ASX ANNOUNCEMENT

25 February 2019

Lendlease Group Appendix 4D and 2019 Half Year Consolidated Financial Report

Lendlease Group today announced its results for the half year ended 31 December 2018. Attached is the Appendix 4D and Half Year Consolidated Financial Report.

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 Group

Appendix 4D

Lendlease Group (the Group) comprises Lendlease Corporation Limited (the Company) ABN 32 000 226 228 and Lendlease Trust (LLT) ARSN 128 052 595 the responsible entity of which is Lendlease Responsible Entity Limited ABN 72 122 883 185

Preliminary Half Year Report for the period ended 31 December 2018
(previous corresponding period being the period ended 31 December 2017)

Results for Announcement to the Market

Profit After Tax

	6 months December 2018 $m	6 months December 2017 $m	% Change
Revenue	7,761.7	8,691.2	(10.7)
Profit after tax attributable to securityholders	15.7	425.6	(96.3)

Stapling of the Company Shares and LLT Units

Shares in the Company and units in LLT are traded as one security under the name of Lendlease Group on the Australian Securities Exchange (ASX). The Company is deemed to control LLT for accounting purposes and therefore LLT is consolidated into the Group's financial report. The issued units of LLT, however, are not owned by the Company and are therefore presented as non controlling interests in the Consolidated Entity's Statement of Financial Position within equity, notwithstanding that the unitholders of LLT are also the shareholders of the Company.

Dividends/Distributions

	Amount per security	Franked amount per security
Interim dividend/distribution – payable 20 March 2019	12.0 cents	0.0 cents

The interim distribution is comprised of a trust distribution of 12.0 cents per unit payable by LLT. No dividend has been declared by the Company.

The record date for determining entitlement to the interim distribution is 4 March 2019 (Record Date) and the distribution is payable on 20 March 2019.

The Group's Distribution Reinvestment Plan (DRP) was reactivated in February 2011. The last date for receipt of an election notice for participation in the DRP is 5 March 2019. Subject to the rules of the DRP, 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. Stapled securities issued under the DRP rank equally with all other stapled securities on issue.

Additional Information

	December 2018	June 2018
Net tangible assets per security	$8.28	$8.70

The remainder of the information requiring disclosure to comply with listing rule 4.2A.3 is contained in the Performance & Outlook section of the December 2018 Directors' Report and the December 2018 Half Year Consolidated Financial Report.

Half Year Consolidated Financial Report December 2018

lendlease

Directors' Report

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lendlease

Directors' Report

The Directors present their Report together with the Half Year Consolidated Financial Report of the consolidated entity, being Lendlease Corporation Limited (the Company) including its controlled entities and Lendlease Trust (together referred to as the consolidated entity or the Group), for the six months ended 31 December 2018 and the Auditor's Report thereon.

1. Directors

The name of each person who has been a Director of the Company at any time between 1 July 2018 and the date of this Report are:

D A Crawford, AO	Director since 2001 & Chairman since 2003 (retired 16 November 2018)
M J Ullmer, AO	Director since 2011 & Chairman since 16 November 2018
S B McCann	Chief Executive Officer since 2008 & Managing Director since 2009
C B Carter, AM	Director since 2012
P M Coffey	Director since 2017
P M Colebatch	Director since 2005 (retired 16 November 2018)
D P Craig	Director since 2016
S B Dobbs	Director since 2015
J S Hemstritch	Director since 2011
E M Proust, AO	Director since 2018
N M Wakefield Evans	Director since 2013

2. Dividends/Distributions

An unfranked interim distribution of $67.7 million (December 2017: $198.6 million unfranked) has been approved by the Directors. The interim distribution comprising of a trust distribution of 12.0 cents per unit from Lendlease Trust will be paid on 20 March 2019 (December 2017: 29.4 cents per share from the Company and 4.6 cents per unit from Lendlease Trust paid on 22 March 2018). No dividend has been declared by the Company.

3. Events subsequent to Balance Date

Subsequent to balance date, the Group has announced that its Engineering and Services business is no longer a required part of the Group's strategy. As the Group works through the implications of this decision, it currently estimates that it may incur future restructuring costs of between $450 million - $550 million. This is a preliminary estimate.

These restructuring costs may include implementation costs, such as technology and system costs, employee costs and advisor costs, and costs to conclude customer contracts as a result of the Group's decision. This estimate excludes any anticipated revenue from ongoing operations or proceeds received for the business.

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

The Lead Auditor's Independence Declaration is set out at the end of this report and forms part of the Directors' Report for the six months ended 31 December 2018.

5. Rounding off

The Group is of a kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and, in accordance with that Instrument, amounts in the Half Year Consolidated Financial Report have been rounded off to the nearest tenth of a million dollars, or, where the amount is $50,000 or less, zero, unless specifically stated otherwise.

6. Performance & Outlook

The Performance & Outlook on pages 3 to 14 is based on the Half Year Consolidated Financial Statements for the six months ended 31 December 2018 and should be read in conjunction with those financial statements. All currency amounts are expressed in Australian dollars unless otherwise specified.

Group Highlights

It was a challenging half year for the Group with Profit after Tax of $15.7 million for the period ended 31 December 2018. Earnings per Security was 2.8 cents with a Return on Equity of 0.5 per cent. The distribution per security was 12 cents.

Group EBITDA of $83.1 million was impacted by the result for the Engineering and Services business, which included $500 million of expected losses from underperforming projects. The Investments segment continued to outperform and the Development segment delivered a solid result, although Development earnings are anticipated to be skewed to the second half of the financial year.

A comprehensive strategic review determined that Engineering and Services is non-core and is no longer a required part of the Group's strategy. To maximise securityholder value over the long term, the Group will focus on its proven integrated capabilities across Development, Construction and Investments. As a result, the Engineering and Services business will be reported as non-core in the FY19 results and beyond.

The Building businesses in each of the regions continued to deliver solid performance. These businesses play a critical role in the integrated model through their design and delivery capability.

Our current urbanisation projects in Asia and the Americas made meaningful contributions to Development segment earnings. A number of office buildings completed at Paya Lebar Quarter in Singapore. A new residential investment partnership was secured in the Americas through which interests were acquired in buildings at Southbank in Chicago and Clippership Wharf in Boston. It was an active period for origination with two new major urbanisation projects secured, Victoria Cross, Sydney and Lakeshore East, Chicago.

Recurring earnings underpinned the performance of the Investments segment, although earnings were lower than in the prior corresponding period. The Retirement Living business delivered an improvement in resales across the portfolio. Higher investment income and solid asset value appreciation was derived from co-investment positions. Fee income was also higher, driven by growth in funds under management and strong performance across the asset management businesses.

Group Services costs of $74.2 million were up 8 per cent on the prior corresponding period as a result of investment in productivity and efficiency initiatives.

Net finance costs of $52.6 million were up 14 per cent on the prior corresponding period, primarily due to higher average net debt. Net debt ended the period at $2.3 billion, while the average cost of debt was 4.2 per cent.

Underlying operating and statutory operating cash flow were ($164) million and ($824) million for the period. The cash result reflected the impact from Engineering and ongoing investment into the development pipeline with invested capital in Development rising by $0.8 billion through the half to $5.1 billion.

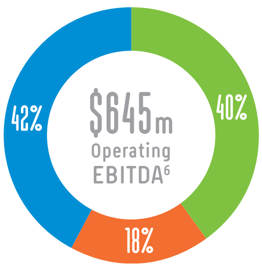
Maintaining an optimal capital structure, a core element of the Portfolio Management Framework, is critical in maximising securityholder value. As part of a disciplined approach to managing capital, an on market buyback was completed with $352 million of securities acquired.

The EBITDA mix in the chart below is presented with the three operating segments excluding the Engineering and Services business.

Key Financials

		HY18	HY19	Percentage Movement
Key Metrics				
Revenue[1]	$m	8,697.3	7,771.0	(11%)
EBITDA	$m	720.6	83.1	(88%)
Profit after Tax	$m	425.6	15.7	(96%)
Operating and Investing Cash Flow	$m	825.2	(666.8)	(181%)
Underlying Operating Cash Flow[2]	$m	n/a	(164.0)	
Net Assets[3]	$m	6,414.2	6,106.8	(5%)
Net Debt[3]	$m	1,181.8	2,276.3	93%
Effective Tax Rate[4,5]	%	31.8	n/a	
Key Returns				
Earnings per Security	cents	72.9	2.8	(96%)
Distribution per Security	cents	34.0	12.0	(65%)
Weighted avg Securities	no.(m)	583.8	570.5	(2%)

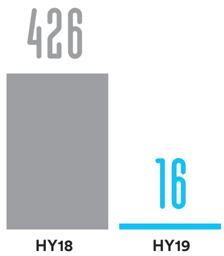
EBITDA Mix (ex Engineering and Services)



Development
Construction (ex E&S[7])
Investments

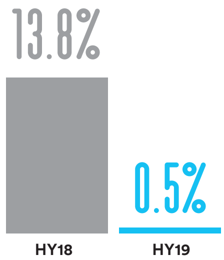
Profit after Tax

$15.7 MILLION



Return on Equity

0.5%



Earnings per Security

2.8 CENTS

1. Includes finance revenue.
2. Underlying Operating Cash Flow is derived by adjusting statutory cash flows to better reflect the operating cash generated by the Group from its operating model.
3. Comparative values are closing FY18 balances.
4. Lendlease's approach to tax is outlined in the 2018 Tax Report (https://www.lendlease.com/au/investor-centre/distribution-and-tax/). Details on tax balances are included within the Consolidated Financial Statements.
5. Effective Tax Rate is nonmeaningful in HY19 due to the $500m pre-tax impact from losses expected to be incurred on underperforming Engineering projects.
6. Excludes Engineering and Services, and Corporate. EBITDA mix with Engineering and Services cannot be graphically represented. Operating EBITDA including Engineering and Services is $171.7 million.
7. Engineering and Services.

PORTFOLIO MANAGEMENT FRAMEWORK

The Portfolio Management Framework has been revised to reflect the decision to report the Engineering and Services business as non-core and reclassification of internal construction margin for the FY19 results and beyond. The framework is designed to maximise long term securityholder value via: a diversified, risk adjusted portfolio; leveraging the integrated model; optimising the business on a long term basis; and providing financial strength to execute our strategy.

For the period, Construction and Group returns were below target due to the underperformance in Engineering. Development delivered returns marginally below target, although the full year return profile is expected to improve. The Investments segment continued to generate above target returns.

Lendlease Trust will distribute investment income and part of the capital gains derived during the period.

Gearing rose to the mid-point of the target range following ongoing investment into the development pipeline. The balance sheet remains resilient with total liquidity of $2.1 billion.

The segment invested capital mix is weighted towards Development, reflecting the significant amount of development activity. The capital weighting to Australia declined as the Group continues to invest in its international projects.

The revised Group target ranges for key metrics are set out below alongside the previous targets. The target earnings mix for the Construction segment has been reduced with a corresponding rise in Development and Investments. The Construction EBITDA margin target has been lowered to account for the exclusion of Engineering and Services going forward. The Development ROIC target range has been raised by one percentage point to reflect that previously reported construction margin on integrated projects will be recognised as part of development profit in future periods.

CAPITAL FRAMEWORK	Previous Target	Revised Target	HY18	HY19
Group Metrics				
Return on Equity	10-14%	10-14%	13.8%	0.5%
Dividend payout ratio	40-60%	40-60%	47%	431%
Gearing[1]	10-20%	10-20%[2]	8.2%	15.2%
EBITDA Mix (ex Engineering and Services)				
Development	35-45%	40-50%	46%	40%
Construction	20-30%	10-20%	15%	18%
Investments	30-40%	35-45%	39%	42%
Segment Returns				
Development	9-12% ROIC[3,4]	10-13% ROIC[3,4]	18.8%	7.5%
Construction (ex E&S)	n/a	2-3% EBITDA	3.0%	2.1%
Construction	3-4% EBITDA	2-3% EBITDA	(0.4%)	(5.4%)
Investments	8-11% ROIC[3,4]	8-11% ROIC[3,4]	16.5%	13.6%
Segment Invested Capital Mix				
Development	40-60%	40-60%	55%	60%
Investments	40-60%	40-60%	45%	40%
Regional Invested Capital Mix				
Australia	50-70%	50-70%	61%	53%
Asia	5-20%	5-20%	12%	14%
Europe	5-20%	5-20%	14%	19%
Americas	5-20%	5-20%	13%	14%

GROUP OUTLOOK

Despite a challenging period, the competitive advantage of the integrated business model positions the Group well for future success. Earnings visibility remains high with a growing pipeline, diversified by both geography and sector, across the Development and Investments segments.

The development pipeline of $74.5 billion has grown significantly with the Group's focus on urbanisation in targeted gateway cities. The origination focus in recent years has centred on our international operations with the last calendar year dominated by new projects secured in Europe. The majority of the urbanisation pipeline is now weighted to international gateway cities and we expect a greater contribution from these projects over coming years.

Funds under management rose by 20 per cent on the prior corresponding period to $34.1 billion. The development pipeline, including $2.9 billion of additional secured future funds under management on projects currently in delivery, supports future growth potential. Together with investment positions of $3.6 billion, the Investments segment is well placed to continue to deliver a solid base of recurring earnings.

Going forward, the Group will place greater emphasis on urbanisation and on leveraging the competitive advantage of the integrated model. The Group's proven track record of delivering large scale urbanisation projects provides superior outcomes for our communities, capital partners and securityholders. The increasing focus on Development and Investments segments and continued success in securing urbanisation projects in gateway cities provides a strong platform to provide enhanced risk adjusted returns to our securityholders.

Development Pipeline[5]

$74.5 BILLION

Construction Backlog[6]

$21.4 BILLION

Funds Under Management

$34.1 BILLION

1. Comparative value is closing FY18 balance.
2. Review of capital structure underway to reflect change in business mix.
3. Through-cycle target based on rolling three to five year timeline.
4. Return on Invested Capital (ROIC) is calculated using the annualised Profit after Tax divided by the arithmetic average of beginning and half year end invested capital.
5. Remaining estimated development end value.
6. Construction backlog excluding Engineering and Services is $14.8 billion.

