ASX ANNOUNCEMENT

22 August 2018

Lendlease Trust 2018 Full Year Financial Report

Attached is the Lendlease Trust Financial Report for the year ended 30 June 2018.

ENDS

FOR FURTHER INFORMATION, PLEASE CONTACT:

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2018

Lendlease Trust Financial Report

Lendlease Trust 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 22 August 2018.

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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 2018 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 2017 and the date of this Report are:

D A Crawford, AO	Chairman and Director since 2009
S B McCann	Group Chief Executive Officer & Managing Director since 2009
C B Carter, AM	Director since 2012
P M Coffey	Director since 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
E M Proust, AO	Appointed 1 February 2018
D J Ryan, AO	Director since 2009 (retired 17 November 2017)
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 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
P 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' 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 2018 the Trust reported a profit after tax of $212,797,000 (June 2017: $112,893,000).

Key transactions during the year include:

- Further investment of $18,015,000 relating to previously committed spend into Lendlease One International Towers Sydney Trust;
- Further investment of $49,600,000 relating to Australian Prime Property Fund – Commercial; and
- The Trust recorded a $162,287,000 revaluation gain due to stronger underlying assumptions in investments held at fair value.

c. Distributions

For the year ended 30 June 2018 the Trust declared distributions of $53,510,000 (June 2017: $45,601,000). Distributions of $26,675,000 were paid on 22 March 2018. The remaining distributions of $26,835,000 (June 2017: $26,726,000) were provided for as at 30 June 2018 and will be paid on 21 September 2018.

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 Performance and Outlook 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

$479,000 in fees and other expenses were paid or are payable to a related party of the Responsible Entity out of the assets of the Trust for the financial year ended 30 June 2018 (June 2017: $419,000).

No units in the Trust were held by the Responsible Entity at the end of the financial year. Associates of the Responsible Entity held 5,989,476 units (June 2017: 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 12 '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 2018.

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 $500 or less, zero, unless specifically stated otherwise.

D A Crawford, AO
Chairman

S B McCann
Group Chief Executive Officer & Managing Director

Sydney, 22 August 2018

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 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

KPMG

DM McLennan
Partner

Sydney
22 August 2018

FINANCIAL STATEMENTS

Statement of Comprehensive Income

Year ended 30 June 2018

	Note	June 2018 $'000	June 2017 $'000
Revenue and other income	3	209,527	90,114
Share of profit of equity accounted investments	4		17,305
Other expenses		(1,584)	(816)
Results from operating activities		**207,943**	**106,603**
Finance revenue		5,078	6,290
Finance costs		(224)	
Net finance revenue	5	**4,854**	**6,290**
Profit before tax		**212,797**	**112,893**
Income tax expense			
Profit after tax		**212,797**	**112,893**
Other comprehensive income net of tax			
Total comprehensive income after tax		**212,797**	**112,893**
Basic/diluted earnings per unit (cents)	2	**36.53**	**19.37**

Statement of Financial Position

As at 30 June 2018

	Note	June 2018 $'000	June 2017 $'000
Current Assets			
Cash and cash equivalents	9	6,953	90,595
Loans and receivables	15	138,144	139,449
Total current assets		**145,097**	**230,044**
Non Current Assets			
Other financial assets	8	1,144,423	913,746
Total non current assets		**1,144,423**	**913,746**
Total assets		**1,289,520**	**1,143,790**
Current Liabilities			
Trade and other payables	16	132	60
Distributions payable	1	26,835	26,726
Total current liabilities		**26,967**	**26,786**
Non Current Liabilities			
Borrowings and financing arrangements	11	18,015	
Total non current liabilities		**18,015**	
Total liabilities		**44,982**	**26,786**
Net assets		**1,244,538**	**1,117,004**
Equity			
Issued capital	12	920,441	918,894
Buyback reserve		(33,300)	
Retained earnings		357,397	198,110
Total equity attributable to unitholders		**1,244,538**	**1,117,004**

