback of 9.7 million number of stapled securities, and the Group's financial profile, which includes significant committed undrawn facilities and a low gearing ratio.

The Group has provided collateral of \$nil (June 2017: \$nil) against letter of credit facilities.

The following are the contractual cash flow maturities of financial liabilities including estimated interest payments.

	Note	Carrying Amount \$M	Contractual Cash Flows \$M	Less Than One Year \$M	One to Two Years \$M	Two to Five Years \$M	More Than Five Years \$M
June 2018							
Non Derivative Financial Liabilities							
Trade and other payables ¹	23	5,407.7	5,425.5	4,237.0	547.3	592.8	48.4
Borrowings and financing arrangements	17a	2,358.5	3,100.8	621.5	367.1	1,149.5	962.7
Other financial liabilities		0.4	0.5	0.2	0.2	0.1	
Total		7,766.6	8,526.8	4,858.7	914.6	1,742.4	1,011.1
Derivative Financial Liabilities							
(Outflow)			(147.9)	(139.7)	(5.8)	(1.4)	(1.0)
Inflow		3.7	147.5	140.5	6.0	0.7	0.3
Total		3.7	(0.4)	0.8	0.2	(0.7)	(0.7)

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	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)

1. The carrying amount of trade and other payables excludes \$1,532.7 million of current and \$359.8 million of non current amounts (June 2017: \$822.4 million of current and \$533.7 million of non current amounts) as they do not meet the definition of a financial liability under Australian Accounting Standards.

Other contractually committed cash flows the Group is exposed to are detailed in Note 21 'Commitments'.

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 2018 \$m	June 2017 \$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	596.4	488.3
Plant and equipment	25.2	5.6
Total	621.6	493.9

	June 2018 \$m	June 2017 \$m
At balance date, commitments in relation to non cancellable operating leases are payable as follows:		
Due within one year	91.4	68.1
Due between one and five years	229.2	186.9
Due later than five years	301.0	238.9
Total	621.6	493.9

	June 2018 \$m	June 2017 \$m
b. Finance Lease Commitments		
At balance date, commitments in relation to finance leases are payable as follows:		
Due within one year	0.2	9.2
Due between one and five years	0.2	0.4
Recognised in other financial liabilities	0.4	9.6

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:

	June 2018 \$m	June 2017 \$m
Due within one year	127.2	38.3
Due between one and five years	26.4	60.3
Due later than five years	27.8	
Total	181.4	98.6

Notes to Consolidated Financial Statements continued

Section C: Liquidity and Working Capital continued

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.

The Group assesses provision for impairment of loans and receivables based on expected loss, if material. The Group considers reasonable and supportable information that is relevant and available. This includes both quantitative and qualitative information and analysis, based on the Group's historical impairment experience, credit assessment of customers and any relevant forward looking information. 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 2018 \$m	June 2017 \$m
Current		
Trade receivables	1,616.7	1,250.7
Less: Impairment	(12.2)	(9.9)
	1,604.5	1,240.8
Related parties	120.2	7.5
Retentions	307.7	325.8
Other receivables	638.7	1,180.0
Less: Impairment	(0.9)	(4.9)
Total current	2,670.2	2,749.2
Non Current		
Related parties	78.2	115.2
Less: Impairment	(1.2)	(93.7)
Retentions	364.0	216.4
Other receivables	346.8	269.8
Total non current	787.8	507.7
Total loans and receivables	3,458.0	3,256.9

As at the reporting date, \$1,318.7 million of the trade debtors were current (30 June 2017: \$1,008.3 million) and \$298.0 million were past due (30 June 2017: \$242.4 million). Of the past due amount, \$285.8 million was not impaired (30 June 2017: \$232.5 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, 7.5 per cent (30 June 2017: 5.0 per cent) are aged greater than 90 days. Other than trade debtors, no other loans and receivables are considered past due at 30 June 2018 (30 June 2017: \$nil).

	June 2018 \$m	June 2017 \$m
Impairment		
Carrying amount at beginning of financial year	108.5	120.3
Bad and doubtful debts impairment loss net of provisions written back	1.7	(2.0)
Utilised bad and doubtful debts impairment provision	(100.0)	
Other movements (including foreign exchange rate movements)	4.1	(9.8)
Carrying amount at end of financial year	14.3	108.5
Total impairment as a percentage of total loans and receivables	0.4%	3.3%

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.

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 clients (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. 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 2018 \$m	June 2017 \$m
Current		
Trade and accrued creditors ¹	3,407.2	3,435.2
Construction revenue – amounts due to customers	1,014.4	702.1
Related parties	11.0	
Retentions and deferred payments	480.8	571.2
Other ²	856.1	870.3
Total current	5,769.5	5,578.8
Non Current		
Trade and accrued creditors	12.6	10.0
Retentions and deferred payments	880.2	783.4
Other ²	637.9	978.7
Total non current	1,530.7	1,772.1
Total trade and other payables	7,300.2	7,350.9

1. June 2017 trade and accrued creditors includes a reclassification from prior period of \$21.3 million relating to insurance claim reserves.
2. Includes unearned income liabilities from PLLACs transactions. PLLACs transactions involve selling the presold apartment cash flows for a specific development project to a third party for cash consideration.