Development Performance

The Development segment delivered EBITDA of $260.8 million. Earnings are anticipated to be skewed to the second half of the financial year, driven by a large number of expected residential apartment settlements. This is anticipated to result in an improvement in the Return on Invested Capital in the second half. Invested capital rose to $5.1 billion as the Group continues to invest in the growing development pipeline.

Our current urbanisation projects in Asia and the Americas made substantive contributions to earnings. Asia delivered EBITDA of $100.7 million and the Americas generated $57.7 million, compared to a combined breakeven result in the prior corresponding period.

Paya Lebar Quarter is taking shape as one of the largest business and lifestyle precincts in Singapore. The three office towers, which account for more than half of the project's end value, reached practical completion in the period.

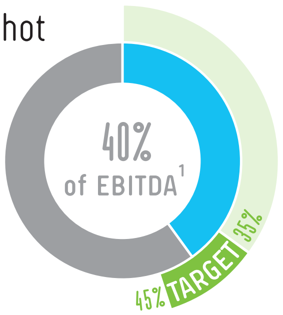
In the Americas, a new 50/50 residential investment partnership was secured with First State Super (FSS) for a US$1 billion equity commitment, primarily in the residential for rent sector. The partnership is currently delivering a building at Southbank in Chicago and two buildings at Clippership Wharf in Boston. Outside of the partnership, the 845 West Madison project in Chicago with 586 units commenced delivery.

Two new major urbanisation projects with a combined estimated end value of more than $3 billion were secured. Victoria Cross in Sydney is an over station development project anchored by a 58,000 square metre office tower with an estimated end value of $1.1 billion. Lakeshore East in Chicago is a residential scheme comprising approximately 1,200 units, a mix of rental and for sale apartments, with an estimated end value of $2.1 billion. The first phase of this project will be delivered via the new investment partnership with FSS.

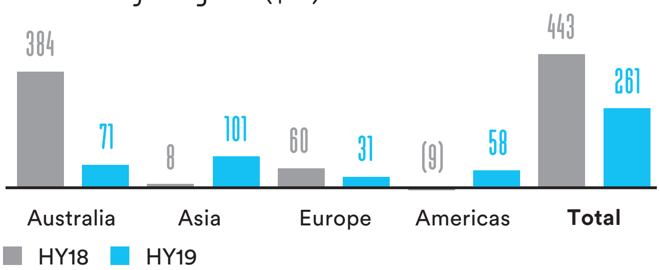
There were 145 apartment for sale settlements in the period, with an expected increase in the second half of the financial year with approximately 1,500 units due for settlement across a number of buildings. Combined with c.700 apartment for rent units, total apartment settlements are expected to exceed 2,000 units.

There were 908 land lot settlements across the Australian master planned communities portfolio. While subdued market conditions have impacted both sales and settlements, there were production timing issues in the period that should result in a stronger second half. We anticipate annual settlements in FY19 to be below the target range.

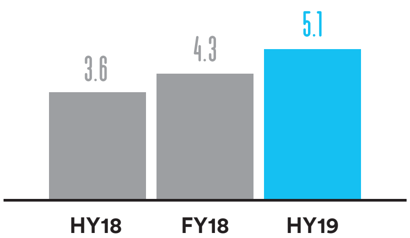
Segment Snapshot (ex E&S)



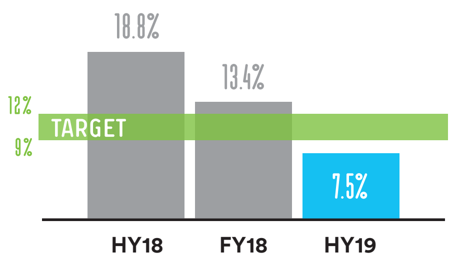
EBITDA by Region ($m)



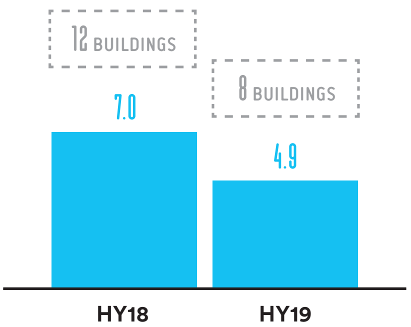
Invested Capital[2] ($b)



Return on Invested Capital

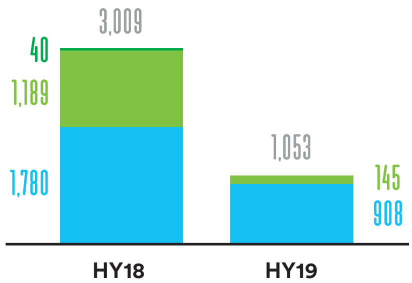


Commercial Buildings in Delivery ($b)



Development End Value[3]

Residential for Sale Settlements[4] (Units)



Communities Apartments Retirement[5]

1. Operating EBITDA including Engineering and Services is $171.7 million, excluding Engineering and Services is $645.4 million.
2. Securityholder equity plus net debt.
3. Remaining estimated development end value.
4. On adoption of AASB 15 from 1 July 2018, the recognition point of revenue (and associated units) on residential for sale development properties changed to settlement in Australia, Europe and Americas. Prior to the adoption of AASB 15, the recognition point of revenue (and associated units) was aligned with practical completion.
5. Retirement completions exclude resales, Development activity only. Operational and financial metrics for the Australian Retirement Living business have been included in the Investments segment following the Retirement Living transaction.

Development Outlook

The development pipeline provides significant earnings visibility. The estimated end value of the pipeline grew 31 per cent on the prior corresponding period to $74.5 billion. The pipeline comprises $59.3 billion of urbanisation projects and $15.1 billion of communities projects.

The strong growth in the pipeline was driven by four newly secured major urbanisation projects over the last calendar year, two of which were secured in the period. We now have 20 major urbanisation projects across 10 gateway cities. Post balance date Lendlease was announced as preferred development partner on two additional urbanisation projects. The $14.5 billion Thamesmead Waterfront development in London will create more than 11,000 homes and the $2.7 billion Birmingham Smithfield project will generate more than 2,000 homes within close proximity to the proposed high speed rail station that is due to open in 2026.

The Group has eight major commercial buildings in delivery across 359,000 sqm, with a remaining estimated end value of $4.9 billion. We have approximately 3,000 presold apartments for sale in delivery and approximately 2,000 apartments for rent in delivery with a combined total estimated end value of $5.2 billion.

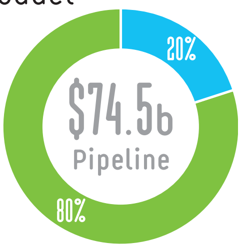
The Group has a further $49 billion of secured urbanisation pipeline where delivery is yet to commence. These projects are typically held in capital efficient arrangements, providing the Group with flexibility around delivery and timing, in line with market cycles. The pipeline supports our target of settling 1,000 to 2,000 apartment units per annum and commencing two to three commercial buildings per annum.

The origination focus in recent years has centred on the international operations with the last calendar year dominated by new projects secured in Europe. International gateway cities now account for the majority of the urbanisation pipeline. This is expected to result in a greater contribution from these international projects over the coming years.

The Communities pipeline consists of c.51,000 lots, providing more than a decade of supply based on the 3,000 to 4,000 targeted settlements per annum. Due to current softer market conditions, the target is expected to be more challenging in the near term.

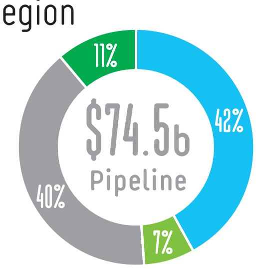
The development pipeline provides long term earnings visibility and the flexibility to be both disciplined and patient with the pursuit of future opportunities. Diversification by geography and sector is expected to provide resilience through market cycles.

Pipeline[1] by Product



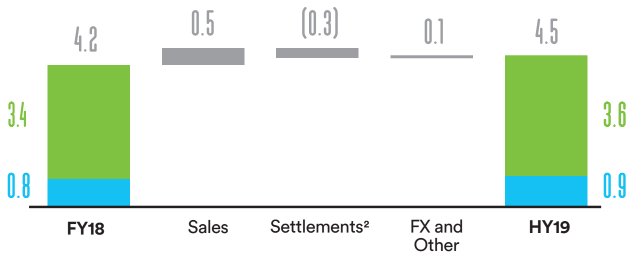
Communities Urbanisation

Pipeline[1] by Region



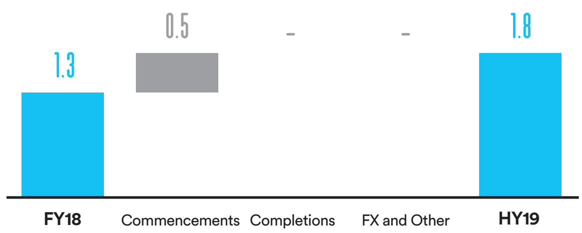
Australia Asia Europe Americas

Movement in Presales – Residential for Sale ($b)



Communities Apartments for Sale

Residential for Rent in Delivery[3] ($b)



Apartments for Rent

Commercial Buildings Completion Profile

Project	Capital Model	sqm '000[4]	Building	Expected Building Completion[5] H2 FY19	FY20	FY21	FY22
Victoria Harbour, Melbourne	Fund through[6]	39	839 Collins Street	●			
Barangaroo South, Sydney	Fund through[6]	11	Daramu House		●		
Melbourne Quarter	Fund through[6]	50	Two Melbourne Quarter			●	
Melbourne Connect (formerly University of Melbourne Innovation Precinct)	BOOT[7]	27	Melbourne Connect			●	
Circular Quay Tower, Sydney	Joint venture	55	Circular Quay Tower				●
Paya Lebar Quarter, Singapore	Joint venture	29	Retail		●		
The Lifestyle Quarter, Kuala Lumpur	Joint venture	122	Retail				●
International Quarter London	Fund through[6]	26	Commercial building		●		

1. Remaining estimated development end value.
2. On adoption of AASB 15 from 1 July 2018, the recognition point of revenue on residential for sale development properties changed to settlement in Australia, Europe and Americas.
3. Total estimated development end value.
4. Floor space measured as Net Lettable Area.
5. Based on expected completion date of underlying buildings, subject to change in delivery program. Not indicative of cash or profit recognition.
6. A funding model structured through a forward sale to a capital partner resulting in staged payments prior to building completion.
7. Build, Own, Operate, Transfer.

Development Pipeline

Urbanisation Pipeline[1] Profile

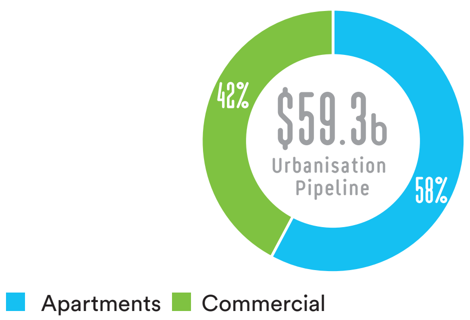
Apartments

3,004 presold units and 1,985 units for rent across 23 major apartment buildings[2] in delivery, with expected delivery H2 FY19 to FY21

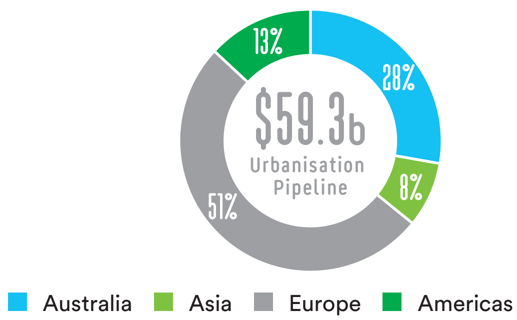
Commercial

8 major buildings[5] in delivery, with expected completion H2 FY19 to FY22

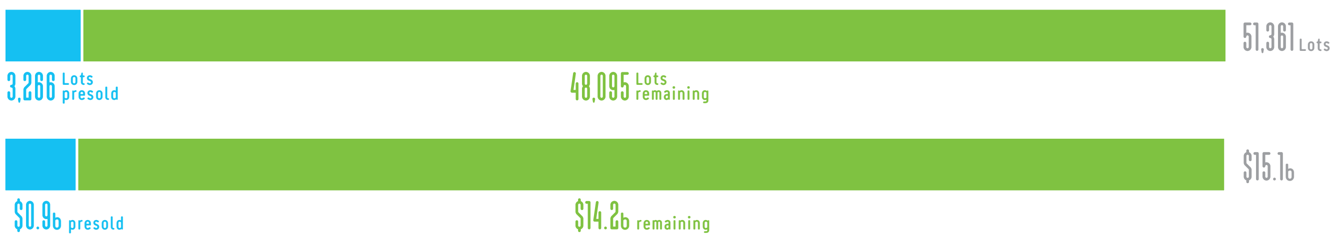
Urbanisation Pipeline[1] by Product



Urbanisation Pipeline[1] by Region



Communities Pipeline[1,7] Profile



1. Remaining estimated development end value.
2. Refer to Apartments Settlement Profile on page 8 for a breakdown of the major buildings.
3. Presales balance on major buildings in delivery only.
4. Total estimated development end value of c.$1.8 billion, with c.$0.3 billion realised to date.
5. Refer to Commercial Buildings Completion Profile on page 6 for a breakdown of the major buildings.
6. Total estimated development end value of c.$6.1 billion, with c.$1.2 billion realised to date.
7. Includes Asian retirement development units.

