

ASX ANNOUNCEMENT

28 August 2017

Lendlease Trust FY17 Financial Report

Attached is the Lendlease Trust Financial Report for the full year ended 30 June 2017.

Ends

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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

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Lendlease Trust Annual Financial Report

ARSN 128 052 595

Lendlease Responsible Entity Limited ABN 72 122 883 185 AFSL No. 308983 is the responsible entity of the Lendlease Trust ARSN 128 052 595. Lendlease Trust (LLT) is domiciled in Australia. LLT is a for-profit entity. Further information about LLT's primary activities is included in the Directors' Report.

Shares in Lendlease Corporation (the Company) and units in LLT are traded as one security under the name of Lendlease Group on the Australian Securities Exchange (ASX).

The financial report was authorised for issue by the Directors on 28 August 2017.

Table of Contents

Directors' Report	1
Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001	4
Financial Statements	
Statement of Comprehensive Income	5
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	6
Notes to the Financial Statements	7
Notes Index	
Section A: Performance	
1. Distributions	8
2. Earnings Per Unit	8
3. Revenue and Other Income	8
4. Share of Profit of Equity Accounted Investments	9
5. Finance Revenue	9
6. Other Expenses	9
7. Events Subsequent to Balance Date	9
Section B: Investment	
8. Equity Accounted Investments	10
9. Other Financial Assets	11
Section C: Liquidity and Working Capital	
10. Cash and Cash Equivalents	12
11. Notes to Statement of Cash Flows	12
12. Borrowings and Financing Arrangements	13
13. Issued Capital	13
14. Liquidity Risk Exposure	14
15. Commitments	14
16. Loans and Receivables	14
17. Trade and Other Payables	15
Section D: Risk Management	
18. Financial Risk Management	15
19. Fair Value Measurement	16
20. Contingent Liabilities	16
Section E: Other Notes	
21. Related Party Information	17
22. Impact of New and Revised Accounting Standards	17
23. Other Significant Accounting Policies	18
Directors' Declaration	19

DIRECTORS' REPORT

The Directors of Lendlease Responsible Entity Limited (ABN 72 122 883 185), the Responsible Entity of Lendlease Trust (the Trust), present their Report together with the Annual Financial Report of the Trust, for the year ended 30 June 2017 and the Auditor's Report thereon.

The Responsible Entity is a wholly owned subsidiary of Lendlease Corporation Limited (the Company) and forms part of the consolidated Lendlease Group (the Group). The registered office and principal place of business of the Responsible Entity is Level 14, Tower Three, International Towers Sydney, Exchange Place, 300 Barangaroo Avenue, Barangaroo NSW 2000.

1. Governance

a. Board/Directors

The name of each person who has been a Director of the Responsible Entity between 1 July 2016 and the date of this Report are:

D A Crawford, AO	Chairman and Director since 2009
S B McCann	Chief Executive Officer & Managing Director since 2009
C B Carter, AM	Director since 2012
P M Coffey	Appointed January 2017
P M Colebatch	Director since 2009
D P Craig	Director since 2016
S B Dobbs	Director since 2015
J S Hemstritch	Director since 2011
D J Ryan, AO	Director since 2009
M J Ullmer	Director since 2011
N M Wakefield Evans	Director since 2013

b. Company Secretary

W Lee

Ms Lee was appointed in January 2010.

The qualifications and experience of each person holding the position of Director and Company Secretary of the Responsible Entity at the date of this Report is detailed in the Lendlease Group Annual Report.

c. Interests in Capital

The interests of each of the Directors (in office at the date of this Report) in the stapled securities of the Group at 28 August 2017 is set out below.

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

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

² P M Coffey joined the Board in January 2017.

DIRECTORS' REPORT continued

2. Operations

a. Principal Activities

The principal activities of the Trust include direct and indirect property investments in the Australia region.

b. Review and Results of Operations

For the year ended 30 June 2017 the Trust reported a profit after tax of A\$112,893,000 (June 2016: A\$140,350,000).