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS continued

Statement of Changes in Equity

Year ended 30 June 2018

	Issued Capital $'000	Buyback Reserve[1] $'000	Retained Earnings $'000	Total Equity $'000
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**
Balance as at 1 July 2017	918,894	-	198,110	1,117,004
Total Comprehensive Income				
Profit for the year			212,797	212,797
Other comprehensive Income (net of tax)				
Total Comprehensive Income	**-**	**-**	**212,797**	**212,797**
Transactions with Owners of the Trust				
On market buyback of securities		(33,300)		(33,300)
Distribution reinvestment plan (DRP)[2]	1,547			1,547
Distributions paid and provided for			(53,510)	(53,510)
Total other movements	**1,547**	**(33,300)**	**(53,510)**	**(85,263)**
Balance as at 30 June 2018	**920,441**	**(33,300)**	**357,397**	**1,244,538**

1. Stapled securities acquired by the Trust as part of the Group's on market buyback have been recorded in the Buyback Reserve.
2. 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.

Statement of Cash Flows

Year ended 30 June 2018

	Note	June 2018 $'000	June 2017 $'000
Cash Flows from Operating Activities			
Cash receipts in the course of operations		3,959	1,141
Cash payments in the course of operations		(1,591)	(925)
Interest received		5,205	6,026
Interest paid		(224)	
Distributions received		39,124	29,402
Net cash provided by operating activities	10	**46,473**	**35,644**
Cash Flows from Investing Activities			
Proceeds from capital distribution of investments			5,136
Proceeds from sale of equity accounted investments		5,414	43,032
Acquisition of investments		(68,390)	(102,302)
Net cash used in investing activities		**(62,976)**	**(54,134)**
Cash Flows from Financing Activities			
Proceeds from related party		18,015	
Loan repayment by related party			80,000
Distributions paid		(49,957)	(30,504)
Payments for on market buyback of stapled securities		(33,300)	
Payments for buyback of stapled securities - Distribution Reinvestment Plan		(1,897)	
Net cash provided (used in)/by financing activities		**(67,139)**	**49,496**
Net (decrease)/increase in cash and cash equivalents		**(83,642)**	**31,006**
Cash and cash equivalents at beginning of financial year		**90,595**	**59,589**
Cash and cash equivalents at end of financial year	9	**6,953**	**90,595**

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 22 'Other Significant Accounting Policies'; and
- Consistently applied to all financial years presented in the financial statements, except as explained in Note 21 '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 have 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 2018 $'000	June 2017 $'000
Lendlease Trust Interim Distribution			
December 2017 – paid 22 March 2018	4.6	26,675	
December 2016 – paid 24 March 2017	3.2		18,875
		26,675	**18,875**
Lendlease Trust Final Distribution			
June 2018 – provided for (payable 21 September 2018)	4.7	26,835	
June 2017 – provided for (paid 20 September 2017)	4.6		26,726
		26,835	**26,726**
		53,510	**45,601**

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 2018	June 2017
Basic/Diluted Earnings Per Unit (EPU)			
Profit after tax	$'000	212,797	112,893
Weighted average number of units	000's	582,508	582,969
Basic/Diluted EPU	**cents**	**36.53**	**19.37**

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 8 'Other Financial Assets'.

Financial Disclosure	June 2018 $'000	June 2017 $'000
Distribution income	40,866	26,441
Net gain on fair value remeasurement of fair value through profit or loss assets	162,287	53,938
Other income – related parties	3,958	1,141
Other income – external parties	2,416	8,594
Total revenue and other income	**209,527**	**90,114**

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.

	SHARE OF PROFIT	
Financial Disclosure	June 2018 $'000	June 2017 $'000
Joint Ventures		
Lendlease International Towers Sydney Trust[1]		17,592
Lendlease One International Towers Sydney Trust[1]		(287)
Total share of profit from equity accounted investments	**-**	**17,305**

1. 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. Lendlease Trust has reassessed its joint control conclusions, and determined that joint control no longer exists. As a result, these investments were reclassified from Equity Accounted Investments to Other Financial Assets measured at fair value through profit or loss in the prior period. Lendlease Trust has recorded its share of comprehensive income in relation to these investments for the period joint control was maintained.