Apartments Settlement Profile

Apartments for Sale

Project	Building	Total Units	Ownership	Presold	Presales[1] ($b)	Delivery[2] H2 FY19	FY20	FY21
Darling Square, Sydney	Darling North, Harbour Place and Trinity House	577	100%	100%	0.8	●		
	Darling Rise, Barker House and Arena	390	100%	100%	0.5	●		
Victoria Harbour, Melbourne	Collins Wharf 1	321	100%	91%	0.3	●		
Melbourne Quarter	East Tower	719	50%	77%	0.4		●	
Paya Lebar Quarter, Singapore	Residential (3 Buildings)	429	30%	96%	0.5		●	
Wandsworth, London	Victoria Drive (remaining sections)	61	50%	7%	-	●		
Elephant Park, London	West Grove (Buildings 1 and 2) (remaining sections)	405	100%	78%	0.4	●	●	
	East Grove and Park Central North[3]	166	100%	100%	0.1			●
Deptford, London	Cedarwood Square	203	100%	85%	0.1		●	
Fifth Avenue, New York	277 Fifth Avenue	130	40%	-[4]	-[4]	●		
Clippership Wharf, Boston	Building 3	80	100%	100%	0.1	●		

● Indicates expected settlement date[2] of presold units

Apartments for Rent

Project	Building	Total Units	Ownership	Delivery[5] H2 FY19	FY20	FY21
Elephant Park, London	East Grove and Park Central North	663	20%			●
Southbank, Chicago	Cooper at Southbank	452	50%[6]	●		
Clippership Wharf, Boston	Buildings 1 and 2	284	50%[6]	●		
845 West Madison, Chicago	845 West Madison	586	37.5%			●

● Indicates expected building completion date

1. Closing presales balance as at 31 December 2018.
2. On adoption of AASB 15 from 1 July 2018, the recognition point of revenue (and associated units) on residential for sale development properties changed to settlement in Australia, Europe and Americas. Delivery date is subject to change in delivery program. This is not indicative of cash or profit recognition for projects in Asia.
3. Affordable housing units presold within apartment for rent buildings.
4. Project information subject to joint venture confidentiality.
5. Based on expected completion date of underlying buildings, subject to change in delivery program. Not indicative of cash or profit recognition.
6. Following the sell down to First State Super, ownership has decreased to 50.1% for Cooper at Southbank and 50.0% for Clippership Wharf Buildings 1 and 2.

Construction Performance

The Construction segment recorded an EBITDA loss of $362.3 million. The performance of the Building businesses in each region was solid, with EBITDA of $111.4 million at a margin of 2.1 per cent. This was not sufficient to offset the $473.7 million loss from the Engineering and Services business. The segment EBITDA margin of (5.4) per cent was well below the target range.

The result for the Engineering and Services business includes a $500 million pre-tax impact from expected losses across underperforming projects. The anticipated losses primarily relate to three Engineering projects, NorthConnex in Sydney and Gateway Upgrade North and Kingsford Smith Drive, both in Brisbane. The amount allowed for reflects the estimated cost of completing the projects, which are now well advanced and are expected to complete by the end of calendar year 2020.

A strategic review of the Engineering and Services business commenced during the period. As noted in Group Highlights, the decision was subsequently made that the business is non-core and is no longer a required part of the Group's strategy. It will be reported on this basis going forward.

New work secured in the Engineering business included WestConnex 3A M4-M5 Link.

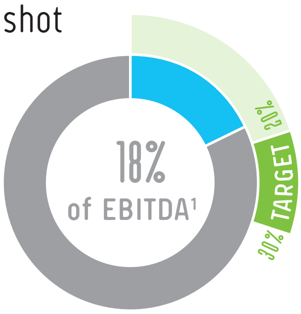
Australian Building delivered EBITDA of $64.7 million and revenue of $2.1 billion. New work secured of $2.2 billion included the building components of Sydney Metro Martin Place and Victoria Cross over station developments and a number of Defence contracts, reflecting diversification across sectors and client type.

Revenue from the Americas was down 4 per cent on the prior corresponding period to $2.4 billion. The EBITDA margin of 1 per cent is anticipated to recover for the full year following higher one-off costs in the first half. New work secured of $1.8 billion was up 20 per cent on the prior corresponding period, driven by several new commercial and residential contracts.

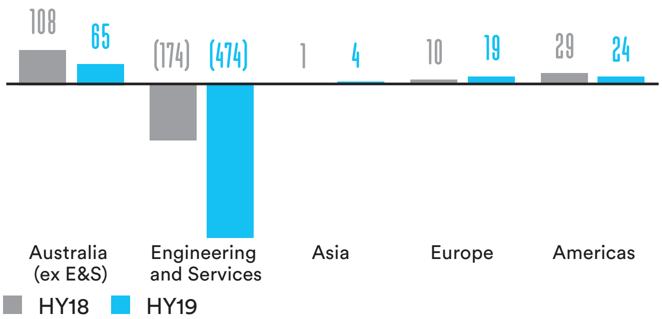
Europe delivered an improved performance with both revenue and margin up on the prior corresponding period. EBITDA was supported by some higher margin construction management projects. New work secured was minimal in the period, although there are a number of contracts in preferred status that are expected to convert by the end of the financial year.

Asia continues to focus on the delivery of the internal development pipeline. The improved margin outcome was supported by ongoing construction across the Group's two major urbanisation projects in the region, Paya Lebar Quarter and The Lifestyle Quarter.

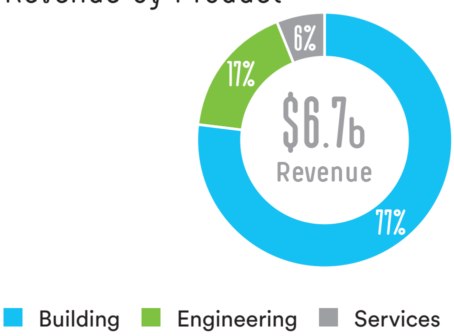
Segment Snapshot (ex E&S)



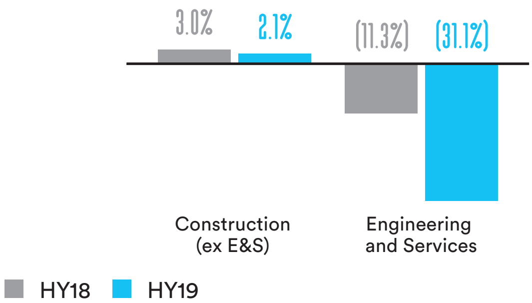
EBITDA by Region ($m)



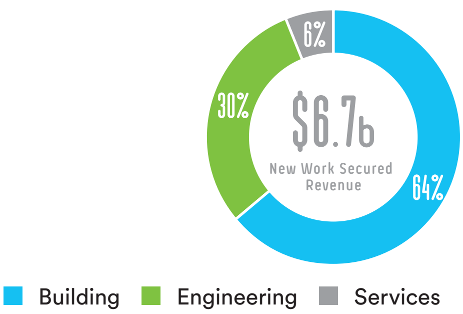
Revenue by Product



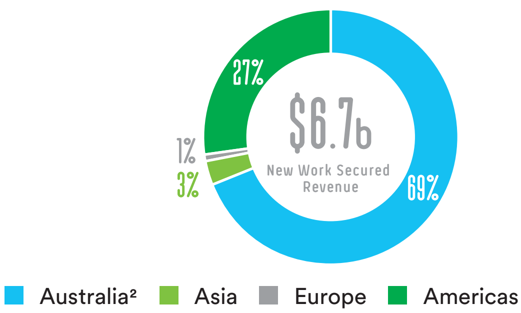
EBITDA Margin



New Work Secured by Product



New Work Secured by Region



1. Operating EBITDA including Engineering and Services is $171.7 million, excluding Engineering and Services is $645.4 million.
2. Construction new work secured in Australia excluding Engineering and Services is $2.2 billion, $2.4 billion (36 per cent) for Engineering and Services.

Construction Outlook

In future periods, the Construction segment will comprise the Building businesses in each region. The outlook for these businesses is solid with a combined backlog revenue of $14.8 billion, including new work secured in the period of $4.3 billion.

Going forward, Development and Construction earnings derived from integrated projects will be combined and reported in the Development segment. Over the last three financial years, construction backlog revenue from major integrated projects has accounted for 15 per cent of total construction backlog.

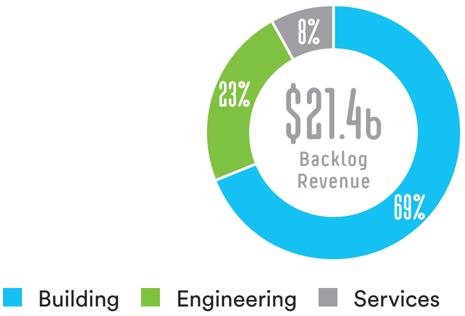
A new lower risk business strategy to facilitate participation in the growing transport infrastructure sector is being implemented for Engineering. Progress has been made with several initiatives being implemented across: origination; people and culture; governance; and project execution. The Engineering and Services business has backlog revenue of $6.6 billion.

The Building backlog is well diversified across multiple geographies, sectors and clients. Key sectors include residential, commercial and defence. Australia has a significant pipeline of work, with $6.6 billion in backlog revenue. Key projects include a number of Defence contracts, the Crown Sydney Hotel Resort, Sydney Metro Martin Place over station developments and Randwick Hospital.

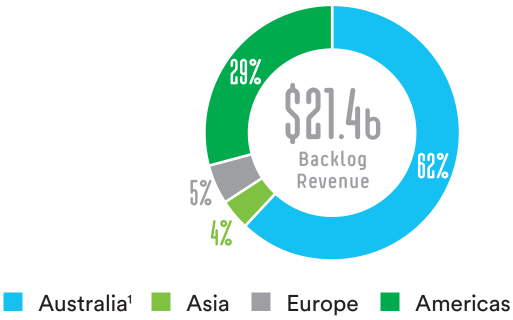
In the Americas, the established Construction building business has a strong market share in its target cities and sectors while a growing development pipeline in the region will provide more opportunities for the integrated model. The large development pipeline in Europe will provide a significant amount of future construction building work, while the Asian business will continue to focus predominantly on the internal development pipeline.

Beyond the current backlog position, there is approximately $10 billion of work for which the Group is in a preferred position, across both external and integrated projects. The business is well placed to convert a significant proportion of this preferred work, that is diversified by geography and sector, into backlog revenue over coming periods.

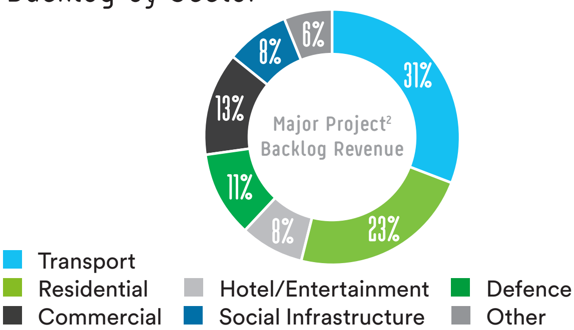
Backlog by Product



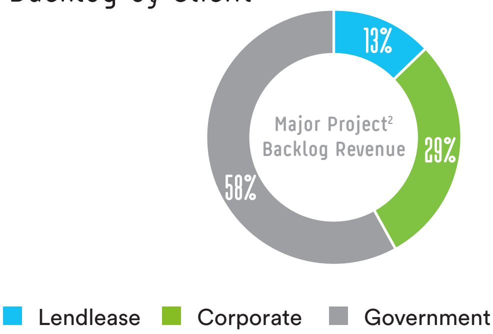
Backlog by Region



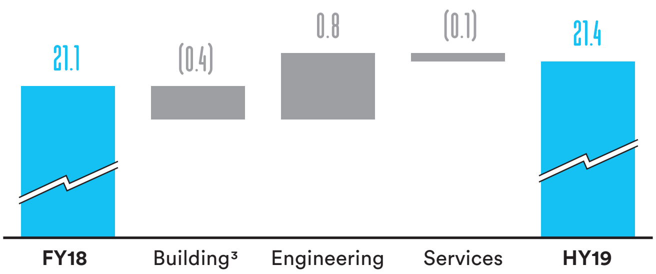
Backlog by Sector



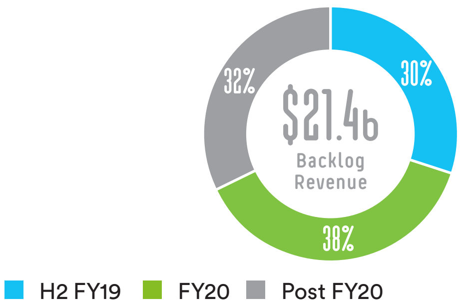
Backlog by Client



Backlog Revenue Movement by Product ($b)



Backlog Realisation[4]



1. Construction backlog revenue in Australia excluding Engineering and Services is $6.6 billion, $6.6 billion (31 per cent) for Engineering and Services.
2. Includes all Construction projects with backlog greater than $100 million, which represents 79 per cent ($17.0 billion) of secured backlog.
3. Includes the impact of movement in foreign exchange rates, where applicable.
4. Includes $14.8 billion of backlog revenue for Construction excluding Engineering and Services which has a backlog realisation of 31% H2 FY19, 41% FY20 and 28% post FY20.

Investments Performance

The Investments segment delivered EBITDA of $273.2 million. This resulted in a Return on Invested Capital of 13.6 per cent, above the target range. The decline in EBITDA from $383.1 million in the prior corresponding period reflects the contribution from strong gains in underlying asset values.

The Group made further progress on its capital partnering strategy. In the residential sector, a recent addition to the investments platform, an investment partnership in the Americas was secured. First State Super and Lendlease have committed an initial US$1 billion of equity. In Australia, an existing capital partner acquired c.10 per cent of Lendlease's interest in Lendlease One International Towers Sydney Trust.

Ownership EBITDA was $203.6 million, down from $318.7 million in the prior corresponding period mainly due to lower revaluations. The Retirement Living business delivered a solid underlying contribution with resales up 24 per cent across the portfolio following a period of industry related weakness and the introduction of alternative contract types by Lendlease. Total earnings contribution from the Retirement Living business to the Group was lower given the reduction in ownership to 75 per cent and the valuation uplift following the introduction of a capital partner that occurred in the prior corresponding period.