Key transactions during the year include:

- Further investment of A\$73,750,000 relating to previously committed spend into Lendlease One International Towers Sydney Trust; and
- New investment of A\$27,052,000 into Australian Prime Property Fund - Retail.

c. Distributions

For the year ended 30 June 2017 the Trust declared distributions of A\$45,601,000 (June 2016: A\$64,977,000). Distributions of A\$18,875,000 were paid on 24 March 2017. The remaining distributions of A\$26,726,000 were provided for as at 30 June 2017 and will be paid on 20 September 2017.

d. Significant Changes in State of Affairs

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

e. Events Subsequent to Balance Date

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

f. Likely Developments

Details of likely developments in the operations of the Trust in subsequent financial years are contained in the likely developments section of the Directors' Report in the Lendlease Group Annual Report.

g. 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 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 improvement are identified, managed and reported accordingly.

3. Other

a. Security Options

No security options were issued during the year by the Trust, and there are no such options on issue.

b. Indemnification and Insurance of Directors and Officers

Rule 12 of the Trust's Constitution provides for indemnification in favour of each of the Directors named on page one of this Report; the officers of the Responsible Entity or of wholly owned subsidiaries or related entities of the Responsible Entity (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.

Each of the Directors is also a Director of the Company and has entered into a Deed of Indemnity, Insurance and Access with the Company. That indemnity extends to indemnify each of the Directors in respect of their roles as officers of the Responsible Entity. The Responsible Entity has not entered into separate deeds of indemnity with the Directors.

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

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

c. Special Rules for Registered Schemes

A\$419,000 in fees and other expenses were paid or are payable to Lendlease Corporation Limited and its associates out of the assets of the Trust for the financial year ended 30 June 2017 (June 2016: A\$668,000).

No units in the Trust were held by the Responsible Entity at the end of the financial year. Associates of the Responsible Entity held 7,210,455 units as at the end of the financial year.

Details of the units issued in the Trust during the financial year are set out in the Statement of Changes in Equity.

Details of the value of the Trust assets as at the end of the financial year and the basis of the valuation are set out in the Statement of Financial Position and Basis of Preparation.

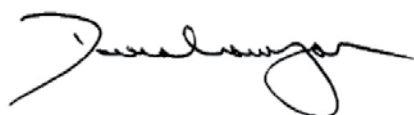
Details of the number of Units in the Trust as at the end of the financial year are set out in Note 13 'Issued Capital'.

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

The Lead Auditor's Independence Declaration is set out on page four and forms part of the Directors' Report for the year ended 30 June 2017.

e. Rounding Off

Lendlease Trust is a Trust of the kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and in accordance with the Instrument, amounts in the financial statements and directors' report have been rounded off to the nearest thousand dollars, or, where the amount is A\$500 or less, zero, unless specifically stated otherwise.



D A Crawford, AO
Chairman



S B McCann
Group Chief Executive Officer & Managing Director

Sydney, 28 August 2017



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

To the Directors of Lendlease Responsible Entity Limited (the Responsible Entity of Lendlease Trust)

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

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature of the KPMG firm, written in blue ink.

KPMG

A handwritten signature of Duncan McLennan, written in blue ink.

Duncan McLennan

Partner

Sydney

28 August 2017

FINANCIAL STATEMENTS

Statement of Comprehensive Income

Year ended 30 June 2017

	Note	June 2017 \$'000	June 2016 A\$'000
Revenue and other income	3	90,114	78,297
Share of profit of equity accounted investments	4	17,305	59,493
Other expenses		(816)	(1,344)
Results from operating activities		106,603	136,446
Finance revenue	5	6,290	3,904
Net finance revenue		6,290	3,904
Profit before tax		112,893	140,350
Income tax expense			
Profit after tax		112,893	140,350
Other comprehensive income net of tax			
Total comprehensive income after tax		112,893	140,350
Basic/diluted earnings per unit (cents)	2	19.37	24.14