Notes to Consolidated Financial Statements continued

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	<ul style="list-style-type: none"> 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' 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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' 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Insufficient levels of committed credit facilities Settlement of financial liabilities Further information on exposures is detailed in Note 20 'Liquidity Risk Exposure' 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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' 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> All traded and/or non traded financial instruments measured at fair value 	<ul style="list-style-type: none"> Material investments within the portfolio are managed on an individual basis. The Group's portfolio is monitored closely as part of capital recycling initiatives

a. Foreign Currency Risk Exposure

The net asset exposure by currency is detailed below.

	A\$m	US\$m	£m	S\$m	€m	CNY m ¹	MYR m	Other m ²
June 2018								
Net asset/(liability) exposure (local currency)	4,903.7	506.5	173.2	264.2	89.8	289.6	31.7	43.0
June 2017								
Net asset/(liability) exposure (local currency)	5,285.0	257.4	105.0	(29.3)	66.4	19.9	849.1	21.2

- June 2017 has been adjusted to separate the comparative for 'Other' to disclose the Group's exposure to CNY.
- June 2017 has been adjusted to aggregate the Group's exposure to NZD to 'Other'.

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 2017: 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 2018 \$m	June 2017 \$m	June 2018 \$m	June 2017 \$m
USD	22.7	10.2	(18.3)	(8.2)
GBP	12.9	8.4	(10.5)	(7.0)
SGD	3.3	3.0	(2.8)	(2.8)
EUR	0.3	0.1	(0.2)	(0.1)
MYR	(1.0)	(1.7)	0.8	1.3
	38.2	20.0	(31.0)	(16.8)

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 2018 \$m	June 2017 \$m	June 2018 \$m	June 2017 \$m
USD	71.6	38.7	(59.1)	(31.5)
GBP	37.2	20.1	(29.8)	(16.5)
SGD	28.7	(3.2)	(23.6)	2.6
EUR	14.9	11.6	(12.5)	(9.4)
CNY ¹	6.6	0.4	(5.4)	(0.3)
MYR	1.2	28.6	(1.0)	(23.4)
	160.2	96.2	(131.4)	(78.5)

- June 2017 has been adjusted to separate the comparative for 'Other' to disclose the Group's exposure to CNY.

Notes to Consolidated Financial Statements continued

Section D: Risk Management continued

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 \$nil million impairment recorded during the year against other financial assets (June 2017: \$nil 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 2018 \$m	June 2017 \$m
Fixed Rate		
Financial assets	436.5	367.4
Financial liabilities	(1,899.9)	(2,740.2)
	(1,463.4)	(2,372.8)
Variable Rate		
Financial assets	654.3	760.1
Financial liabilities	(521.2)	(87.0)
	133.1	673.1

Sensitivity Analysis

At 30 June 2018 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 \$9.5 million (June 2017: \$5.1 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 \$9.5 million (June 2017: \$5.1 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 has minimal hedges designated at 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 USD, EUR, SGD, JPY and MYR at reporting date to hedge specific foreign currency exposures. The total gross payable exposure is \$168.2 million (June 2017: payable \$465.2 million).

There are 47 foreign currency contracts that will mature in more than one year (June 2017: 23 foreign currency contracts).

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.

	Note	JUNE 2018		JUNE 2017	
		Carrying Amount \$m	Fair Value \$m	Carrying Amount \$m	Fair Value \$m
Liabilities					
Current					
Commercial notes	17a	249.8	252.9	291.9	293.3
Non Current					
Commercial notes	17a	1,589.9	1,803.1	1,776.2	2,088.4

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, which may include periodic independent and Directors' valuations, 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 includes 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 period, there were no material transfers between Level 1, Level 2 and Level 3 fair value hierarchies.

Notes to Consolidated Financial Statements continued

Section D: Risk Management continued

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.

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 Primelife Limited

Lendlease Real Estate Investments Limited

Lendlease Responsible Entity Limited

Lendlease Services Pty Limited

Lendlease Trust¹

EUROPE

Lendlease Construction (Europe) Limited

Lendlease Construction Holdings (Europe) Limited

Lendlease Europe Finance plc

Lendlease Europe Limited

Lendlease Residential (CG) Limited

Lendlease (Elephant & Castle) Limited

ASIA

Lendlease Japan Inc.

Lendlease Singapore Pte. Limited

AMERICAS

Lendlease (US) Capital, Inc.

Lendlease (US) Construction, Inc.

Lendlease (US) Construction LMB, Inc.