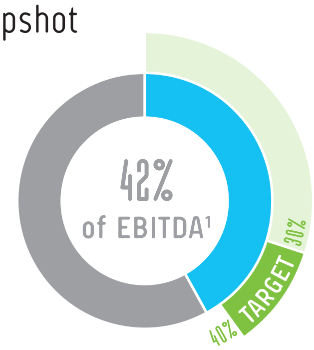
Higher investment income and solid asset value appreciation was derived from co-investment positions, in particular the Australian office portfolio. This was supported by both a strong leasing and capital market environment.

The prior corresponding period included a substantial uplift in the value of the equity investment the Group holds in the US Military Housing operations. This reverted to the predominantly income based returns on the Group's investment in the current period.

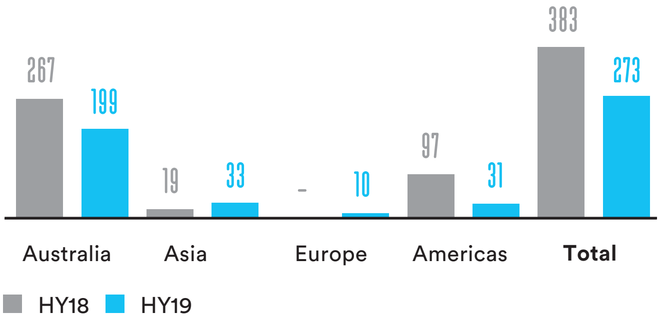
Operating EBITDA was $69.6 million, up 8 per cent on the prior corresponding period. Higher fund management fees were generated from the 20 per cent growth in funds under management. Asset and property management fees from our US Military Housing operations and the Australian and Asian asset management businesses continue to support recurring earnings.

A strong network of capital partners provides additional capacity for the Group to develop and grow its pipeline of opportunities. APPF Retail opened its liquidity window during the period. The offer of periodic liquidity is a feature of a number of funds on the investment platform.

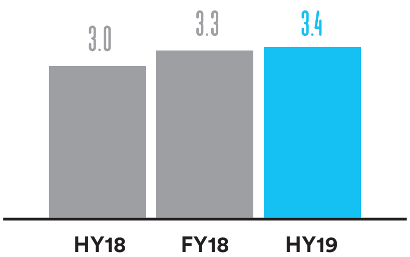
Segment Snapshot (ex E&S)



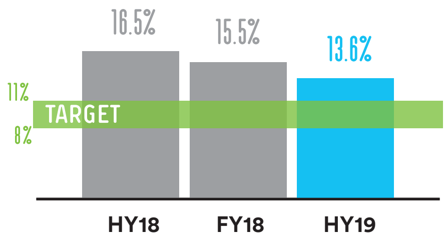
EBITDA by Region ($m)



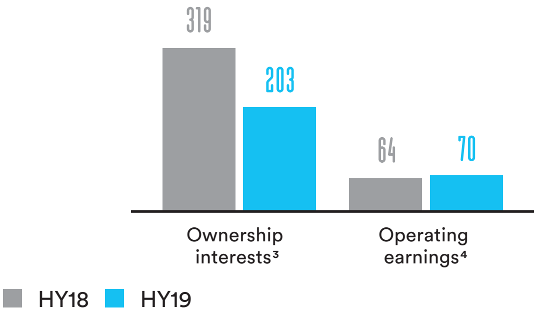
Invested Capital[2] ($b)



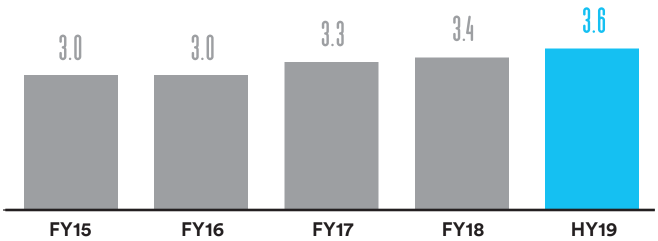
Return on Invested Capital



Investments EBITDA by Activity ($m)



Investments[5] ($b)



1. Operating EBITDA including Engineering and Services is $171.7 million, excluding Engineering and Services is $645.4 million.
2. Securityholder equity plus net debt.
3. Returns derived from investments, the Group's Retirement investment, US Military Housing equity investment and infrastructure investment.
4. Earnings primarily derived from the investment management platform and the management of US Military Housing operations.
5. The Group's assessment of market value of ownership interests.

Investments Outlook

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

The investments platform ended the period with funds under management of $34.1 billion, up 20 per cent on the prior period. The three office towers at the Paya Lebar Quarter project in Singapore that completed in the period are valued at approximately $2 billion with the retail component of the project expected to complete in FY20. The 26,000 square metre office building at One Melbourne Quarter, valued at approximately $0.3 billion also completed in the period.

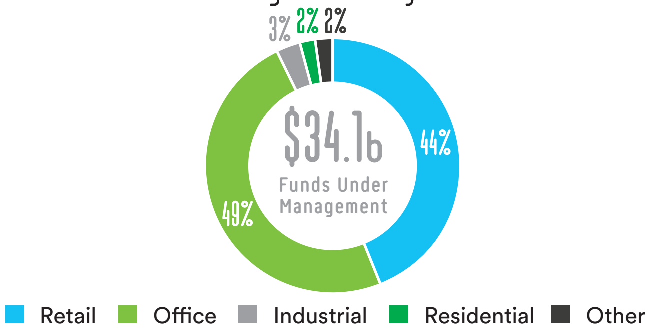
The platform now has $0.7 billion in FUM in residential for rent assets that are currently in development. The first of the rental apartment buildings are scheduled for completion by the end of FY19. In addition to the current funds under management, there is approximately $2.9 billion of future secured funds under management based on development projects currently in delivery.

Through the investments platform, Lendlease has established relationships with approximately 150 institutional investors and a strong track record of performance. The further conversion of the development pipeline with our capital partners will provide future opportunities to grow funds under management. The remaining secured urbanisation pipeline yet to commence delivery totals $49 billion.

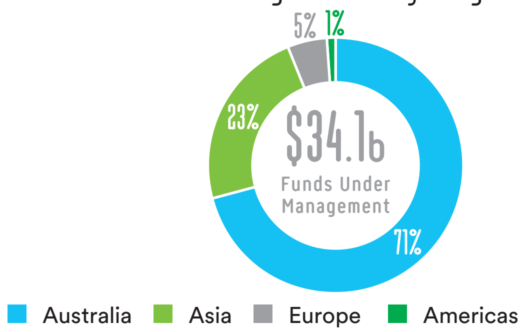
Investments managed on behalf of the Group closed the year at $3.6 billion. This includes $1.7 billion of co-investments in our funds under management platform that provides alignment with investors along with a high quality income stream. The Group's 75 per cent interest in the Retirement Living business is valued at $1.4 billion. The remaining $0.5 billion in investments includes the Group's interest in US Military Housing projects, the US telecommunications infrastructure portfolio and retail at Barangaroo.

Diversification of investments across the Group is designed to provide improved risk adjusted returns. Continuing to foster capital partner relationships will be critical for the ongoing success of the Investments segment.

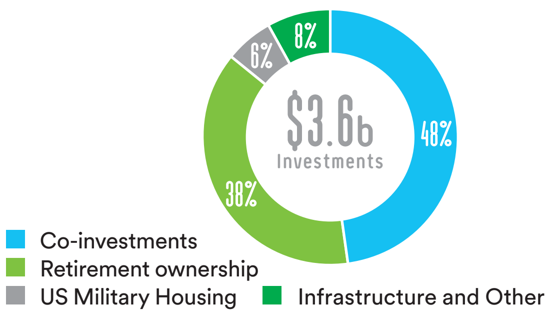
Funds Under Management[1] by Asset Class



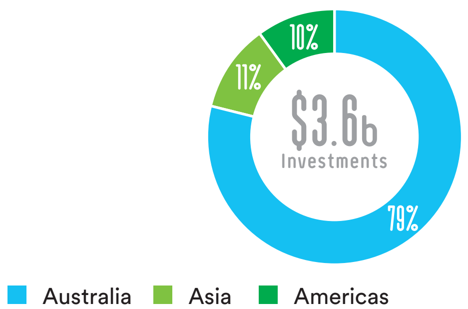
Funds Under Management[1] by Region



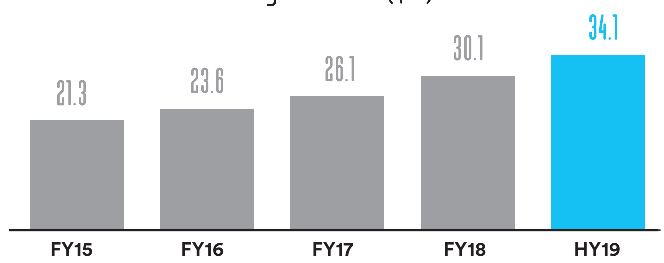
Investments[1,2] by Product



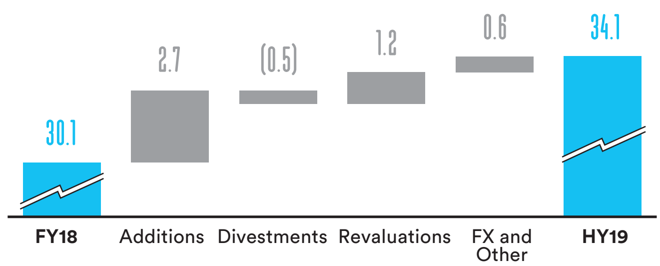
Investments[1,2] by Region



Funds Under Management[1] ($b)



Funds Under Management[1] roll forward ($b)



1. The Group's assessment of market value.
2.The Group's ownership interest. Total invested capital in the segment of $3.4 billion in HY19.

Financial Position and Cash Flow Movements

Financial Position	FY18 $m	HY19 $m	Percentage Movement
Cash and cash equivalents	1,177.1	1,088.1	(8%)
Inventories	5,546.3	6,039.4	9%
Equity accounted investments	2,626.6	3,191.2	21%
Investment properties	278.2	375.5	35%
Other assets (including financial)	7,335.4	6,763.4	(8%)
Total assets	**16,963.6**	**17,457.6**	**3%**
Borrowings and financing arrangements	2,358.5	3,364.1	43%
Other liabilities (including financial)	8,190.9	7,986.7	(2%)
Total liabilities	**10,549.4**	**11,350.8**	**8%**
Net assets	**6,414.2**	**6,106.8**	**(5%)**

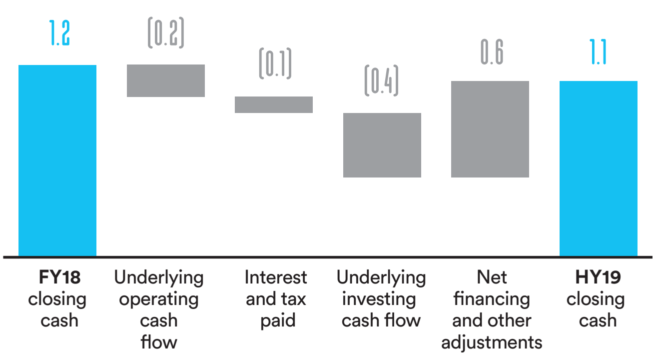
Inventories
Inventories increased by 9 per cent in the period as the Group continues to invest in the development pipeline. Significant apartment settlements are expected to convert some of the inventory into revenue and cash prior to the end of FY19.

Equity Accounted Investments
Equity accounted investments increased by 21 per cent in the period. Additional equity was contributed to fund the Group's interest in Paya Lebar Quarter that also increased in value following the completion of the three office towers in the period. The new residential investment partnership in the Americas resulted in the Group's interest in the seed assets shifting from inventory to equity accounted investments.

Investment Properties
Investment properties rose by 35 per cent. A number of the retail assets held on balance sheet at Barangaroo were transferred from inventory to investment properties following stabilisation of the assets.

Total Assets, Total Liabilities and Net Assets
Total assets grew by 3 per cent in the period with strong growth in inventories, equity accounted investments and investment properties partly offset by a reduction in receivables. The c.$1 billion rise in borrowing reflects strong investment in the pipeline and associated weak period for cash flow.

Cash Movements ($b)



Financing
Net cash inflow from financing activities was $565.7 million. The drawdown of unutilised banking facilities was offset by distribution payments and the on market buyback during the period. The Group remains in a strong financial position with $2.1 billion of liquidity.

Operating and Investing
The Group has introduced measures of underlying cash flows to better reflect the cash flows generated by the Group from its business model. It facilitates an assessment of cash conversion, that measures underlying operating cash flow relative to EBITDA. The measures are derived by adjusting statutory cash flows, the largest of which is capital invested in development.

Operating cash flow of ($824) million compares to underlying operating cash flow of ($164) million. In the period, this included realised gains from the sale of part of the Group's investment in Lendlease One International Towers Sydney Trust and proceeds from the establishment of the US residential investment partnership. Negative underlying operating cash flow in the period reflects weaker earnings, in particular the underperformance in Engineering.

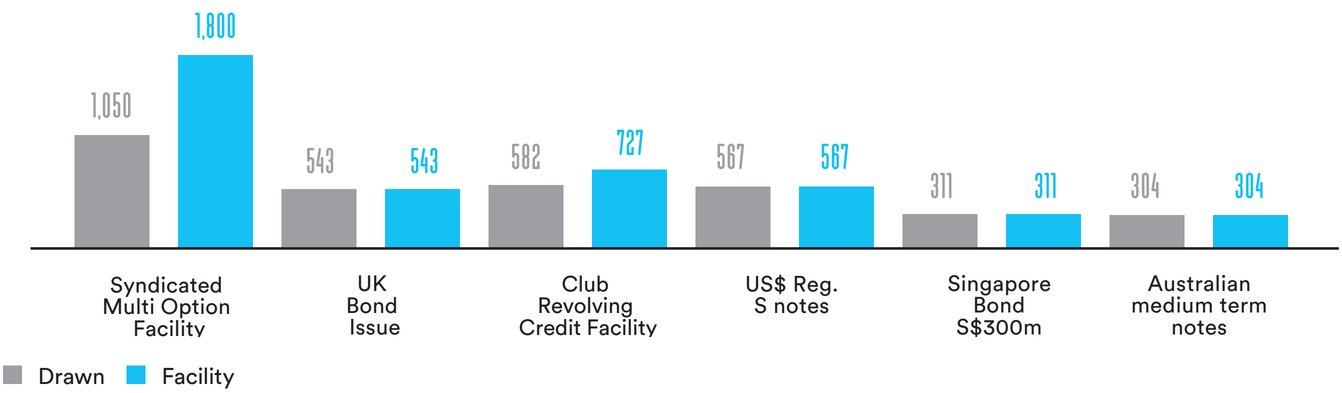
Investing cash flow of $157 million compares to underlying investing cash flow of ($406) million. Items that have characteristics of investing such as capital deployed into development activity have been reclassified to provide a more accurate gauge of the investing activities of the Group.