5. 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.

Financial Disclosure	June 2018 $'000	June 2017 $'000
Finance Revenue		
External parties	1,059	1,244
Related parties	4,019	5,046
Total finance revenue	**5,078**	**6,290**
Finance Costs		
Related parties	(224)	
Total finance costs	**(224)**	**-**
Net finance revenue	**4,854**	**6,290**

NOTES TO THE FINANCIAL STATEMENTS continued

Section A: Performance continued

6. Other Expenses

Other expenses includes Auditor's Remuneration as detailed below:

	June 2018 $	June 2017 $
Auditor's Remuneration		
Amounts received or due and receivable by the auditor of Lendlease Trust for:		
Audit and Other Assurance Services		
Audit services	60,000	58,000
Other assurance services		
Total audit and other assurance services	**60,000**	**58,000**
Non audit services		
Total audit, other assurance and non audit services	**60,000**	**58,000**

7. Events Subsequent to Balance Date

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

Section B: Investment

This section includes disclosures for indirect property assets such as Other Financial Assets contained within the Statement of Financial Position. The measurement basis of these assets is fair value. Refer to Note 18 'Fair Value Measurement' for details on basis of determining fair value and valuation technique.

8. 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 15.

Financial Disclosure	Fair Value Level[1]	June 2018 $'000	June 2017 $'000
Non Current Measured at Fair Value			
Fair Value Through Profit or Loss – Designated at Initial Recognition			
Lendlease International Towers Sydney Trust	Level 3	515,154	411,552
Lendlease One International Towers Sydney Trust	Level 3	245,998	202,697
Australian Prime Property Fund – Industrial	Level 3	69,818	66,729
Australian Prime Property Fund – Commercial	Level 3	284,160	205,316
Australian Prime Property Fund – Retail	Level 3	28,647	27,452
Carlton Connect Initiative	Level 3	646	
		1,144,423	**913,746**

1. Refer to Note 18 'Fair Value Measurement' for details on basis of determining fair value and valuation technique.

8. Other Financial Assets continued

a. Fair Value Reconciliation

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

	June 2018 Unlisted Equity Investments $'000	June 2017 Unlisted Equity Investments $'000
Carrying amount at beginning of financial year	913,746	264,712
Additions	68,390	102,302
Return of capital distribution		(5,136)
Transfer from equity accounted investments		497,930
Gains recognised in Statement of Comprehensive Income – revenue and other income	162,287	53,938
Carrying amount at end of financial year	**1,144,423**	**913,746**

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

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, and the trading liabilities incurred as a result of trading activities used to generate the Trust's Performance.

9. 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 $'000	June 2017 $'000
Cash	6,953	48,010
Short term investments[1]		42,585
Total other financial assets	**6,953**	**90,595**

1. Short term investments earned variable rates of interest which averaged 1.5 per cent per annum during the year ended 30 June 2017. There were no short term investments held at 30 June 2018.

10. Notes to Statement of Cash Flows

	June 2018 $'000	June 2017 $'000
Reconciliation of Profit After Tax to Net Cash Provided by Operating Activities		
Profit after tax	212,797	112,893
Share of profit of equity accounted investments		(17,305)
Distributions of equity accounted investments		7,170
Net gain on fair value remeasurement of fair value through profit or loss assets	(162,287)	(53,938)
Other income included in investing cash flow	(2,414)	(8,594)
Other		(162)
Net cash provided by operating activities before changes in asset and liabilities	**48,096**	**40,064**
Changes in assets and liabilities		
Increase in receivables	(1,696)	(4,474)
Increase in payables	73	54
Net cash provided by operating activities	**46,473**	**35,644**

NOTES TO THE FINANCIAL STATEMENTS continued

Section C: Liquidity and Working Capital continued

11. 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.