Statement of Financial Position

As at 30 June 2017

	Note	June 2017 A\$'000	June 2016 A\$'000
Current Assets			
Cash and cash equivalents	10	90,595	59,589
Loans and receivables	16	139,449	249,883
Total current assets		230,044	309,472
Non Current Assets			
Equity accounted investments	8		487,795
Other financial assets	9	913,746	264,712
Total non current assets		913,746	752,507
Total assets		1,143,790	1,061,979
Current Liabilities			
Trade and other payables	17	60	638
Distributions payable	1	26,726	14,703
Total current liabilities		26,786	15,341
Total liabilities		26,786	15,341
Net assets		1,117,004	1,046,638
Equity			
Issued capital	13	918,894	915,820
Retained earnings		198,110	130,818
Total equity attributable to unitholders		1,117,004	1,046,638

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS continued

Statement of Changes in Equity

Year ended 30 June 2017

	Issued Capital A\$'000	Retained Earnings A\$'000	Total Equity A\$'000
Balance as at 1 July 2015	911,168	55,445	966,613
Total Comprehensive Income			
Profit for the year		140,350	140,350
Other Comprehensive Income (Net of tax)			
Total Comprehensive Income	–	140,350	140,350
Transactions with Owners of the Trust			
Distribution reinvestment plan (DRP)	4,652		4,652
Distributions paid and provided for		(64,977)	(64,977)
Total other movements	4,652	(64,977)	(60,325)
Balance as at 30 June 2016	915,820	130,818	1,046,638
Balance as at 1 July 2016	915,820	130,818	1,046,638
Total Comprehensive Income			
Profit for the year		112,893	112,893
Other Comprehensive Income (Net of tax)			
Total Comprehensive Income	–	112,893	112,893
Transactions with Owners of the Trust			
Distribution reinvestment plan (DRP)	3,074		3,074
Distributions paid and provided for		(45,601)	(45,601)
Total other movements	3,074	(45,601)	(42,527)
Balance as at 30 June 2017	918,894	198,110	1,117,004

Statement of Cash Flows

Year ended 30 June 2017

	Note	June 2017 A\$'000	June 2016 A\$'000
Cash Flows from Operating Activities			
Cash receipts in the course of operations		1,141	2,889
Cash payments in the course of operations		(925)	(1,241)
Interest received		6,026	3,761
Distributions received		29,402	17,953
Net cash provided by operating activities	11	35,644	23,362
Cash Flows from Investing Activities			
Proceeds from capital distribution of investments		5,136	
Proceeds from sale of equity accounted investments		43,032	153,107
Acquisition of investments		(102,302)	(378,285)
Net cash used in investing activities		(54,134)	(225,178)
Cash Flows from Financing Activities			
Loan proceeds to related party			(205,000)
Loan repayment by related party		80,000	205,000
Distributions paid		(30,504)	(69,590)
Net cash provided by/(used in) financing activities		49,496	(69,590)
Net increase/(decrease) in cash and cash equivalents		31,006	(271,406)
Cash and cash equivalents at beginning of financial year		59,589	330,995
Cash and cash equivalents at end of financial year	10	90,595	59,589

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Basis of Preparation

The 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 thousand 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, which are stated at their fair value: fair value through profit or loss investments.

Significant accounting policies have been:

- included in the relevant notes to which the policies relate, and other significant accounting policies are discussed in Note 23 'Other Significant Accounting Policies'; and
- consistently applied to all financial years presented in the financial statements, except as explained in Note 22 '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 Trust 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 Trust'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 Trust's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non current liabilities.

NOTES TO THE FINANCIAL STATEMENTS continued

Section A: Performance

Profit After Tax (PAT) is the key measure used to assess the Trust's performance. This section of the Financial Report focuses on disclosure that enhances a user's understanding of PAT. The key line items of the Income Statement along with their components provide detail behind the reported balances. The Trust's performance will also impact the earnings per unit and distribution payout, therefore disclosure on these items has been included in this section. Further information and analysis on performance can be found in the Review and Results of Operations, which forms part of the Directors' Report.