Lendlease (US) Public Partnerships, LLC

Lendlease (US) Public Partnerships Holdings LLC

Lendlease Development, Inc.

1. Lendlease Trust is a consolidated entity of the Group as the parent entity is deemed to control it. Lendlease Trust is not wholly owned.

During the current and prior year, there were no **acquisitions** of material consolidated entities.

Notes to Consolidated Financial Statements continued

Section E: Basis of Consolidation continued

28. Consolidated Entities continued

The following material disposals of consolidated entities occurred during the current and prior year.

	Ownership Interest Disposed %	Date Disposed	Gross Consideration Received/Receivable \$m
June 2018			
Australia			
Lendlease Retirement Living Trust ¹	25.0	18 December 2017	510.4
LRIP LP ²	80.0	21 December 2017	196.8
June 2017			
Australia			
Circular Quay Tower	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

1. Refer to Note 6 'Other Income', Note 5 'Share of Profit of Equity Accounted Investments' and Note 12 'Equity Accounted Investments' for further details.
2. Refer to Note 6 'Other Income' for further detail.

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 2018, employees own approximately 1.04 per cent (June 2017: 1.24 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.

b. Employee Security Ownership Vehicles

In addition to the plans discussed above, Lendlease has an employee security ownership vehicle, Lendlease Retirement Benefit Fund (RBF).

- 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.
- The RBF arrangement is subject to periodic review to assess its 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 2018.

	COMPANY	
	June 2018 \$m	June 2017 \$m
Results		
Profit after Tax	751.6	351.0
Other comprehensive (loss)/income after tax	(0.1)	0.4
Total comprehensive income after tax	751.5	351.4
Financial Position		
Current assets	4,539.9	3,246.6
Non current assets	2,014.2	2,071.3
Total assets	6,554.1	5,317.9
Current liabilities	3,482.5	2,494.7
Non current liabilities	23.6	50.5
Total liabilities	3,506.1	2,545.2
Net assets	3,048.0	2,772.7
Issued capital	1,296.8	1,289.8
Treasury securities	(56.8)	(57.8)
Reserves ¹	175.2	177.0
Retained earnings ¹	1,632.8	1,363.7
Total equity	3,048.0	2,772.7

1. June 2017 Statement of Financial Position has been adjusted to reflect the impact of the first time adoption of AASB 9 *Financial Instruments* by transferring \$3.5 million from Reserves to opening retained earnings.

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.

Notes to Consolidated Financial Statements continued

Section E: Basis of Consolidation continued

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 2018 \$000s	June 2017 \$000s
Transactions		
Guarantee fees	36,481	14,149
Dividend income	795,156	442,987
Interest income	10,212	13,501
Interest expense	61,027	74,478
Outstanding Balances (Net of Provisions Raised)		
Receivables	3,435,339	3,198,184
Payables	3,409,408	2,459,831

Transactions that occurred during the financial year between entities in the Lendlease Group included:

- 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.

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 2018 (June 2017: \$nil).

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 2018 \$m	June 2017 \$m
Revenue		
Associates	5.9	6.0
Joint ventures	1,195.8	641.5

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 2018 \$000s	June 2017 \$000s
Short term employee benefits	15,545	15,617
Post employment benefits	381	385
Security based payments	9,368	10,902
Other long term benefits	176	59
Total	25,470	26,963

Information regarding individual Directors' and senior executives' remuneration is provided in the Remuneration Report within the Directors' Report.

Notes to Consolidated Financial Statements continued

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 (CGUs) (or groups of CGUs), 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 2018 \$m	June 2017 \$m
Goodwill	32a	1,215.7	1,194.2
Management agreements		41.7	52.5
Other intangibles		164.0	168.4
Total intangible assets		1,421.4	1,415.1
a. Goodwill			
Construction		1,185.3	1,165.0
Development		30.4	29.2
Total goodwill		1,215.7	1,194.2
Reconciliations			
Reconciliations of the carrying amounts for each category of goodwill are as follows:			
Construction			
Carrying amount at beginning of financial year		1,165.0	1,179.2
Effect of foreign exchange rate/other movements		20.3	(14.2)
Carrying amount at end of financial year	32b	1,185.3	1,165.0
Development			
Carrying amount at beginning of financial year		29.2	30.0
Effect of foreign exchange rate movements		1.2	(0.8)
Carrying amount at end of financial year		30.4	29.2

b. Goodwill Allocation

Goodwill relating to the Construction business is allocated to CGUs identified according to regions as set out below.

	June 2018 \$m	June 2017 \$m
Construction		
Australia	743.4	743.4
Europe	244.4	231.4
Americas	189.9	182.6
Asia	7.6	7.6
Total construction goodwill	1,185.3	1,165.0

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 2018. Based on information available and market conditions at 30 June 2018, 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 2017: 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 13.7 per cent and 21.4 per cent (June 2017: between 13.0 per cent and 22.0 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.