Borrowings and Finance Facilities

The Trust has access to the following financial facilities:

	June 2018 $'000	June 2017 $'000
Related party loan facility		
Facility available	300,000	300,000
Amount of facility used	(18,015)	
Amount of facility unused	**281,985**	**300,000**

During the current year, the Trust made a drawdown of $18,015,000 with a related party in the Group. In accordance with the loan agreement, this loan is repayable in full on the maturity date being May 2022.

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.

Movement in Borrowings and Financing Arrangements

	June 2018 $'000
Balance at the beginning of financial year	
Net proceeds from borrowings	18,015
Balance at the end of financial year	**18,015**

12. 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 2018 No of units 000's	JUNE 2018 $'000	JUNE 2017 No of units 000's	JUNE 2017 $'000
Issued Capital				
Issued capital at beginning of financial year	583,470	918,894	582,317	915,820
Distribution Reinvestment Plan (DRP)[1]	513	1,547	1,153	3,074
Issued capital at end of financial year	**583,983**	**920,441**	**583,470**	**918,894**
On market buyback of securities[2]	(9,722)	(33,300)		
Issued capital net of Buyback Reserve at end of financial year	**574,261**	**887,141**	**583,470**	**918,894**

1. The Trust neutralised stapled securities issued under the 2018 Interim Distribution Plan (DRP) by acquiring an equivalent number of stapled securities on market. The value of neutralised stapled securities at 30 June 2018 is $1,897,305 representing 570,807 number of units on issue.
2. Stapled securities acquired by the Trust as part of the Group's on market stapled security buyback have been recorded in the Buyback Reserve.

a. Issuance of Securities

At 30 June 2018 Lendlease Trust had 574,260,939 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 30 August 2018. The Group intends to neutralise stapled securities issued under the DRP for the upcoming distribution 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.

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

13. Liquidity Risk Exposure

Further information on Liquidity Risk is disclosed in Note 17 'Financial Risk Management'. As disclosed in Note 19 '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 2018, the Trust 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 $'000	Contractual Cash Flows $'000	Less than One Year $'000	One to Two Years $'000	Two to Five Years $'000	More than Five Years $'000
June 2018							
Non Derivative Financial Liabilities							
Trade and other payables	16	132	132	132			
Borrowings and financing arrangements	11	18,015	18,015			18,015	
Distributions payable	1	26,835	26,835	26,835			
Total		**44,982**	**44,982**	**26,967**	-	**18,015**	-
June 2017							
Non Derivative Financial Liabilities							
Trade and other payables	16	60	60	60			
Distributions payable	1	26,726	26,726	26,726			
Total		**26,786**	**26,786**	**26,786**	-	-	-

Other contractually committed cash flows the Trust is exposed to are detailed in Note 14 'Commitments'.

14. Commitments

	June 2018 $'000	June 2017 $'000
At balance date, capital commitments existing in respect of interests in other financial assets in the financial statements are as follows:		
Due within one year	49,600	18,015
Due between one and five years	11,065	
	60,665	**18,015**

15. 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.

The Trust assesses provision for impairment of loans and receivables based on expected loss, if material. The Trust considers reasonable and supportable information that is relevant and available. This includes both quantitative and qualitative information and analysis, based on the Trust'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.

Financial Disclosure	June 2018 $'000	June 2017 $'000
Current		
Other receivables – external parties	12,792	14,122
Loan to related party	125,352	125,327
Total loans and receivables	**138,144**	**139,449**

The interest bearing loan facility is due within 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 2018 (June 2017: $nil past due and $nil impaired).

16. 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 Trust. 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.

Financial Disclosure	June 2018 $'000	June 2017 $'000
Current		
Other payables	51	60
Related parties	81	
Total trade and other payables	**132**	**60**

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.