1. Distributions

	Cents Per Unit	June 2017 A\$'000	June 2016 A\$'000
Lendlease Trust Interim Distribution			
December 2016 – paid 24 March 2017	3.2	18,875	
December 2015 – paid 15 March 2016	8.6		50,274
		18,875	50,274
Lendlease Trust Final Distribution			
June 2017 – provided for (payable 20 September 2017)	4.6	26,726	
June 2016 – paid 14 September 2016	2.5		14,703
		26,726	14,703
		45,601	64,977

2. Earnings Per Unit (EPU)

Accounting Policies

The Trust presents basic and diluted EPU in the Statement of Comprehensive Income.

Basic EPU is determined by dividing profit/(loss) after income tax attributable to the unitholders of the Trust, excluding any costs of servicing equity other than ordinary units, by the weighted average number of ordinary units outstanding during the financial year, adjusted for bonus elements in ordinary units issued during the financial year.

Diluted EPU is determined by adjusting the profit/(loss) after tax attributable to the unitholders of the Trust, and the weighted average number of ordinary units outstanding for the effects of all dilutive potential ordinary units. The Trust currently does not have any dilutive potential ordinary units.

Financial Disclosure		June 2017	June 2016
Basic/Diluted Earnings Per Unit (EPU)			
Profit after tax	A\$'000	112,893	140,350
Weighted average number of units	(000's)	582,969	581,364
Basic/Diluted EPU	(cents)	19.37	24.14

3. Revenue and Other Income

Accounting Policies

Distribution income is recognised when the right to receive payment is established, usually on declaration of the distribution.

Net gains or losses on sale of investments, including equity accounted investments and fair value through profit or loss assets 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 9 'Other Financial Assets'.

Financial Disclosure		June 2017 A\$'000	June 2016 A\$'000
Distribution income		26,441	15,357
Net gain on sale of equity accounted investments			40,260
Net gain on fair value remeasurement of fair value through profit or loss assets		53,938	19,791
Other income – related parties		1,141	1,180
Other income – external parties		8,594	1,709
Total revenue and other income		90,114	78,297

4. 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 Trust's share of the investment's profit or loss based on ownership interest held. Associates (including partnerships) are entities in which the Trust, 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.

Refer to Note 8 'Equity Accounted Investments' for accounting policy on investments in joint ventures and associates.

Financial Disclosure	SHARE OF PROFIT	
	June 2017 A\$'000	June 2016 A\$'000
Joint Ventures		
Lendlease International Towers Sydney Trust ¹	17,592	53,290
Lendlease One International Towers Sydney Trust ¹	(287)	6,203
Total share of profit from equity accounted investments	17,305	59,493

1. As a result of reaching the operational phase 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. Lendlease Trust 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 or loss. Lendlease Trust has recorded its share of comprehensive income in relation to these investments for the period joint control was maintained.

5. Finance Revenue

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.

Financial Disclosure	June 2017 A\$'000	June 2016 A\$'000
Finance revenue – external parties	1,244	2,480
Finance revenue – related parties	5,046	844
Interest discounting		580
Total revenue and other income	6,290	3,904

6. Other Expenses

Other expenses includes Auditor's Remuneration as detailed below:

	June 2017 A\$	June 2016 A\$
Auditor's Remuneration		
Amounts received or due and receivable by the auditor of Lendlease Trust for:		
Audit and Other Assurance Services		
Audit services	58,000	54,000
Other assurance services		
Total audit and other assurance services	58,000	54,000
Non audit services		
Total audit, other assurance and non audit services	58,000	54,000

7. Events Subsequent to Balance Date

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

NOTES TO THE FINANCIAL STATEMENTS continued

Section B: Investment

Investment in associates and joint ventures are in property projects and more passive assets, such as property funds which drive the current and future performance of the Trust. This section includes disclosures for indirect property assets such as Equity Accounted Investments and Other Financial Assets contained within the Statement of Financial Position.