Notes to Consolidated Financial Statements continued

Section F: Other Notes continued

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 2018 \$m	June 2017 \$m
Lend Lease Superannuation Plan		3.4	5.5
Lend Lease UK Pension Scheme	33a	151.3	58.8
Total defined benefit plan asset		154.7	64.3

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 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 accruals on 31 August 2008 and the index linked section closed to future accruals 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 \$30.0 million in contributions to its defined benefit plan in 2019. This includes the annual deficit recovery payment as well as a one off contribution of \$10.7 million, following the triennial valuation for 31 March 2017 where deficit repair contributions have been agreed for the period to March 2024. These contributions reduce the actuarial deficit.

The defined benefit plan is exposed to actuarial risk and market (investment) risk. Information which follows provides additional detail on risk.

Financial Disclosure	June 2018 \$m	June 2017 \$m
i. Statement of Financial Position Amounts		
The amounts recognised in the Statement of Financial Position are determined as follows:		
Defined benefit obligations	(1,077.1)	(1,139.7)
Fair value of plan assets	1,228.4	1,198.5
Net defined benefit asset/(liability)	151.3	58.8

Financial Disclosure	June 2018 \$m	June 2017 \$m
ii. Reconciliation of Defined Benefit Obligations		
Defined benefit obligations at beginning of financial year	1,139.7	1,059.6
Included in Income Statement		
Interest cost	29.3	27.3
Remeasurements Included in Other Comprehensive Income		
Actuarial (gain)/loss arising from:		
Financial assumptions	(86.8)	153.5
Experience adjustments	24.2	(7.2)
Demographic assumptions	(31.8)	
Other		
Benefits paid	(56.1)	(42.0)
Effect of foreign exchange rate movements	58.6	(51.5)
Defined benefit obligations at end of financial year	1,077.1	1,139.7
iii. Reconciliation of the Fair Value of Plan Assets		
Fair value of plan assets at beginning of financial year	1,198.5	1,056.2
Included in Income Statement		
Interest income	31.1	27.3
Administration costs	(4.0)	(3.5)
Remeasurements Included in Other Comprehensive Income		
Actual return on plan assets excluding interest income	(22.8)	132.0
Other		
Contributions by Group companies	18.2	78.8
Benefits paid	(56.1)	(42.0)
Effect of foreign exchange rate movements	63.5	(50.3)
Fair value of plan assets at end of financial year	1,228.4	1,198.5
iv. Expense Recognised in the Income Statement		
Net interest cost	(1.8)	
Administration costs	4.0	3.5
Net defined benefit plan expense	2.2	3.5
v. Fair Value of Plan Assets		
Plan assets comprise of:		
Equities		
UK		95.6
Global	382.0	274.6
Investment funds	359.3	335.9
Infrastructure	120.2	113.1
Government index linked bonds	304.6	310.2
Other assets	62.3	69.1
Fair value of plan assets at the end of the financial year	1,228.4	1,198.5

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 \$1,214.1 million of total plan assets were categorised as Level 2 (June 2017: \$1,137.1 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 which 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 2017: 75.0 per cent growth assets and 25.0 per cent matching assets).

Notes to Consolidated Financial Statements continued

Section F: Other Notes continued

33. Defined Benefit Plans continued

vi. Principal Actuarial Assumptions

	June 2018	June 2017
Discount rate (%)	2.8	2.4
RPI inflation (%)	3.3	3.3
Average pension increase in payments (%)	2.7	2.6
Future mortality (years):		
Male	24.8	25.4
Female	26.3	27.2

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 24.8 years (June 2017: 25.4 years) if they are male and 26.3 years if they are female (June 2017: 27.2 years).

At 30 June 2018, the weighted average duration of the defined benefit obligation was 19 years (June 2017: 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 \$m	0.1% Decrease in Discount Rate \$m	0.1% Increase RPI Inflation and Pension Payment \$m	0.1% Decrease RPI Inflation and Pension Payment \$m	1 Year Increase in Future Mortality \$m	1 Year Decrease in Future Mortality \$m
June 2018						
Defined benefit asset/(obligations)	19.5	(19.8)	(16.1)	12.1	(39.5)	39.3
June 2017						
Defined benefit asset/(obligations)	22.4	(22.9)	(18.3)	14.1	(35.1)	35.1

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);
- Long Term Incentives (LTI); and
- Distinguished Executive Awards (DE Awards).

a. Short Term Incentives (STI)

The STI plan is an annual incentive plan whereby a number of employees receive benefits which 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, which is 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.

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 and average Return on Equity performance.