Group Funding and Debt Facilities

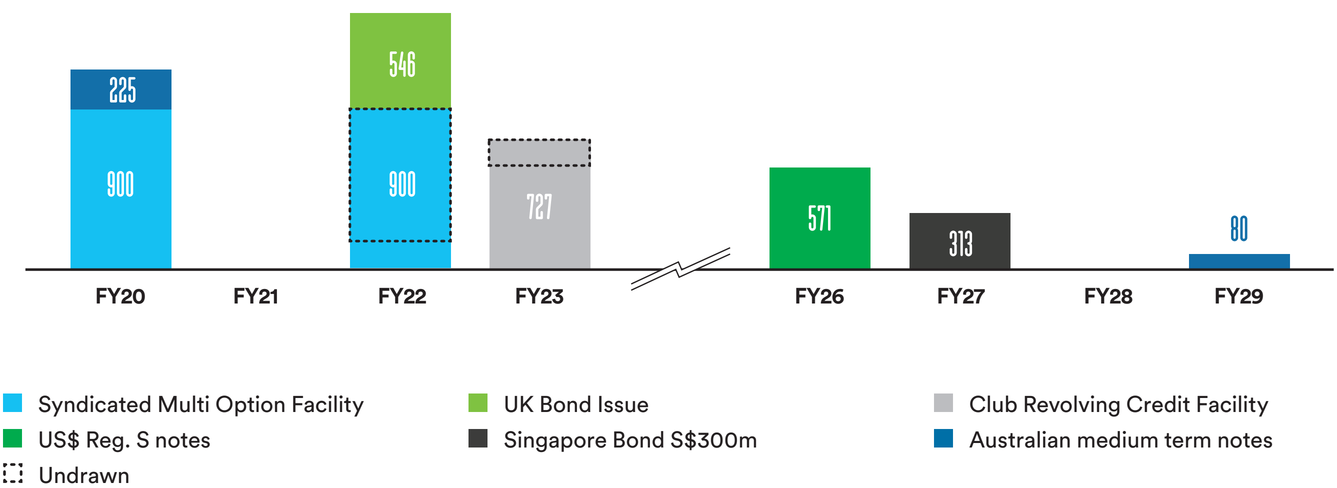
		FY18	HY19	Percentage Movement
Net debt	$m	1,181.8	2,276.3	93%
Borrowings to total equity plus borrowings	%	26.9	35.5	32%
Net debt to total tangible assets, less cash	%	8.2	15.2	85%
Interest cover[1]	times	10.7	8.1	(24%)
Average cost of debt	%	4.8	4.2	(13%)
Average debt maturity	years	4.6	4.0	(13%)
Average debt mix fixed: floating	ratio	86:14	59:41	
Undrawn facilities	$m	1,827.1	1,019.6	(44%)

Net debt and gearing increased in the half year as the Group continued to invest in the development pipeline. An additional $0.8 billion of capital was deployed into the Development segment during the half year. Despite this, Lendlease maintained a strong liquidity position as at 31 December 2018, with cash (including the Group's share of joint operations cash of $0.5 billion, access to which is subject to joint venture partner approval) and undrawn facilities – after the repayment of the $250 million in medium term notes in November 2018 – totalling $2.1 billion.

Debt Facilities[2] ($m)



Debt Maturity Profile[3] ($m)



1. HY19 EBITDA has been adjusted to exclude the $500m pre-tax impact from losses expected to be incurred on underperforming Engineering projects.
2. Values are shown at amortised cost.
3. Values are shown at gross facility value.

Directors' Report continued

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

M J Ullmer, AO
Chairman

S B McCann
Group Chief Executive Officer & Managing Director

Sydney, 25 February 2019

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

To the Directors of Lendlease Corporation Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2018 there have been:

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

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

KPMG

KPMG

D M McLennan
Partner

Sydney
25 February 2019

Lendlease Half Year Financial Report

December 2018

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Notes Index

Lendlease Corporation Limited (the Company) is incorporated and domiciled in Australia. The consolidated financial report of the Company for the half year ended 31 December 2018 comprises the Company including its controlled entities and Lendlease Trust (LLT) (together referred to as the Consolidated Entity or the Group). The Group is a for-profit entity and is an international property and infrastructure group. Further information about the Group's primary activities is included in Note 1 'Segment Reporting'.

Shares in the Company and units in LLT are traded as one security under the name of Lendlease Group on the Australian Securities Exchange (ASX). The Company is deemed to control LLT for accounting purposes and therefore LLT is consolidated into the Group's financial report. The issued units of LLT, however, are not owned by the Company and are therefore presented separately in the Consolidated Entity Statement of Financial Position within equity, notwithstanding that the unitholders of LLT are also the shareholders of the Company.

The consolidated financial report was authorised for issue by the Directors on 25 February 2019.

Consolidated Financial Statements

Income Statement
Half Year Ended 31 December 2018

		Note	6 months December 2018 $m	6 months December 2017 $m
Revenue from contracts with customers[1]		4	7,679.7	8,632.7
Other revenue[1]			82.0	58.5
Cost of sales			(7,699.8)	(7,778.0)
Gross profit			**61.9**	**913.2**
Share of profit of equity accounted investments		8	193.5	7.0
Other income		5	207.9	378.0
Other expenses			(441.7)	(628.0)
Results from operating activities			**21.6**	**670.2**
Finance revenue		7	9.3	6.1
Finance costs		7	(61.9)	(52.1)
Net finance costs			**(52.6)**	**(46.0)**
(Loss)/profit before tax			**(31.0)**	**624.2**
Income tax benefit/(expense)		9	46.7	(198.5)
Profit after tax			**15.7**	**425.7**
Profit after tax attributable to:				
Members of Lendlease Corporation Limited			(90.7)	314.4
Unitholders of Lendlease Trust			106.4	111.2
Profit after tax attributable to securityholders			**15.7**	**425.6**
External non controlling interests				0.1
Profit after tax			**15.7**	**425.7**
Basic/Diluted Earnings per Lendlease Corporation Limited Share (EPS)				
Shares excluding treasury shares	(cents)	3	(16.0)	54.2
Shares on issue	(cents)	3	(15.9)	53.9
Basic/Diluted Earnings per Lendlease Group Stapled Security (EPSS)				
Securities excluding treasury securities	(cents)	3	2.8	73.4
Securities on issue	(cents)	3	2.8	72.9

1. December 2017 balances have been reclassified to align the presentation of comparative information to disclosures required under AASB 15 *Revenue from Contracts with Customers* which has been adopted from 1 July 2018. $58.5 million has been reclassified from Revenue from contracts with customers to Other revenue. Refer to Impact of New and Revised Accounting Standards for details.

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statement of Comprehensive Income
Half Year Ended 31 December 2018

	6 months December 2018 $m	6 months December 2017 $m
Profit after Tax	**15.7**	**425.7**
Other Comprehensive Income/(Expense) After Tax		
Items that may be reclassified subsequently to profit or loss:		
Movements in hedging reserve	(3.1)	
Movements in foreign currency translation reserve[1]	84.2	12.2
Total items that may be reclassified subsequently to profit or loss[2]	**81.1**	**12.2**
Items that will not be reclassified to profit or loss:		
Movements in non controlling interest acquisition reserve	(4.6)	0.6
Defined benefit plans remeasurements	(23.2)	12.7
Total items that will not be reclassified to profit or loss	**(27.8)**	**13.3**
Total comprehensive income after tax	**69.0**	**451.2**
Total comprehensive income after tax attributable to:		
Members of Lendlease Corporation Limited	(37.4)	334.6
Unitholders of Lendlease Trust	106.4	111.2
Total comprehensive income after tax attributable to securityholders	**69.0**	**445.8**
External non controlling interests	0.1	5.4
Total comprehensive income after tax	**69.1**	**451.2**

1. Includes $0.1 million relating to external non controlling interests (December 2017: $5.3 million).
2. Includes $54.1 million (December 2017: $9.7 million) relating to share of other comprehensive income on equity accounted investments.

The accompanying notes form part of these consolidated financial statements.

Statement of Financial Position
As at 31 December 2018

	Note	December 2018 $m	June 2018 $m
Current Assets			
Cash and cash equivalents		1,088.1	1,177.1
Loans and receivables	16	2,196.0	2,670.2
Inventories	11	2,862.8	2,369.2
Other financial assets	13	9.8	6.7
Current tax assets		0.2	
Other assets		107.4	91.0
Total current assets		**6,264.3**	**6,314.2**
Non Current Assets			
Loans and receivables	16	715.8	787.8
Inventories	11	3,176.6	3,177.1
Equity accounted investments	12	3,191.2	2,626.6
Investment properties		375.5	278.2
Other financial assets	13	1,497.0	1,547.8
Deferred tax assets		111.5	120.0
Property, plant and equipment		470.1	464.7
Intangible assets		1,435.8	1,421.4
Defined benefit plan asset		142.2	154.7
Other assets		77.6	71.1
Total non current assets		**11,193.3**	**10,649.4**
Total assets		**17,457.6**	**16,963.6**
Current Liabilities			
Trade and other payables	17	5,826.9	5,769.5
Provisions		322.5	329.9
Borrowings and financing arrangements	14a		474.8
Current tax liabilities			10.4
Other financial liabilities		5.8	3.4
Total current liabilities		**6,155.2**	**6,588.0**
Non Current Liabilities			
Trade and other payables	17	1,363.3	1,530.7
Provisions		47.4	67.8
Borrowings and financing arrangements	14a	3,364.1	1,883.7
Other financial liabilities		0.9	0.7
Deferred tax liabilities		419.9	478.5
Total non current liabilities		**5,195.6**	**3,961.4**
Total liabilities		**11,350.8**	**10,549.4**
Net assets		**6,106.8**	**6,414.2**
Equity			
Issued capital	15	1,296.8	1,296.8
Treasury securities		(61.1)	(44.1)
Reserves		125.9	61.0
Retained earnings		3,427.1	3,855.1
Total equity attributable to members of Lendlease Corporation Limited		**4,788.7**	**5,168.8**
Total equity attributable to unitholders of Lendlease Trust		1,317.1	1,244.5
Total equity attributable to securityholders		**6,105.8**	**6,413.3**
External non controlling interests		1.0	0.9
Total equity		**6,106.8**	**6,414.2**

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statement of Changes in Equity
Half Year Ended 31 December 2018

	Issued Capital $m	Treasury Securities[1] $m	Reserves[2] $m	Retained Earnings $m	Members of Lendlease Corporation Limited $m	Unitholders of Lendlease Trust $m	External Non Controlling Interests $m	Total Equity $m
Balance as at 1 July 2017	**1,289.8**	**(24.7)**	**(15.5)**	**3,696.8**	**4,946.4**	**1,117.0**	**103.1**	**6,166.5**
Total Comprehensive Income								
Profit for the period				314.4	314.4	111.2	0.1	425.7
Other Comprehensive Income (Net of tax)			7.5	12.7	20.2		5.3	25.5
Total Comprehensive Income	**-**	**-**	**7.5**	**327.1**	**334.6**	**111.2**	**5.4**	**451.2**
Transactions with owners of the Company								
Capital contributed by non-controlling interests					-		21.4	21.4
Distribution reinvestment plan (DRP)	7.0				7.0	1.5		8.5
Dividends and distributions				(165.6)	(165.6)	(26.7)		(192.3)
Treasury securities acquired		(46.1)			(46.1)			(46.1)
Treasury securities vested		26.7			26.7			26.7
Fair value movement on allocation and vesting of securities			(4.1)		(4.1)			(4.1)
Asset disposals and transfers			0.1		0.1			0.1
Other movements			(2.1)	(0.8)	(2.9)	0.1		(2.8)
Total other movements through reserves	**7.0**	**(19.4)**	**(6.1)**	**(166.4)**	**(184.9)**	**(25.1)**	**21.4**	**(188.6)**
Balance as at 31 December 2017	**1,296.8**	**(44.1)**	**(14.1)**	**3,857.5**	**5,096.1**	**1,203.1**	**129.9**	**6,429.1**
Balance as at 1 July 2018	**1,296.8**	**(44.1)**	**61.0**	**3,855.1**	**5,168.8**	**1,244.5**	**0.9**	**6,414.2**
Total Comprehensive Income								
(Loss)/profit for the period				(90.7)	(90.7)	106.4		15.7
Other Comprehensive Income (Net of tax)			76.5	(23.2)	53.3		0.1	53.4
Total Comprehensive Income			**76.5**	**(113.9)**	**(37.4)**	**106.4**	**0.1**	**69.1**
Transactions with owners of the Company								
On market buyback of securities				(140.3)	(140.3)	(33.8)		(174.1)
Dividends and distributions				(173.8)	(173.8)			(173.8)
Treasury securities acquired		(49.7)			(49.7)			(49.7)
Treasury securities vested		32.7			32.7			32.7
Fair value movement on allocation and vesting of securities			(9.6)		(9.6)			(9.6)
Asset disposals and transfers			(0.8)		(0.8)			(0.8)
Other movements			(1.2)		(1.2)			(1.2)
Total other movements through reserves		**(17.0)**	**(11.6)**	**(314.1)**	**(342.7)**	**(33.8)**	**-**	**(376.5)**
Balance as at 31 December 2018	**1,296.8**	**(61.1)**	**125.9**	**3,427.1**	**4,788.7**	**1,317.1**	**1.0**	**6,106.8**

1. Opening balance for number of treasury securities 1 July 2018 was 3.7 million (1 July 2017: 4.3 million) and closing balance at 31 December 2018 was 3.4 million (31 December 2017: 3.7 million).
2. Balance and movement in reserves are presented on a combined basis for the half year ended 31 December 2017 and 31 December 2018.