8. Equity Accounted Investments

Accounting Policies

Equity Accounted Investments (Associates and Joint Ventures)

As discussed in Note 4 '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 Trust'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 Trust'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 Trust has recourse to obligations in respect of the associate or joint venture.

Dividends from associates and joint ventures represent a return on the Trust'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 Trust'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.

Financial Disclosure	INTEREST		NET BOOK VALUE	
	June 2017 %	June 2016 %	June 2017 A\$'000	June 2016 A\$'000
Joint Ventures				
Lendlease International Towers Sydney Trust ¹		15.0		380,342
Lendlease One International Towers Sydney Trust ¹		12.5		107,453
Total equity accounted investments			–	487,795

- As a result of reaching the operational phase 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. Lendlease Trust 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 or loss.

9. Other Financial Assets

Accounting Policies

The following table summarises the accounting policies of investments the Trust classifies as material financial assets, the classification depends on the purpose for which the investments were acquired.

Investment Category	Classification Criteria	Initial Recognition	Subsequent Measurement	Impairment
Financial assets at fair value through profit or loss	Designated at Fair Value Through Profit or Loss at initial recognition - either to eliminate a measurement or recognition inconsistency, or where a group of financial assets is managed, and its performance is evaluated, on a fair value basis.	At fair value (generally transaction price) Transaction costs are recorded as expenses when they are incurred.	Fair value, any changes in fair value are reflected in the Income Statement.	Fair value losses are reflected in the Income Statement.
Loans and receivables	Refer to Note 16 'Loans and Receivables'.			

Financial Disclosure	Fair Value Level ¹	June 2017 A\$'000	June 2016 A\$'000
Non Current Measured at Fair Value			
Fair Value Through Profit or Loss – Designated at Initial Recognition			
Lendlease International Towers Sydney Trust ²	Level 3	411,552	
Lendlease One International Towers Sydney Trust ²	Level 3	202,697	
Australian Prime Property Fund – Industrial	Level 3	66,729	73,277
Australian Prime Property Fund – Commercial	Level 3	205,316	191,435
Australian Prime Property Fund – Retail	Level 3	27,452	
		913,746	264,712

1. Refer to Note 19 'Fair Value Measurement' for details on basis of determining fair value and valuation technique.
2. As a result of reaching the operational phase 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. Lendlease Trust 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 or loss.

a. Fair Value Reconciliation

Reconciliation of the carrying amount for Level 3 financial instruments is set out as follows.

	June 2017 Unlisted Equity Investments A\$'000	June 2016 Unlisted Equity Investments A\$'000
Carrying amount at beginning of financial year	264,712	244,921
Additions	102,302	
Return of capital distribution	(5,136)	
Transfer from equity accounted investments ¹	497,930	
Gains recognised in Statement of Comprehensive Income – revenue and other income	53,938	19,791
Carrying amount at end of financial year	913,746	264,712

1. Includes transfers from Equity Accounted Investments during the year for investments in Lendlease International Towers Sydney Trust and Lendlease One International Towers Sydney Trust.

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

NOTES TO THE FINANCIAL STATEMENTS continued

Section C: Liquidity and Working Capital

The ability of the Trust to fund the continued investment 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 Trust's activities, including existing commitments and the liquidity risk exposure associated with financial liabilities. The section also contains disclosures for the Trust's trading assets, excluding inventories, and the trading liabilities incurred as a result of trading activities used to generate the Trust's Performance.

10. Cash and Cash Equivalents

Accounting Policies

Cash and cash equivalents include cash on hand, deposits held at call with banks, bank overdrafts and other short term highly liquid investments that are readily convertible to known amounts of cash within three months and which are subject to an insignificant risk of changes in value.

Bank overdrafts (if applicable) are shown as a current liability on the Statement of Financial Position and are shown as a reduction to the cash balance in the Statement of Cash Flows.