Arrangements for LTI awards

LTI design	How the LTI works										
Performance Securities	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<p>June 2014 to 2018 Financial Years</p> <ul style="list-style-type: none"> • 50 per cent 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 per cent subject to Return on Equity (ROE) hurdle. 										
Vesting Schedule – TSR (applicable to June 2013 to 2018 financial years)	<table border="1"> <thead> <tr> <th>Relative TSR percentile ranking</th> <th>Percentage of performance securities that vest if the relative TSR hurdle is met</th> </tr> </thead> <tbody> <tr> <td>Below the 50th percentile</td> <td>No vesting</td> </tr> <tr> <td>At the 50th percentile</td> <td>50 per cent vesting</td> </tr> <tr> <td>At or above the 51st percentile but below the 75th percentile</td> <td>Pro rata vesting on a straight line basis between 52 per cent and 98 per cent</td> </tr> <tr> <td>At the 75th percentile or greater</td> <td>100 per cent vesting</td> </tr> </tbody> </table>	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 per cent vesting	At or above the 51st percentile but below the 75th percentile	Pro rata vesting on a straight line basis between 52 per cent and 98 per cent	At the 75th percentile or greater	100 per cent vesting
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 per cent vesting										
At or above the 51st percentile but below the 75th percentile	Pro rata vesting on a straight line basis between 52 per cent and 98 per cent										
At the 75th percentile or greater	100 per cent vesting										
Vesting Schedule – ROE (applicable to June 2014 to 2017 financial years)	<table border="1"> <thead> <tr> <th>Average ROE over the performance period</th> <th>Percentage of performance securities that vest if the ROE hurdle is met</th> </tr> </thead> <tbody> <tr> <td>Less than 11 per cent</td> <td>No vesting</td> </tr> <tr> <td>At or above 11 per cent but below 15 per cent</td> <td>Pro rata vesting on a straight line basis between 25 per cent and 100 per cent</td> </tr> <tr> <td>15 per cent or greater</td> <td>100 per cent vesting</td> </tr> </tbody> </table>	Average ROE over the performance period	Percentage of performance securities that vest if the ROE hurdle is met	Less than 11 per cent	No vesting	At or above 11 per cent but below 15 per cent	Pro rata vesting on a straight line basis between 25 per cent and 100 per cent	15 per cent or greater	100 per cent vesting		
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Average ROE over the performance period	Percentage of performance securities that vest if the ROE hurdle is met										
10 per cent or less	No vesting										
Above 10 per cent but below 14 per cent	Pro rata vesting on a straight line basis between 0 per cent and 100 per cent										
14 per cent or greater	100 per cent vesting										

Notes to Consolidated Financial Statements continued

Section F: Other Notes continued

34. Employee Benefits continued

c. Distinguished Executive Awards

Distinguished Executive Awards (DE Awards) are generally deferred over five and seven years. The deferred component is awarded as Lendlease securities and held in Lendlease employee security plan trusts on behalf of the employees. For employees to receive the deferred component, they must generally be employed by the Group at the time of vesting. DE Awards are valued based on the average price of on market purchases made in respect of these awards at the time of grant.

d. 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 2018, a \$45.3 million expense was recognised in the Income Statement in relation to equity settled security based payment awards (June 2017: \$47.1 million).

35. Impact of New and Revised Accounting Standards

New and Revised Accounting Standards Adopted 1 July 2017

From 1 July 2017 the Group adopted AASB 9 *Financial Instruments* and consequential amendments. AASB 9 addresses the classification, measurement and derecognition of financial assets, financial liabilities and hedging. As the new standard must be adopted retrospectively, available for sale investments of \$230.8 million have been reclassified to fair value through profit and loss because these assets are managed and monitored on a fair value basis, and the movement in fair value revaluation reserve of \$1.1 million that was recorded through Other Comprehensive Income and the corresponding fair value revaluation reserve of \$10.2 million was transferred to retained earnings. There were no impacts to the Income Statement and Statement of Cash Flows. A third balance sheet has not been disclosed as the changes from the implementation have been deemed immaterial and have not had a material effect on the Group's accounting policies for financial assets, liabilities and hedging.

From 1 July 2017 the Group adopted AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses* and AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*. There were no material financial impacts on the Group following adoption of these amendments.

New Accounting Standards and Interpretations Not Yet Adopted

Accounting Standard	Requirement	Impact on Financial Statements
AASB 15 <i>Revenue from Contracts with Customers</i> 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 <i>Revenue</i> and AASB 111 <i>Construction Contracts</i> . The standard becomes mandatory for the June 2019 financial year and will be applied retrospectively.	On adoption of AASB 15, the impacts are as follows: <ul style="list-style-type: none"> 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 are rendered; and The recognition point of development properties will change from the current practice of practical completion to settlement. This will impact the timing of recognition from FY19 onwards. <p>The new standard will require an increase in the disclosure in relation to revenue derived from contracts, key judgements and future revenue expected to be generated.</p>
AASB 2014-10 <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> 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 2023 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.
AASB 16 <i>Leases</i>	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: <ul style="list-style-type: none"> 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.