The accompanying notes form part of these consolidated financial statements.

Statement of Cash Flows
Half Year Ended 31 December 2018

	6 months December 2018 $m	6 months December 2017 $m
Cash Flows from Operating Activities		
Cash receipts in the course of operations	8,070.8	9,272.3
Cash payments in the course of operations	(8,861.5)	(8,879.1)
Interest received	5.8	6.6
Interest paid	(85.2)	(79.0)
Dividends/distributions received	62.9	36.3
Income tax paid in respect of operations	(17.0)	(16.7)
Net cash (used in)/provided by operating activities	**(824.2)**	**340.4**
Cash Flows from Investing Activities		
Sale/redemption of investments	228.1	63.9
Acquisition of investments	(201.4)	(191.5)
Acquisition of/capital expenditure on investment properties	(18.1)	(149.5)
Net loans (to)/repayments from associates and joint ventures	(19.8)	381.3
Disposal of consolidated entities (net of cash disposed and transaction costs)	232.3	430.4
Disposal of property, plant and equipment	7.3	4.8
Acquisition of property, plant and equipment	(46.9)	(39.7)
Acquisition of intangible assets	(24.1)	(14.9)
Net cash provided by investing activities	**157.4**	**484.8**
Cash Flows from Financing Activities		
Proceeds from borrowings	3,031.2	711.7
Repayment of borrowings	(2,090.6)	(1,074.9)
Dividends/distributions paid	(190.2)	(183.9)
Payments for on market buyback of stapled securities	(174.1)	
Payments for on market buyback of stapled securities - Distribution Reinvestment Plan	(10.5)	
Increase in capital of non controlling interest		21.6
Other financing activities	(0.1)	(7.4)
Net cash provided by/(used in) financing activities	**565.7**	**(532.9)**
Other Cash Flow Items		
Effect of foreign exchange rate movements on cash and cash equivalents	**12.1**	**3.7**
Net (decrease)/increase in cash and cash equivalents	**(89.0)**	**296.0**
Cash and cash equivalents at beginning of financial period	**1,177.1**	**1,249.2**
Cash and cash equivalents at end of financial period	**1,088.1**	**1,545.2**

The accompanying notes form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

Basis of Preparation

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

- has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*;
- complies with the recognition and measurement requirements of the International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB);
- should be read in conjunction with the 30 June 2018 annual consolidated financial report and any public announcements by the Group during the half year in accordance with continuous disclosure obligations arising under the *Corporations Act 2001*. The half year financial report does not contain all the information required for a full financial report;
- is presented in Australian dollars, with all values rounded off to the nearest tenth of a million dollars unless otherwise indicated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) instrument 2016/191; and
- is prepared under the historical cost basis except for the following assets and liabilities, which are stated at their fair value: derivative financial instruments, fair value through profit or loss investments, investment properties and liabilities for cash settled share based compensation plans. Recognised assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged. Refer to the specific accounting policies within the notes to the financial statements for the basis of valuation of assets and liabilities measured at fair value.

The preparation of an interim financial report that complies with AASB 134 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 accounting policies have been consistently applied by the Group and are consistent with those applied in the 30 June 2018 annual consolidated financial report other than as stated below.

Impact of New and Revised Accounting Standards

New and Revised Accounting Standards Adopted 1 July 2018

From 1 July 2018 the Group adopted AASB 15 *Revenue from Contracts with Customers* and consequential amendments. AASB 15 provides a new model for recognising revenue earned from a contract with a customer. AASB 15 is based on the principle that revenue is recognised when control of a good or service is transferred to a customer.

The Group utilised the cumulative approach to transition to AASB 15, therefore comparatives have not been restated. Comparatives continue to be accounted for in accordance with the Group's previous accounting policies outlined in the 30 June 2018 annual consolidated financial report.

The Group has assessed that all contracts where goods and services have been transferred in accordance with AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related interpretations at 1 July 2018 are considered completed contracts, and therefore have not been retrospectively adjusted. There has been no material financial impact as a result of adopting AASB 15 and therefore no adjustments to opening retained earnings. New disclosures have been included where required. Changes to disclosures include reclassification of prior period balances to align the presentation of comparative information to the new disclosure requirements.

See below for details on impact on adoption of the new standard:

Revenue	Recognition in previous reporting periods	Recognition under AASB 15
Construction and Development services	Revenue was recognised in proportion to the stage of completion of the transaction measured by reference to contract costs incurred to date as a percentage of total forecast contract costs.	The Group continues to recognise revenue over time on a percentage of completion basis by reference to contract costs incurred to date as a percentage of total forecast contract costs.
Investment services	Revenue was recognised as services were rendered	Revenue continues to be recognised as services are rendered.
Sale of development properties	Revenue was recognised when the significant risks and rewards of ownership had been transferred to the buyer, this was at practical completion of the asset. For the half year ended 31 December, revenue recognised based on this policy would have resulted in an increase to the Group's revenue by $300.8 million and an increase in cost of sales by $241.1 million. Trade receivables and inventories would have been adjusted by these amounts respectively.	The revenue recognition point for the sale of development properties has changed under the new standard from practical completion to settlement.

Impact of New and Revised Accounting Standards continued

Changes to accounting policies from 1 July 2018

The Group's accounting policies have been revised to reflect the guidance of the new revenue standard with effect from 1 July 2018. Refer below for further details:

Provision of Construction and Development services

Construction services include project management, design and construction services predominantly in the infrastructure, defence, mixed use, commercial and residential sectors. Development services include development fees earned on development of inner city mixed use developments, retirement, retail, commercial assets and social and economic infrastructure.

Contracts with customers to provide Construction or Development services can include either one performance obligation or multiple integrated performance obligations within each contract. The Group assesses each of its contracts individually and where there are separate performance obligations identified, the transaction price is allocated based on the relative stand-alone selling prices of the services provided.

The transaction price for each contract may include variable consideration in the form of contract variations or modifications, performance or other incentive fees and contract claims. Variable consideration is only included in the transaction price for a contract to the extent it is highly probable that a significant reversal of that revenue will not occur. The Group assesses the probability of receiving variable consideration using a combination of commercial and market factors, historical experience and independent third party advice. This assessment is reviewed each reporting period or when facts and circumstances change during the reporting period.

Revenue is recognised over time, typically based on an input method using an estimate of costs incurred to date as a percentage of total estimated costs. These contracts are typically executed on the customer's land so they control the assets as it is being built or the customer benefits from the service as the work is performed. Differences between amounts recognised as revenue and amounts billed to customers are recognised as contract assets or liabilities in the Statement of Financial Position.

The measurement of revenue is an area of accounting judgement. Management use judgement to estimate:

i. Progress in satisfying the performance obligations within the contract which includes estimating contract costs expected to be incurred to satisfy performance obligations; and

ii. The probability of the amount to be recognised as variable consideration for approved variations and claims where the final price has not been agreed with the customer.

Revenue is invoiced based on the terms of each individual contract which may include a periodic billing schedule or achievement of specific milestones. Invoices are issued under commercial payment terms which is typically 30 days from when an invoice is issued.

A provision for loss making contracts is recorded for the difference between the expected costs of fulfilling a contract and the expected remaining economic benefits to be received where the forecast remaining costs exceed the forecast remaining benefits.

Provision of Investment services

Investment services include funds management, asset management, leasing and origination services.

Each contract with a customer to provide Investment services is one performance obligation with revenue recognised over time as services are rendered. Typically, our performance obligation is to manage a client's capital and/or property for a specified period of time and is delivered as a series of daily performance obligations over time.

The transaction price for each contract may include variable consideration in the form of performance fees. Variable consideration is only included in the transaction price for a contract to the extent it is highly probable that a significant reversal of that revenue will not occur. The Group assesses probability of receiving variable consideration using a combination of commercial and market factors, and historical experience.

Revenue is invoiced either monthly or quarterly based on the terms of each individual contract. Invoices are issued under commercial payment terms which is typically 30 days from when an invoice is issued.

Notes to the Consolidated Financial Statements continued

Basis of Preparation continued

Impact of New and Revised Accounting Standards Continued

Sale of Development Properties

The Group develops and sells residential land lots and built form products, including residential apartments, commercial and retail buildings. Sale of residential land lots and apartments typically contain one component and are recognised at a point in time with each contract treated as a single performance obligation to transfer control of an asset to a customer. Residential land lots and apartments are recognised on settlement with the customer.

The sale of retail, commercial and mixed use assets may include land, construction, development management and investment service components. Where there are multiple components within one contract, the transaction price is allocated based on the stand-alone selling prices of each component, typically using the residual approach, and revenue is recognised based on the policies noted above. Sales of commercial and retail buildings are recognised when the customer obtains control of the asset based on the specific terms and conditions of the sales contract.

The Group discounts deferred proceeds to reflect the time value of money where the period between the transfer of control of a development property and receipt of payment from the customer exceeds one year. Deferred proceeds from customers are recognised in trade and other receivables where the right to receive payment is unconditional. Deposits received in advance from customers are recognised as a contract liability until the performance obligation has been met.

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

Proceeds from the sale of residential land lots and apartments are received upon settlement, which will typically occur between 6-12 weeks following practical completion on the asset. Proceeds from the sale of retail, commercial and mixed use assets are received in accordance with the specific terms of each contract.

New Accounting Standards and Interpretations Not Yet Adopted

Accounting Standard	Requirement	Impact on Financial Statements
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 preliminary analysis performed, the amendments are not expected to have a material impact on the Group.
AASB 16 *Leases*	AASB 16 provides a new model for accounting for leases. The standard becomes mandatory for the June 2020 financial year and will be applied retrospectively.	Based on preliminary analysis performed, as a lessor, there is no material impact on the Group. As a lessee, the Group will: • Record 'right to use' lease assets and lease obligation liabilities in the Statement of Financial Position for its material operating lease commitments; and • Revise the Income Statement presentation of operating lease expense to record an amortisation and finance expense for the 'right to use' lease assets and the lease obligation liabilities, respectively.

Section A: Performance

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

1. Segment Reporting

Accounting Policies

The Group's segments are Development, Construction and Investments. The Group has identified these operating segments based on the distinct products and services provided by each segment, the distinct target returns profile and allocation of resources for each segment, and internal reports that are reviewed and used by the Group Chief Executive Officer and Managing Director (the chief operating decision maker) in assessing performance, determining the allocation of resources, setting operational targets, and managing the Group.

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

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

The operating segments are as follows:

Development

Operates in all four geographic regions. Its products and services include the development of communities, inner city mixed use developments, apartments, retirement, retail, commercial assets and social and economic infrastructure.

Construction

Operates across all four geographic regions. Its products and services include the provision of project management, design and construction services, predominately in the infrastructure, defence, mixed use, commercial and residential sectors.

Investments

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

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

	SEGMENT REVENUE[1]		PROFIT AFTER TAX		GROUP TOTAL ASSETS	
Financial Disclosure	6 months December 2018 $m	6 months December 2017 $m	6 months December 2018 $m	6 months December 2017 $m	December 2018 $m	June 2018 $m
Development	870.4	2,028.8	179.7	312.8	7,657.5	7,226.7
Construction[2]	6,715.6	6,433.3	(263.7)	(36.0)	5,553.1	5,549.5
Investments	164.2	218.5	226.0	258.5	3,998.6	3,762.0
Total segment	**7,750.2**	**8,680.6**	**142.0**	**535.3**	**17,209.2**	**16,538.2**
Reconciling items						
Corporate activities	20.8	16.7	(126.3)	(109.7)	248.4	425.4
Statutory result attributable to securityholders	**7,771.0**	**8,697.3**	**15.7**	**425.6**	**17,457.6**	**16,963.6**
External non controlling interests				0.1		
Statutory result	**7,771.0**	**8,697.3**	**15.7**	**425.7**	**17,457.6**	**16,963.6**

1. Segment revenue represents Revenue from contracts with customers, Other revenue and Finance revenues.
2. In line with the outcomes of the strategic review of the Engineering and Services business and as disclosed in the Directors' report, and Note 10 Events Subsequent to Balance Date, the results of the Construction segment excluding the Engineering and Services operations are presented separately below. Construction segment revenue excluding Engineering and Services for the current period is $5,190.8 million (December 2017: $4,896.9 million). Construction segment profit after tax excluding Engineering and Services for the current period is $75.7 million (December 2017: $92.3 million), Construction segment total assets excluding Engineering and Services at 31 December 2018 is $3,988.8 million (June 2018: $3,506.6 million).

Notes to the Consolidated Financial Statements continued

Section A: Performance continued

2. Dividends/Distributions[1]

	Cents Per Share/Unit	COMPANY/TRUST 6 months December 2018 $m	COMPANY/TRUST 6 months December 2017 $m
Parent Company Interim Dividend			
December 2018[2]			
December 2017 – paid 22 March 2018	29.4		171.9
Lendlease Trust Interim Distribution			
December 2018 – declared subsequent to reporting date[3]	12.0	67.7	
December 2017 – paid 22 March 2018	4.6		26.7
		67.7	**198.6**

	Cents Per Share/Unit	COMPANY/TRUST 6 months June 2018 $m	COMPANY/TRUST 6 months June 2017 $m
Parent Company Final Dividend			
June 2018 – paid 21 September 2018	30.3	174.2	
June 2017 – paid 20 September 2017	28.4		165.8
Lendlease Trust Final Distribution			
June 2018 – paid 21 September 2018	4.7	26.8	
June 2017 – paid 20 September 2017	4.6		26.7
		201.0	**192.5**

1. Final and/or Interim dividends/distributions were not franked in the current and prior period.
2. No dividend was declared for the Company for the 31 December 2018 half year.
3. No provision for this distribution has been recognised in the Statement of Financial Position at 31 December 2018, as it was declared after the end of the half year.