Financial Disclosure	June 2017 A\$'000	June 2016 A\$'000
Cash	48,010	17,653
Short term investments	42,585	41,936
Total other financial assets	90,595	59,589

Short term investments earned variable rates of interest which averaged 1.5% per annum during the year ended 30 June 2017 (June 2016: 2.2% per annum).

11. Notes to Statement of Cash Flows

	June 2017 A\$'000	June 2016 A\$'000
Reconciliation of Profit After Tax to Net Cash Provided by Operating Activities		
Profit after tax	112,893	140,350
Share of profit of equity accounted investments	(17,305)	(59,493)
Gain on sale of equity accounted investments		(40,260)
Distributions of equity accounted investments	7,170	3,966
Net gain on fair value remeasurement of fair value through profit or loss assets	(53,938)	(19,791)
Other income included in investing cash flow	(8,594)	
Other	(162)	517
Net cash provided by operating activities before changes in asset and liabilities	40,064	25,289
Changes in assets and liabilities		
Increase in receivables	(4,474)	(1,513)
Increase/(decrease) in payables	54	(414)
Net cash provided by operating activities	35,644	23,362

12. 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 Arrangements

The Trust has access to the following financial facilities:

	June 2017 A\$'000	June 2016 A\$'000
Related party loan facility		
Facility available	300,000	300,000
Amount of facility used		
Amount of facility unused	300,000	300,000

Consistent with prior years, the Trust has not defaulted on any obligations of principal or interest in relation to its borrowings and finance arrangements and other financial liabilities.

13. Issued Capital

Accounting Policies

Issued Capital

Ordinary units are classified as equity. Transaction costs directly attributable to the issue of ordinary units are recognised as a deduction from equity. When issued capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Distributions are recognised as a liability in the financial year in which they are declared.

Financial Disclosure	JUNE 2017		JUNE 2016	
	No of units 000's	A\$'000	No of units 000's	A\$'000
Issued Capital				
Issued capital at beginning of financial year	582,317	915,820	580,469	911,168
Distribution Reinvestment Plan (DRP)	1,153	3,074	1,848	4,652
Issued capital at end of financial year	583,470	918,894	582,317	915,820

a. Issuance of Securities

At 30 June 2017 Lendlease Trust had 583,469,558 units on issue equivalent to the number of Lendlease Corporation shares on issue. The issued units of the Trust and shares on issue by Lendlease Corporation Limited are stapled securities.

b. Security Accumulation Plans

The Distribution Reinvestment Plan (DRP) was reactivated in February 2011. The last date for receipt of an election notice for participation in the DRP is 5 September 2017. The issue price is the arithmetic average of the daily volume weighted average price of Lendlease stapled securities traded (on the Australian Securities Exchange) for the period of five consecutive business days immediately following the record date for determining entitlements to distribution. If that price is less than 50 cents, the issue price will be 50 cents. Stapled securities issued under the DRP rank equally with all other stapled securities on issue.

c. Terms and Conditions

A stapled security represents one share in the Company stapled to one unit in the Trust.

Stapled securityholders have the right to receive declared dividends from the Company and distributions from the Trust and are entitled to one vote per stapled security at securityholders' meetings. Ordinary stapled securityholders rank after all creditors in repayment of capital.

NOTES TO THE FINANCIAL STATEMENTS continued

Section C: Liquidity and Working Capital continued

14. Liquidity Risk Exposure

Further information on Liquidity Risk is disclosed in Note 18 'Financial Risk Management'. As disclosed in Note 20 'Contingent Liabilities' in certain circumstances the Trust guarantees the performance of particular Stapled Group entities in respect of their obligations including bonding and bank guarantees. Issued bank guarantees have cash collateralisation requirements if the bank guarantee facility is not renewed by the provider. At 30 June 2017, the Group does not anticipate a significant liquidity risk in relation to these facilities in the next 12 months.