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 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.

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.

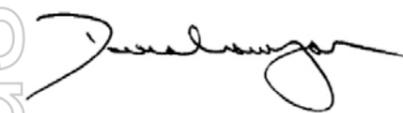
Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which 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 2018 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 2018.

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, 22 August 2018



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 2018 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 2018;
- 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; and
- 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 judgement, 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\$12,922.4m) and Profit/Loss Recognition

Refer to Note 4 'Revenue' to the financial report

The key audit matter

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 due to the judgement required 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 judgement. 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.

Judgement is required 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.

How the matter was addressed in our audit

Our procedures included:

- Evaluation and testing of management's review and approval of construction 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; and
 - tested the variations and claims included within revenue against the criteria for recognition in the accounting standards via assessment of:
 - correspondence between the Group and the customer; and
 - The Group's legal and external experts' reports received on contentious matters.



Development Revenue (A\$2,602.9m) and Profit/Loss recognition

Refer to Note 4 'Revenue' to the financial report

The key audit matter

The Group develops for sale both built form product (for example residential apartments, commercial and 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 judgements required by us in assessing development revenue and profit recognition, in particular for commercial and retail building and residential apartment sales.

The assessment of profit recognition requires judgement as cost allocation is typically a function of total forecast project profit based on either revenue or area estimation.

How the matter was addressed in our audit

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; and
- 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 land communities debtors to post year end cash proceeds; and
 - 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.



Recoverability of Development Property Inventory (A\$4,652.9m)	
Refer to Note 11 'Inventories' to the financial report	
The key audit matter	How the matter was addressed in our audit
<p>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.</p> <p>Inventory is carried at the lower of cost and net realisable value and the recoverability of these costs is a significant judgement as the assessment is based on forecasts of:</p> <ul style="list-style-type: none"> • sales prices • forecast construction and infrastructure costs to complete the development <p>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.</p> <p>This was a key audit matter due to many developments being long term, which increases the level of forecasting judgement and audit complexity in estimating sales prices and future costs to complete the development.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Selection of a sample of projects for testing using: <ul style="list-style-type: none"> - 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 tool. • For the sample selected, we: <ul style="list-style-type: none"> - compared expected sales prices to published industry forecasts and comparable sales prices achieved in the year; and - 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.



Asset Valuation	
Refer to Note 12 'Equity accounted investments' (A\$2,626.6m), Note 14 'Other Financial Assets' (A\$1,554.5m) and Note 26 'Fair Value Measurement' to the financial report	
The key audit matter	How the matter was addressed in our audit
<p>The Group is required to assess the value of equity accounted investments and other financial assets 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 routine basis by management each year, with the remaining investments being valued internally.</p> <p>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.</p> <p>Equity accounted investments include the Group's interest in the retirement living business (previously reflected within Investment properties and Resident liabilities prior to the partial sell down). The key assumptions used in determining the value of retirement villages are discount rates, changes in village residents, current units/homes market prices and growth rates.</p> <p>The fair value of the properties held by various investment entities directly impacts the Group's interests in these assets.</p> <p>The valuations of these assets is a key audit matter as they:</p> <ul style="list-style-type: none"> • are judgemental; • contain certain 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. 	<p>Our procedures included:</p> <ul style="list-style-type: none"> • 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 the asset's class; and • 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: <ul style="list-style-type: none"> - discount rates - changes in village residents - units/home current market prices - capitalisation of earnings rates - future rental income - capital expenditure projections - leasing incentives



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 have 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 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 and whether the use of the going concern basis of accounting is appropriate. 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 the 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_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Lendlease Corporation Limited for the year ended 30 June 2018, 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 102 to 133 of the Directors' report for the year ended 30 June 2018.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

DM McLennan
Partner

Sydney
22 August 2018

For personal use only

08

OTHER INFORMATION



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 \$500 and \$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 212.

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 2018 (comparative 1 August 2017)

	2018	2017
Number of securityholders	56,118	58,350
Units issued	574,260,939	583,469,558
Percentage owned by 20 largest securityholders	76.29%	73.94%
Interim dividend/distribution	34.0 cents per security	33.0 cents per security
Total dividend/distribution	69.0 cents per security	66.0 cents per security
Dividend payout ratio	50%	51%

Spread of Securityholdings as at 1 August 2018 (comparative 1 August 2017)

	2018	2017
1 to 1,000 securities	29,486	30,087
1,001 to 5,000	21,939	23,299
5,001 to 10,000	3,008	3,171
10,001 to 100,000	1,602	1,698
100,001 securities and over	83	95
Total number of securityholders	56,118	58,350
Securityholders with less than a marketable parcel	2,100 (representing 15,548 securities)	2,165 (representing 19,613 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	2,782,717	\$17.29

Buyback

On 21 February 2018, Lendlease Group announced an on market buyback of up to \$500 million. Purchasing commenced on 13 March 2018 and the program is expected to be completed over a 12 month period until 12 March 2019, or earlier if completed by that date.