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

		DECEMBER 2018 Shares/Securities excluding Treasury Securities	DECEMBER 2018 Shares/Securities on Issue	DECEMBER 2017 Shares/Securities excluding Treasury Securities	DECEMBER 2017 Shares/Securities on Issue
Basic/Diluted Earnings Per Share (EPS)					
Profit attributable to members of Lendlease Corporation Limited used in calculating basic/diluted EPS	$m	(90.7)	(90.7)	314.4	314.4
Weighted average number of ordinary shares	m	567.0	570.5	579.9	583.8
Basic/Diluted EPS	cents	**(16.0)**	**(15.9)**	**54.2**	**53.9**
Basic/Diluted Earnings Per Stapled Security (EPSS)					
Profit attributable to securityholders of Lendlease Group	$m	15.7	15.7	425.6	425.6
Weighted average number of stapled securities	m	567.0	570.5	579.9	583.8
Basic/Diluted EPSS	cents	**2.8**	**2.8**	**73.4**	**72.9**

4. Revenue from Contracts with Customers

	6 months December 2018 $m	6 months December 2017[1] $m
Revenue from the provision of services		
Construction	6,713.7	6,416.5
Development	244.7	233.5
Investments	126.4	170.8
Total revenue from the provision of services	**7,084.8**	**6,820.8**
Revenue from the sale of development properties	594.9	1,811.9
Total revenue from contracts with customers	**7,679.7**	**8,632.7**

1. December 2017 balances have been reclassified to align the presentation of comparative information to disclosures required under AASB 15 *Revenue from Contracts with Customers* with $58.5 million reclassified to Other revenue on the Income Statement. Refer to Impact of New and Revised Accounting Standards for details.

5. Other Income

	6 months December 2018 $m	6 months December 2017 $m
Net gain on sale/transfer of investments		
Other financial assets at fair value[1]	12.9	
Consolidated entities[2]	72.5	66.4
Other assets and liabilities	2.5	2.7
Total net gain on sale/transfer of investments	**87.9**	**69.1**
Net gain on fair value measurement		
Investment properties	35.9	13.8
Fair value through profit or loss assets	70.3	187.2
Total net gain on fair value measurement	**106.2**	**201.0**
Other	**13.8**	**107.9**
Total other income	**207.9**	**378.0**

1. During the period, the Group partially disposed of units in Lendlease One International Towers Sydney Trust for cash consideration of $210.0 million. At 31 December 2018 the Group holds a 2.5% interest in Lendlease One International Towers Sydney Trust (June 2018: 12.5%).
2. During the period, the Group sold a 50 per cent interest in its investment in the Americas Residential Partnership for cash consideration of $172.3 million. The profit on disposal was $72.5 million.

6. Other Expenses

	6 months December 2018 $m	6 months December 2017 $m
Profit before income tax includes the following other expense items:		
Net defined benefit plan expense	0.4	2.5
Expenses include impairments raised/(reversals) relating to:		
Loans and receivables		0.3
Property inventories	(0.7)	(0.7)
Equity accounted investments	(3.7)	1.2
Net loss on sale of other assets and liabilities		0.2
Operating lease expense	46.0	45.6
Depreciation and amortisation	61.5	50.4
Net foreign exchange loss		0.9

Notes to the Consolidated Financial Statements continued

Section A: Performance continued

7. Finance Revenue and Finance Costs

	6 months December 2018 $m	6 months December 2017 $m
Finance Revenue		
Other corporations	5.7	6.0
Other	0.2	
Total interest finance revenue	**5.9**	**6.0**
Interest discounting	3.4	0.1
Total finance revenue	**9.3**	**6.1**
Finance Costs		
Other corporations	72.4	57.9
Less: Capitalised interest finance costs	(15.7)	(11.7)
Total interest finance costs	**56.7**	**46.2**
Non interest finance costs	5.2	5.9
Total finance costs	**61.9**	**52.1**
Net finance costs	**(52.6)**	**(46.0)**

8. Share of Profit of Equity Accounted Investments

	6 months December 2018 $m	6 months December 2017 $m
Associates		
Share of profit	12.8	6.7
Joint Ventures		
Share of profit	180.7	0.3
Total share of profit of equity accounted investments	**193.5**	**7.0**
a. Associates[1]		
Australia		
Development		
Lendlease Communities Fund 1	0.4	(0.1)
Investments		
Lendlease Sub Regional Retail Fund	(0.3)	2.4
Total Australia	**0.1**	**2.3**
Asia		
Investments		
Lendlease Asian Retail Investment Fund 2	(0.8)	(0.2)
Lendlease Asian Retail Investment Fund 3	12.2	3.6
Total Asia	**11.4**	**3.4**
Americas		
Investments		
Other	1.3	1.0
Total Americas	**1.3**	**1.0**
Total share of profit from associates	**12.8**	**6.7**

1. Reflects the contribution to the Group's profit, and is after tax paid by the equity accounted investment vehicles themselves, where relevant. However, for various equity accounted investments, the share of tax is paid by the Group and is included in the Group's current tax expense.

8. Share of Profit of Equity Accounted Investments continued

	6 months December 2018 $m	6 months December 2017 $m
b. Joint Ventures[1]		
Australia		
Development		
Circular Quay Tower	(0.1)	(0.4)
Melbourne Metro	0.3	
Other	1.2	1.2
Investments		
Lendlease Retirement Living Trust	58.1	(16.6)
Total Australia	**59.5**	**(15.8)**
Asia		
Development		
Paya Lebar Quarter	111.5	17.1
Investments		
CDR JV Ltd (313@somerset)	2.3	1.3
Total Asia	**113.8**	**18.4**
Europe		
Development		
Hungate (York) Regeneration Ltd	0.1	0.6
Intown SRL Joint Venture	(0.3)	
LRIP LP	1.5	
Silvertown	(1.2)	
Stratford City Business District Limited (International Quarter London)	4.2	(0.8)
Victoria Drive Wandsworth	(3.3)	
Investments		
Other	(2.4)	0.1
Total Europe	**(1.4)**	**(0.1)**
Americas		
Development		
Lendlease Towers LLC	(7.1)	
Americas Residential Partnership	(0.8)	
Other		(1.5)
Construction		
Lendlease Turner Joint Venture	16.7	
Other		(0.7)
Total Americas	**8.8**	**(2.2)**
Total share of profit from joint ventures	**180.7**	**0.3**
Total share of profit from equity accounted investments	**193.5**	**7.0**

1. Reflects the contribution to the Group's profit, and is after tax paid by the equity accounted investment vehicles themselves, where relevant. However, for various equity accounted investments, the share of tax is paid by the Group and is included in the Group's current tax expense.

Notes to the Consolidated Financial Statements continued

Section A: Performance continued

8. Share of Profit of Equity Accounted Investments continued

c. Material Associates and Joint Ventures Summarised Financial Information

Material associates and joint ventures are determined by comparing individual investment carrying value and share of profit with the total equity accounted investment carrying value and share of profit, along with consideration of relevant qualitative factors.

	PAYA LEBAR QUARTER		LENDLEASE RETIREMENT LIVING TRUST	
Income Statement	6 months December 2018 $m	6 months December 2017 $m	6 months December 2018 $m	6 months December 2017[1] $m
Revenue and other income	462.3	145.0	129.2	9.4
Depreciation and amortisation			(0.3)	(0.1)
Other expenses	(20.0)	(3.7)	(51.4)	(31.4)
Income tax expense	(0.1)			
Profit/(loss) for the period	**442.2**	**141.3**	**77.5**	**(22.1)**
Other comprehensive loss			(2.6)	
Total comprehensive income/(loss)	**442.2**	**141.3**	**74.9**	**(22.1)**
Group's ownership interest	30%	30%	75%	75%
Group's total share of:				
Profit/(loss) for the period	**132.7**	**42.4**	**58.1**	**(16.6)**
Other adjustments	(21.2)	(25.3)		
Total profit/(loss) for the period	**111.5**	**17.1**	**58.1**	**(16.6)**
Other comprehensive income/(loss)	15.7	4.0	(2.0)	
Total comprehensive income/(loss)	**127.2**	**21.1**	**56.1**	**(16.6)**

1. Lendlease Retirement Living Trust Income Statement has been presented from when the investment was deconsolidated on 18 December 2017.

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

	ASSOCIATES		JOINT VENTURES	
Income Statement	6 months December 2018 $m	6 months December 2017 $m	6 months December 2018 $m	6 months December 2017 $m
Aggregate amounts of the Group's share of:				
Profit from continuing operations	12.8	6.7	11.1	16.9
Other comprehensive income	10.2	3.5	30.2	6.2
Aggregate amounts of Group's share of total comprehensive income of individually immaterial equity accounted investments[1]	**23.0**	**10.2**	**41.3**	**23.1**

1. Paya Lebar Quarter was disclosed as an immaterial joint venture for June 2018. It is considered to be a material equity investment for the Group as the total comprehensive income of $127.2 million and the net book value of $359.6 million is material to the overall equity accounted investment balance, and has been disclosed as a material joint venture for December 2018. No figures in the above table have been restated.

9. Taxation

Income Tax Expense

	6 months December 2018 $m	6 months December 2017 $m
Recognised in the Income Statement		
Current Tax Expense		
Current period	(70.2)	186.1
Adjustments for prior years	(0.6)	(0.1)
Benefit of tax losses recognised	(2.2)	(1.6)
	(73.0)	**184.4**
Deferred Tax Expense		
Origination and reversal of temporary differences	34.8	96.5
Temporary differences recovered	(2.3)	(83.0)
Net tax losses (recognised)/written off	(6.4)	4.7
Change in tax rate	0.2	(6.1)
Adjustments for prior years		2.0
	26.3	**14.1**
Total income tax (benefit)/expense	**(46.7)**	**198.5**
Reconciliation of Effective Tax Rate		
(Loss)/profit before tax	(31.0)	624.2
Income tax using the domestic corporation tax rate 30 per cent	**(9.3)**	**187.3**
Adjustments for prior year tax claim	(0.6)	(0.1)
Non assessable and exempt income[1]	(34.7)	(34.9)
Non allowable expenses[2]	2.3	3.4
Net (recognition)/write-off of tax losses through income tax expense	(1.3)	(0.4)
Temporary differences recognised through income tax expense[3]	0.4	46.9
Utilisation of capital losses on disposal of assets	(2.7)	
Effect of tax rates in foreign jurisdictions[4]	(3.2)	(2.7)
Other	2.4	(1.0)
Income tax (benefit)/expense	**(46.7)**	**198.5**

1. Includes LLT profit.
2. Includes accounting expenses for which a tax deduction is not allowed permanently.
3. Includes temporary differences recognised in a previous period but are subsequently written off to income tax expense in the current period and temporary differences that arose in a previous year but were not recognised until the current period.
4. The Group operates in a number of foreign jurisdictions for trading purposes which have significantly lower tax rates than Australia such as the United Kingdom and Singapore and higher tax rates such as the United States of America (blended federal, state and local rate) and Japan. Also includes the effect of change in tax rates.

10. Events Subsequent to Balance Date

Subsequent to balance date, the Group has announced that its Engineering and Services business is no longer a required part of the Group's strategy. As the Group works through the implications of this decision, it currently estimates that it may incur future restructuring costs of between $450 million - $550 million. This is a preliminary estimate.

These restructuring costs may include implementation costs, such as technology and system costs, employee costs and advisor costs, and costs to conclude customer contracts as a result of the Group's decision. This estimate excludes any anticipated revenue from ongoing operations or proceeds received for the business.

Notes to the Consolidated Financial Statements continued

Section B: Investment

Investment in the Development pipeline, joint ventures in property projects, the retirement sector, and more passive assets, such as property funds, drives the current and future performance of the Group. This section includes disclosures for property such as Inventories and indirect property assets such as Equity Accounted Investments and Other Financial Assets contained within the Statement of Financial Position.

11. Inventories

	Note	December 2018 $m	June 2018 $m
Current			
Development properties		1,738.1	1,475.8
Construction contract assets[1]	16a	1,102.6	882.7
Other		22.1	10.7
Total current		**2,862.8**	**2,369.2**
Non Current			
Development properties		3,176.6	3,177.1
Total non current		**3,176.6**	**3,177.1**
Total inventories		**6,039.4**	**5,546.3**

1. As a result of the adoption of AASB 15 *Revenue from Contracts with Customers,* the description has been changed from Construction work in progress to Construction contract assets.

12. Equity Accounted Investments

	Note	December 2018 $m	June 2018 $m
Associates			
Investment in associates	12a	265.7	247.7
Less: Impairment		(7.4)	(7.4)
Total associates		**258.3**	**240.3**
Joint Ventures			
Investment in joint ventures	12b	2,938.4	2,393.1
Less: Impairment		(5.5)	(6.8)
Total joint ventures		**2,932.9**	**2,386.3**
Total equity accounted investments		**3,191.2**	**2,626.6**

12. Equity Accounted Investments continued

	INTEREST		NET BOOK VALUE	
	December 2018 %	June 2018 %	December 2018 $m	June 2018 $m
a. Associates				
Australia				
Development				
Lendlease Communities Fund 1	20.8	20.8	4.5	4.1
Investments				
Lendlease Sub Regional Retail Fund[1]	10.0	10.0	37.2	38.6
Total Australia			**41.7**	**42.7**
Asia				
Investments				
Lendlease Asian Retail Investment Fund 2	37.5	36.8	27.4	26.7
Lendlease Asian Retail Investment Fund 3	20.1	20.1	190.9	172.7
Total Asia			**218.3**	**199.4**
Europe				
Development				
Other			4.5	4.5
Total Europe			**4.5**	**4.5**
Americas				
Investments				
Other			1.2	1.1
Total Americas			**1.2**	**1.1**
Total			**265.7**	**247.7**
Less: Impairment			(7.4)	(7.4)
Total associates			**258.3**	**240.3**

1. Although the Group has a 10 per cent ownership interest in Lendlease Sub Regional Retail Fund, it holds 20 per cent of the voting rights over the fund and has significant influence over the investment. As a result, the Group applies equity accounting for its ownership interest.