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

	Note	Carrying Amount A\$'000	Contractual Cash Flows A\$'000	Less than One Year A\$'000	One to Two Years A\$'000	Two to Five Years A\$'000	More than Five Years A\$'000
June 2017							
Non Derivative Financial Liabilities							
Trade and other payables	17	60	60	60			
Distributions payable	1	26,726	26,726	26,726			
Total		26,786	26,786	26,786	-	-	-
June 2016							
Non Derivative Financial Liabilities							
Trade and other payables	17	638	638	638			
Distributions payable	1	14,703	14,703	14,703			
Total		15,341	15,341	15,341	-	-	-

Other contractually committed cash flows the Trust is exposed to are detailed in Note 15 'Commitments'.

15. Commitments

	June 2017 A\$'000	June 2016 A\$'000
At balance date, capital commitments existing in respect of interests in equity accounted investments in the financial statements are as follows:		
Due within one year	18,015	74,871
Due between one and five years		18,394
	18,015	93,265

16. Loans and Receivables

Accounting Policies

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not equity securities. 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.

Financial Disclosure	June 2017 A\$'000	June 2016 A\$'000
Current		
Other receivables – external parties	14,122	44,883
Loan to related party	125,327	205,000
Total loans and receivables	139,449	249,883

The interest bearing loan facility is due with 12 months.

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 Trust considers how economic and market conditions will affect the creditworthiness of certain entities. There were no past due or impaired receivables for 30 June 2017 (June 2016: A\$nil past due and A\$nil impaired).

17. 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 accounts payable are normally settled within 45 days. 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.

Financial Disclosure	June 2017 A\$'000	June 2016 A\$'000
Current		
Other payables	60	
Related parties		638
Total trade and other payables	60	638

Section D: Risk Management

The Trust's activities expose it to a variety of financial risks. The Trust's overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimise adverse effects on the Trust's performance. Treasury policies have been approved by the Board for managing this risk. This section contains disclosures of financial risks the Trust is exposed to and how the Trust manages these risks. The impact of contingent liabilities is also considered in this section.

18. Financial Risk Management

The Lendlease Asset and Liability Committee oversees the management of the Lendlease Trust's financial 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
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 Trust	<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 18a '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 14 '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 finance arrangements Further information on exposures is detailed in Note 18b 'Interest Rate Risk Exposure' 	<ul style="list-style-type: none"> Physical financial instruments 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

NOTES TO THE FINANCIAL STATEMENTS continued

Section D: Risk Management continued

18. Financial Risk Management continued

a. 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 Trust) equals the carrying amount.
- Refer to Note 16 'Loans and Receivables' for information relating to impairment on loans and receivables. No provision for doubtful debts has been raised as no impairment has been identified.

b. Interest Rate Risk Exposure

The Trust's exposure to interest rate risk on its financial assets and liabilities is set out as follows, the Trust has no fixed rate instruments.

	Note	CARRYING AMOUNT	
		June 2017 A\$'000	June 2016 A\$'000
Variable Rate Instruments			
Cash and cash equivalents	10	90,595	59,589

Sensitivity Analysis

At 30 June 2017 it is estimated that an increase of one percentage point in interest rates would have increased the Trust's equity and profit after tax by A\$905,950 (June 2016: A\$595,890). A one percentage point decrease in interest rates would have an equal opposite effect on equity and profit after tax. The increase or decrease in interest income/expense is proportional to the increase or decrease in interest rates.

19. Fair Value Measurement

Accounting Policies

The accounting policies for financial instruments held at fair value are included in Note 9 'Other Financial Assets'. Management consider 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.

a. Basis of Determining Fair Value

The fair value of unlisted equity investments, including investments in property funds, is determined based on an assessment of the underlying net assets, future maintainable earnings, and any special circumstances pertaining to the particular investment.

b. Fair Value Measurements

The different levels of 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 transfers between Level 1, Level 2 and Level 3 fair value hierarchies.

20. Contingent Liabilities

The Trust has the following contingent liabilities:

- In certain circumstances, the Trust, as part of the Stapled Group, 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. These guarantees are provided in respect of activities that occur in ordinary course of business and any known losses in respect of the relevant contracts have been brought to account.