17. 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	• Recoverability of loans and receivables • Recoverability of other financial assets and cash deposits • Further information on exposures is detailed in Note 17a 'Credit Risk Exposure'	• Policies in place so that customers and suppliers are appropriately credit assessed • Treasury Policy sets out credit limits for each counterparty based on minimum investment grade ratings
Liquidity	The risk of having insufficient funds to settle financial liabilities as and when they fall due	• Insufficient levels of committed credit facilities • Settlement of financial liabilities • Further information on exposures is detailed in Note 13 'Liquidity Risk Exposure'	• Maintaining sufficient levels of cash and committed credit facilities to meet financial commitments and working capital requirements • Managing to funding portfolio benchmarks as outlined in the Treasury Policy • Timely review and renewal of credit facilities
Interest Rate	The risk that the value of a financial instrument or cash flow associated with the instrument will fluctuate due to changes in market interest rates	• Financial assets, mainly cash at bank • Financial liabilities, mainly borrowings and financing arrangements • Further information on exposures is detailed in Note 17b 'Interest Rate Risk Exposure'	• 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	• All traded and/or non traded financial instruments measured at fair value	• Material investments within the portfolio are managed on an individual basis. The Trust's portfolio is monitored closely as part of capital recycling initiatives

NOTES TO THE FINANCIAL STATEMENTS continued

Section D: Risk Management continued

17. 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 15 '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.

		CARRYING AMOUNT	
	Note	June 2018 $'000	June 2017[1] $'000
Variable Rate Instruments			
Cash and cash equivalents	9	6,953	90,595
Loan to related party		125,000	125,000
Borrowings and financing arrangements	11	(18,015)	
Total Variable Rate Instruments		**113,938**	**215,595**

1. June 2017 comparatives have been restated to include Loan to Related Party.

Sensitivity Analysis

At 30 June 2018 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 $1,139,380 (June 2017: $2,155,950). 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.

18. Fair Value Measurement

Accounting Policies

The accounting policies for financial instruments held at fair value are included in Note 8 'Other Financial Assets'. 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.

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 which may include periodic independent and directors' valuations, 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 year there were no transfers between Level 1, Level 2 and Level 3 fair value hierarchies.

19. 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 2018.

Section E: Other Notes

20. 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 2018, $479,000 (June 2017: $419,000) was charged to the Trust. The amount charged was paid to a related party of the Responsible Entity. The amount owed to the Responsible Entity at 30 June 2018 was $nil (June 2017: $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 and Finance Costs', Note 11 'Borrowings and Financing Arrangements', Note 15 'Loans and Receivables' and Note 16 'Trade and Other Payables'.

21. Impact of New and Revised Accounting Standards

New and Revised Accounting Standards Adopted 1 July 2017

From 1 July 2017 the Trust adopted AASB 9 *Financial Instruments* and consequential amendments and AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*. There were no material financial impacts on the Trust following adoption.

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 2018 but are available for early adoption and have not been applied in preparing this report.

Accounting Standard	Requirement	Impact on Financial Statements
AASB 15 *Revenue from Contracts with Customers* and consequential amendments	AASB 15 provides a new five step model for recognising revenue earned from a contract with a customer and will replace the existing AASB 118 *Revenue* and AASB 111 *Construction Contracts*. The standard becomes mandatory for the June 2019 financial year and will be applied retrospectively.	Based on the analysis performed, AASB 15 and consequential amendments are not expected to have a material impact on the Trust. 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.
AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* and consequential amendments	AASB 2014-10 amends AASB 10 and AASB 128 to clarify the requirements for recording the sale or contribution of assets between an investor and its associate or joint venture. The amendment becomes mandatory for the June 2023 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 *Leases*	AASB 16 provides a new model for accounting for leases. The standard becomes mandatory for the June 2020 financial year and will be applied retrospectively.	Based on preliminary analysis performed, AASB 16 is not expected to have a material impact on the Trust. The Trust does not currently hold any leases as lessor or lessee.

NOTES TO THE FINANCIAL STATEMENTS continued

Section E: Other Notes continued

22. 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 2018 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 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 & Managing Director

Sydney, 22 August 2018

Independent Auditor's Report

To the unitholders of Lendlease Trust

Opinion

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

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 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 Trust comprises:

- Statement of financial position as at 30 June 2018;
- 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; 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 (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; and
- 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_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

DM McLennan

Partner

Sydney

22 August 2018