As at 30 June 2018, Lendlease Group had purchased 9,722,400 securities under the on market buyback. The total consideration paid for the securities bought back up to 30 June 2018 and as at 22 August 2018 is \$178.0 million. The on market buyback is subject to the ongoing assessment of the Group's surplus capital position, market conditions and growth opportunities.

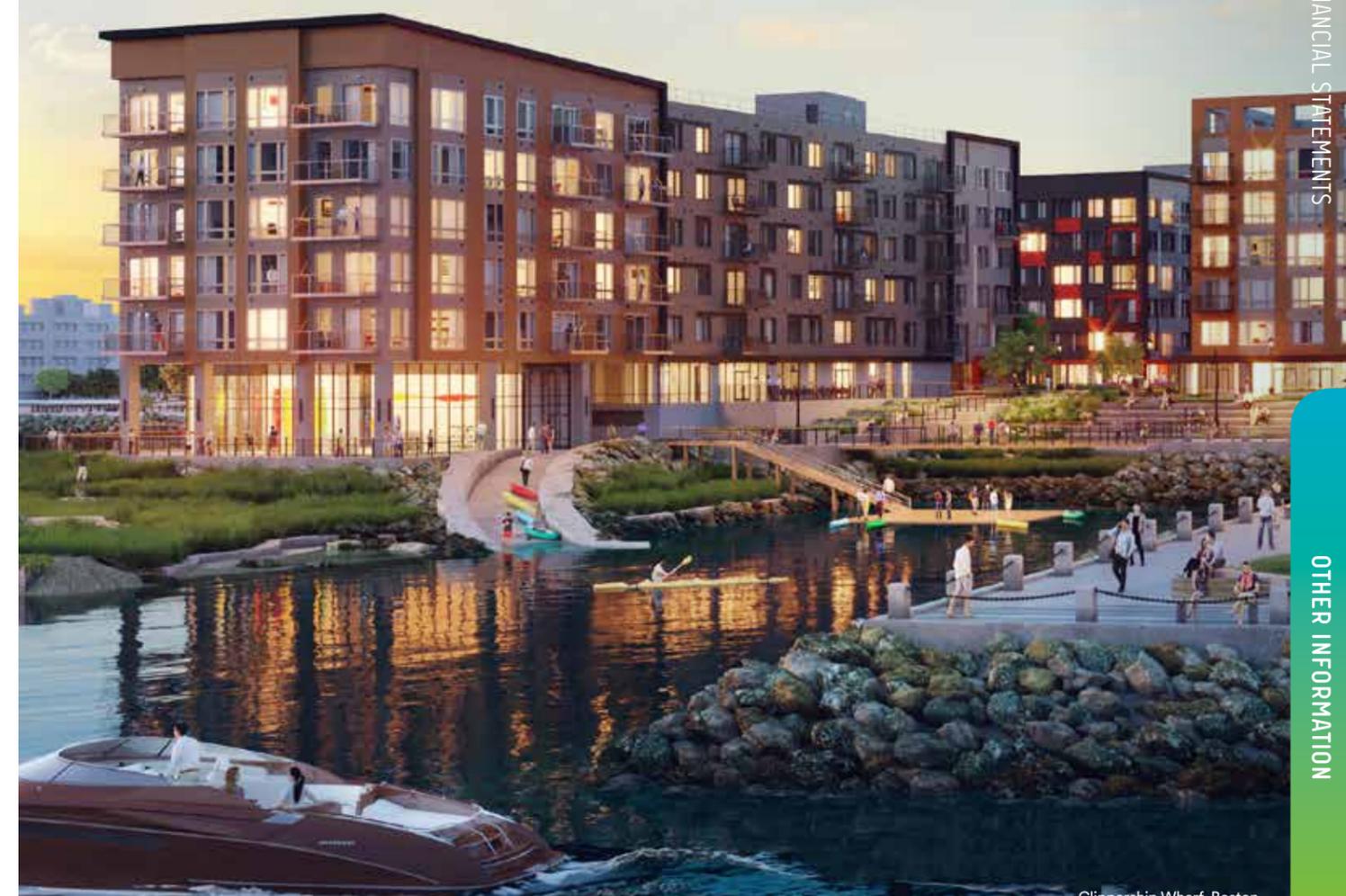
1. Amount restated to disclose the whole units issued.