The Trust does not have any other contingent liabilities at 30 June 2017.

Section E: Other Notes

21. Related Party Information

Key Management Personnel Disclosures

The Trust does not employ personnel in its own right. However it is required to have an incorporated Responsible Entity to manage its activities. The Responsible Entity is considered to be the Key Management Personnel of the Trust.

Responsible Entity's Remuneration

In accordance with the Trust's Constitution, the Responsible Entity is entitled to receive costs incurred in performance of its duties and expense reimbursements where expenses have been incurred on behalf of the Trust.

As at 30 June 2017, A\$419,000 (June 2016: A\$668,000) was charged to the Trust, the amount owed to the Responsible Entity was A\$nil (June 2016: A\$nil).

Other Related Party Transactions

Transactions and outstanding balances with related parties have been disclosed in Note 3 'Revenue and Other Income', Note 5 'Finance Revenue', Note 6 'Other Expenses', Note 16 'Loans and Receivables' and Note 17 'Trade and Other Payables'.

22. Impact of New and Revised Accounting Standards

New and Revised Accounting Standards Adopted 1 July 2016

There were no new accounting standards or amendments with any impacts adopted by the Trust for the year ended 30 June 2017.

New Accounting Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 30 June 2017 but are available for early adoption and have not been applied in preparing this report.

Accounting Standard	Requirement	Impact on Financial Statements
AASB 2016-2 <i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i>	The amendment to AASB 107 introduces additional disclosures relating to changes in liabilities arising from financing activities. The amendment becomes mandatory for the June 2018 financial year and will be applied prospectively.	The amendment will impact the type of information disclosed in relation to financing cash flows.
AASB 9 <i>Financial Instruments</i> and consequential amendments	AASB 9 addresses the classification, measurement and derecognition of financial assets, financial liabilities and hedging. The standard becomes mandatory for the June 2019 financial year, and will be applied retrospectively.	Based on the analysis performed, AASB 9 and consequential amendments are not expected to have a material impact on the Trust.
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.	Based on the analysis performed, AASB 15 and consequential amendments are not expected to have a material impact on the Trust.
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 2019 financial year and will be applied prospectively.	Based on the analysis performed, the amendments are not expected to have a material impact on the Trust.
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, AASB 16 is not expected to have a material impact on the Trust.

NOTES TO THE FINANCIAL STATEMENTS continued

Section E: Other Notes continued

23. Other Significant Accounting Policies

a. Income Tax

Under current Australian income tax legislation the Trust is not liable for income tax, including capital gains tax, to the extent that unitholders are attributed the taxable income of the Trust.

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.

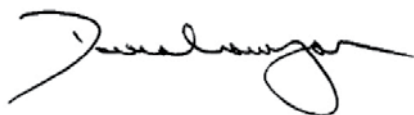
Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on 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 Responsible Entity Limited, the responsible entity for the Lendlease Trust (the Trust):

1. The financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - a. Giving a true and fair view of the financial position of the Trust as at 30 June 2017 and of its 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 Trust 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 Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2017.

Signed in accordance with a resolution of the Directors:



D A Crawford, AO

Chairman



S B McCann

Chief Executive Officer & Managing Director

Sydney, 28 August 2017



Independent Auditor's Report

To the unitholders of Lendlease Trust

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Lendlease Trust (the Trust Financial Report).

In our opinion, the accompanying Trust Financial Report is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Trust's** financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** of the Trust comprises:

- Statement of financial position as at 30 June 2017
- Statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The Lendlease Group (the Group) consists of Lendlease Corporation Limited and the entities it controlled at the year end or from time to time during the financial year and Lendlease Trust (the **Trust**).

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 the Trust and Lendlease Responsible Entity Limited (the Responsible Entity) 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.

Other Information

Other Information is financial and non-financial information in Lendlease Trust's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of the Responsible Entity 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.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors of the Responsible Entity 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
- assessing the Trust's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

Duncan McLennan

Partner

Sydney

28 August 2017