Securityholder Information continued

Name	No. of Units	% of Issued Capital
HSBC Custody Nominees (Australia) Limited	175,981,925	30.64
J P Morgan Nominees Australia Limited	111,484,574	19.41
Citicorp Nominees Pty Limited	44,435,487	7.74
National Nominees Limited	35,473,908	6.18
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	17,510,950	3.05
LL Employee Holdings Custodian Pty Ltd <Castle Account A/C>	14,075,522	2.45
BNP Paribas Noms Pty Ltd <DRP>	12,167,748	2.12
Argo Investments Limited	3,893,609	0.68
LL Employee Holdings Custodian Pty Limited <ESAP STI A/C>	3,723,627	0.65
Citicorp Nominees Pty Limited <Colonial First State INV A/C>	3,532,533	0.62
Custodial Services Limited <Beneficiaries Holding A/C>	2,340,031	0.41
LL Employee Holdings Custodian Pty Limited <ESAP Account>	2,234,764	0.39
AMP Life Limited	2,006,354	0.35
Forsyth Barr Custodians Ltd <Forsyth Barr Ltd-Nominee A/C>	1,755,324	0.31
HSBC Custody Nominees (Australia) Limited <NT-Comwlth Super Corp A/C>	1,625,427	0.28
IOOF Investment Management Limited <IPS Super A/C>	1,366,647	0.24
Diversified United Investment Limited	1,200,000	0.21
Avanteos Investments Limited <Encircle Ima A/C>	1,180,121	0.21
Australian United Investment Company Limited	1,100,000	0.19
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	998,353	0.17
	438,086,904	76.29

Substantial Securityholders as Shown in the Company's Register at 1 August 2018

Name	Date of Last Notice Received	No. of Units	% of Issued Capital
BlackRock Group	20/4/2017	29,288,950	5.01
The Vanguard Group	6/9/2017	29,216,612	5.0074



Clippership Wharf, Boston
Artist impression as at 2018 (image subject to change and further design development and planning approval)

Climate Change Resilience

For several years Lendlease has identified climate change as a material risk to creating the best places. The Group continues to work with wider industry partners to develop plans to respond to the physical risks of climate change on our business.

We also acknowledge the dynamic and transitional risks and opportunities of climate change on our business segments, including policy fluctuations, market movements, technology evolution and reputational impacts. We recognise these risks and opportunities may differ by region.

This year the Lendlease Board endorsed the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). Key TCFD recommendations and Lendlease's implementation approach are included in the table below.

TCFD Element	TCFD Recommended Disclosure	Index
Governance Disclosure of the Company's governance around climate related risks and opportunities	<p>Board's oversight of climate related risks and opportunities</p> <ul style="list-style-type: none"> In FY18, the Board endorsed the recommendations of the TCFD and tasked Lendlease with assessing and reporting against climate related risk for the organisation. <p>Management role in assessing and managing climate related risks and opportunities</p> <ul style="list-style-type: none"> Climate related risks and opportunities are governed by the Board with support from the Board Sustainability Committee. 	Page 93 Page 50
Strategy What are the impacts of climate change on the company's strategy	<p>Climate related risks and opportunities Lendlease has identified over the short, medium and long term.</p> <ul style="list-style-type: none"> Responses to climate change impacts have been identified as an area for long term value creation and a key driver in long term strategic business decisions. 	Page 50
Risk Management How are climate related risks identified and managed	<p>Organisational processes for identifying and assessing climate related risks.</p> <ul style="list-style-type: none"> Processes for identifying and assessing climate related risks are integrated into the Lendlease Risk Governance and Management approach. Again for the third year, climate related risks are identified as a key business risk. Key risks are a focus area of Board and Lendlease management. 	Page 68
Metrics and Targets What does the Company assess to measure the impact of climate related risk and mitigation efforts	<p>Metrics and targets used to manage climate related risk and opportunities</p> <ul style="list-style-type: none"> Lendlease recognises the importance of reducing its greenhouse gas impact on the environment. We report progress against this commitment annually through a reduction in weighted intensity. Our progress for FY18 will be published in October 2018. Lendlease reports full financial year Scope 1 and 2 greenhouse gas emissions on its website (Lendlease.com) each year in October. Previous year disclosures may be found on this website. 	Page 50 Page 134

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.

Residential for Rent: Residential apartments, typically in the form of an entire building, that are made available for rent as separate dwellings. Lendlease and its capital partners maintain ownership of these apartments.

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 2018

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 16 November 2018, Four Seasons Hotel, 199 George Street Sydney.

Full details will be provided in the Notice of Meetings.

2018 FINANCIAL CALENDAR

22 August	Full Year Results Announced
28 August	Security Price Ex Distribution
21 September	Final Distribution Payable
16 November	Annual General Meeting

2019 FINANCIAL CALENDAR

22 February	Half Year Results Announced
28 February	Security Price Ex Distribution
1 March	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,
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Exchange Place,
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Barangaroo NSW 2000

CONTACT

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F: +61 2 9252 2192
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SHARE REGISTRY INFORMATION

Computershare Investor Services Pty Limited
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T: +61 3 9946 4460 (outside Australia)

W: www.computershare.com.au



Euston Station, London