Notes to the Consolidated Financial Statements continued

Section B: Investment continued

12. Equity Accounted Investments continued

	INTEREST		NET BOOK VALUE	
	December 2018 %	June 2018 %	December 2018 $m	June 2018 $m
b. Joint Ventures				
Australia				
Development				
Circular Quay Tower	20.0	20.0	51.7	43.5
Melbourne Quarter R1	50.0	50.0	49.4	11.6
Melbourne Metro	30.0	30.0	52.0	58.2
Other			18.0	16.7
Investments				
Lendlease Retirement Living Trust	75.0	75.0	1,359.1	1,303.0
Total Australia			**1,530.2**	**1,433.0**
Asia				
Development				
Paya Lebar Quarter	30.0	30.0	359.6	218.3
The Lifestyle Quarter	60.0	60.0	361.6	316.3
Investments				
CDR JV Ltd (313@somerset)	25.0	25.0	91.4	84.5
Total Asia			**812.6**	**619.1**
Europe				
Development				
Hungate (York) Regeneration Limited	50.0	50.0	7.6	7.4
Intown SRL Joint Venture	50.0	50.0	29.5	21.6
LRIP LP	20.0	20.0	24.6	12.0
Silvertown	50.0		8.3	
Stratford City Business District Limited (International Quarter London)	50.0	50.0	125.3	118.7
Victoria Drive Wandsworth	50.0	50.0	39.8	37.9
Investments				
Treviso	50.0	50.0	14.9	14.4
Other			8.0	3.6
Total Europe			**258.0**	**215.6**
Americas				
Development				
277 Fifth Avenue	40.0	40.0	58.6	54.5
845 Madison	37.5	70.0	22.5	31.5
Lendlease Towers LLC	50.0	50.0	25.7	31.2
Americas Residential Partnership[1]	50.0		220.5	
Other			8.6	6.6
Construction				
Other			1.7	1.6
Total Americas			**337.6**	**125.4**
Total			**2,938.4**	**2,393.1**
Less: Impairment			(5.5)	(6.8)
Total joint ventures			**2,932.9**	**2,386.3**
Total equity accounted investments			**3,191.2**	**2,626.6**

1. During the period, the Group sold a 50 per cent interest in its investment in the Americas Residential Partnership. Following the transaction, the Group equity accounts its residual interest in the investment as the Group has joint control over the major decisions of the entity with its joint venture partner.

12. Equity Accounted Investments continued

c. Material Associates and Joint Ventures Summarised Financial Information

Material associates and joint ventures are determined by comparing individual investment carrying value and share of profit with the total equity accounted investment carrying value and share of profit, along with consideration of relevant qualitative factors.

Statement of Financial Position	PAYA LEBAR QUARTER December 2018 $m	PAYA LEBAR QUARTER June 2018 $m	LENDLEASE RETIREMENT LIVING TRUST December 2018 $m	LENDLEASE RETIREMENT LIVING TRUST June 2018 $m
Current assets				
Cash and cash equivalents	49.0	37.1	25.6	25.2
Other current assets	289.3	400.0	62.3	40.8
Total current assets	**338.3**	**437.1**	**87.9**	**66.0**
Non current assets				
Investment properties	3,074.8	2,267.7	7,132.4	6,969.4
Other non current assets			1.2	1.9
Total non current assets	**3,074.8**	**2,267.7**	**7,133.6**	**6,971.3**
Current liabilities				
Resident liabilities			4,731.9	4,685.9
Financial liabilities (excluding trade payables)	1,832.6			
Other current liabilities	43.6	111.4	41.0	47.2
Total current liabilities	**1,876.2**	**111.4**	**4,772.9**	**4,733.1**
Non current liabilities				
Financial liabilities (excluding trade payables)[1]		1,693.5	503.4	438.7
Other non current liabilities[1]	104.9	25.1	150.8	146.0
Total non current liabilities	**104.9**	**1,718.6**	**654.2**	**584.7**
Net assets	**1,432.0**	**874.8**	**1,794.4**	**1,719.5**
Reconciliation to Carrying Amounts				
Opening net assets 1 July	874.8	636.4	1,719.5	
Total comprehensive income for the period	442.2	148.5	74.9	51.8
Acquisition/contributions	53.8	52.5		1,667.7
Foreign currency translation for the period	61.2	37.4		
Closing net assets	**1,432.0**	**874.8**	**1,794.4**	**1,719.5**
% ownership	30%	30%	75%	75%
Group's share of net assets	**429.6**	**262.4**	**1,345.8**	**1,289.6**
Other adjustments	(70.0)	(44.1)	13.3	13.4
Carrying amount at end of period	**359.6**	**218.3**	**1,359.1**	**1,303.0**

1. June 2018 Financial liabilities (excluding trade payables) balance for Lendlease Retirement Living Trust has been adjusted to reclassify $146.0 million to Other non current liabilities.

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

	ASSOCIATES December 2018 $m	ASSOCIATES June 2018 $m	JOINT VENTURES December 2018 $m	JOINT VENTURES June 2018 $m
Aggregate carrying value of individually immaterial equity accounted investments[1]	**258.3**	**240.3**	**1,214.2**	**1,083.3**

1. Paya Lebar Quarter was disclosed as an immaterial joint venture for June 2018. It is considered to be a material equity investment for the Group as the total comprehensive income of $127.2 million and the net book value of $359.6 million is material to the overall equity accounted investment balance, and has been disclosed as a material joint venture for December 2018. No figures in the above table have been restated.

Notes to the Consolidated Financial Statements continued

Section B: Investment continued

13. Other Financial Assets

	Fair Value Level[1]	December 2018 $m	June 2018 $m
Current Measured at Fair Value			
Fair Value Through Profit or Loss – Designated at Initial Recognition			
Derivatives	Level 2	9.8	6.7
Total current		**9.8**	**6.7**
Non Current Measured at Fair Value			
Fair Value Through Profit or Loss – Designated at Initial Recognition			
Lendlease International Towers Sydney Trust	Level 3	555.9	515.2
Lendlease One International Towers Sydney Trust	Level 3	52.1	246.0
Australian Prime Property Fund – Industrial	Level 3	94.1	74.5
Australian Prime Property Fund – Commercial	Level 3	362.0	292.0
Australian Prime Property Fund – Retail	Level 3	77.3	76.4
Lendlease Public Infrastructure Investment Company	Level 3	39.6	40.7
Military Housing Projects Initiative	Level 3	209.1	195.4
Lendlease Asian Retail Investment Fund	Level 3	42.1	38.7
Parkway Parade Partnership Limited	Level 3	42.1	39.8
Other investments	Level 3	10.8	10.6
	Level 2	0.4	
	Level 1	11.5	18.5
Total non current		**1,497.0**	**1,547.8**
Total other financial assets		**1,506.8**	**1,554.5**

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

a. Fair Value Reconciliation

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

Unlisted Investments	December 2018 $m	June 2018 $m
Carrying amount at beginning of financial period	1,529.3	1,195.3
(Disposals)/additions	(150.4)	73.4
Gains recognised in Income Statement	90.2	258.4
Transfers		(10.1)
Other movements	16.0	12.3
Carrying amount at end of financial period	**1,485.1**	**1,529.3**

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

Section C: Liquidity and Working Capital

The ability of the Group to fund the continued investment in the property and infrastructure pipeline, invest in new opportunities and meet current commitments is dependent on available cash, undrawn debt facilities and access to third party capital. This section contains disclosure on the financial assets, financial liabilities, cash flows and equity that are required to finance the Group's activities, including existing commitments and the liquidity risk exposure associated with financial liabilities. The section also contains disclosures for the Group's trading assets, excluding inventories, and the trading liabilities incurred as a result of trading activities used to generate the Group's performance.

14. Borrowings and Financing Arrangements

	December 2018 $m	June 2018 $m
a. Borrowings – Measured at Amortised Cost		
Current		
Commercial notes		249.8
Bank credit facilities		225.0
Total current	**-**	**474.8**
Non Current		
Commercial notes	1,724.3	1,589.9
Bank credit facilities	1,639.8	293.8
Total non current	**3,364.1**	**1,883.7**
Total borrowings	**3,364.1**	**2,358.5**
b. Finance Facilities		
The Group has access to the following lines of credit:		
Commercial Notes		
Facility available	1,724.3	1,839.7
Amount of facility used	(1,724.3)	(1,839.7)
Amount of facility unused	**-**	**-**
Bank Credit Facilities		
Facility available	2,535.3	2,222.4
Amount of facility used	(1,639.8)	(518.8)
Amount of facility unused	**895.5**	**1,703.6**
Bank Overdrafts		
Facility available and amount unused	**124.1**	**123.5**

Commercial notes include:

- £300.0 million of guaranteed unsecured notes issued in October 2006 in the UK bond market with a 6.125 per cent per annum coupon maturing in October 2021;
- US$400.0 million of guaranteed unsecured senior notes issued in May 2016 in the US Reg. S market under Lendlease's Euro Medium Term Note Programme with a 4.5 per cent per annum coupon maturing in May 2026;
- S$300.0 million of guaranteed unsecured senior notes issued in April 2017 in the Singapore bond market under Lendlease's Euro Medium Term Note Programme with a 3.9 per cent coupon maturing in April 2027;
- $475.0 million of unsecured medium term notes issued in May 2013 ($375.0 million) and June 2014 ($100.0 million) in the Australian bond market comprising $250.0 million with a 5.5 per cent per annum coupon that matured and was repaid in November 2018 and $225.0 million with a 6.0 per cent per annum coupon maturing in May 2020; and
- $80.0 million of unsecured medium term notes issued in December 2018 in the Australian bond market with a 5.4 per cent per annum coupon maturing in December 2028.

Bank credit facilities include:

- £400.0 million club bank facility maturing in March 2023 drawn to $581.8 million as at 31 December 2018; and
- Tranche A of the $1,500.0 million Syndicated Cash Advance Facility was refinanced during the period. The tranche A facility limit has been extended to $900.0 million maturing in December 2021 (June 2018: $600.0 million maturing in June 2019). Tranche B remains consistent with 30 June 2018 with a facility limit of $900.0 million maturing in June 2020. As at 31 December 2018, tranche A was drawn to $150.0 million and tranche B was drawn to $900.0 million.

The bank overdraft facilities may be drawn at any time and are repayable on demand.

Consistent with prior periods, the Group has not defaulted on any obligations in relation to its borrowings and finance arrangements and other financial liabilities.

Notes to the Consolidated Financial Statements continued

Section C: Liquidity and Working Capital continued

15. Issued Capital

	LENDLEASE CORPORATION LIMITED				LENDLEASE TRUST			
	December 2018		June 2018		December 2018		June 2018	
	No. of Shares (m)	$m	No. of Shares (m)	$m	No. of Units (m)	$m	No. of Units (m)	$m
Issued capital at beginning of financial period	584.0	1,296.8	583.5	1,289.8	584.0	920.4	583.5	918.9
Distribution reinvestment plan (DRP)[1]			0.5	7.0			0.5	1.5
Issued capital at end of financial period	**584.0**	**1,296.8**	**584.0**	**1,296.8**	**584.0**	**920.4**	**584.0**	**920.4**
Buyback at beginning of financial period[2]	(9.7)	(144.7)			(9.7)	(33.3)		
On market buyback of securities[2]	(10.4)	(140.3)	(9.7)	(144.7)	(10.4)	(33.8)	(9.7)	(33.3)
Buyback at end of financial period[2]	**(20.1)**	**(285.0)**	**(9.7)**	**(144.7)**	**(20.1)**	**(67.1)**	**(9.7)**	**(33.3)**
Balance reflected in Retained Earnings/ Reserves[2]		**285.0**		**144.7**		**67.1**		**33.3**
Issued capital at end of financial period	**563.9**	**1,296.8**	**574.3**	**1,296.8**	**563.9**	**920.4**	**574.3**	**920.4**

1. The final distribution reinvestment plan for FY2018 has been neutralised by acquiring an equivalent number of stapled securities on market.
2. Stapled securities acquired as part of the Group's on market stapled security buyback have been recorded in Retained Earnings for the Company and Buyback Reserves for the Trust.

a. Issuance of Securities

As at 31 December 2018, the Group had 563.9 million stapled securities on issue, equivalent to the number of Lendlease Corporation shares and Lendlease Trust (LLT) units on issue as at that date. The issued units of LLT are not owned by the Company and are therefore presented separately in the Consolidated Statement of Financial Position within equity.

b. Security Accumulation Plans

The Group's Distribution Reinvestment Plan (DRP) was reactivated in February 2011. The last date for receipt of an election notice for participation in the DRP is 5 March 2019. The issue price is the arithmetic average of the daily volume weighted average price of Lendlease Group stapled securities traded (on the Australian Securities Exchange) for the period of five consecutive business days immediately following the record date for determining entitlements to distribution. If that price is less than 50 cents, the issue price will be 50 cents. Stapled securities issued under the DRP rank equally with all other stapled securities on issue.

c. Terms and Conditions

Issued capital for Lendlease Corporation Limited comprises of ordinary shares fully paid. A stapled security represents one share in the Company stapled to one unit in LLT. Stapled securityholders have the right to receive declared dividends from the Company and distributions from LLT and are entitled to one vote per stapled security at securityholders' meetings. Ordinary stapled securityholders rank after all creditors in repayment of capital.

The Group does not have authorised capital or par value in respect of its issued stapled securities.

16. Loans and Receivables

	Note	December 2018 $m	June 2018 $m
Current			
Trade receivables[1]		1,013.0	928.9
Less: Impairment		(11.9)	(12.2)
		1,001.1	**916.7**
Related parties		86.0	120.2
Retentions		315.4	307.7
Contract debtors[1]	16a	394.2	687.8
Accrued income[1]	16a	94.0	377.0
Other receivables[1]		306.5	261.7
Less: Impairment		(1.2)	(0.9)
Total current		**2,196.0**	**2,670.2**

1. June 2018 balances have been reclassified to align the presentation of comparative information to disclosures required under AASB 15 *Revenue from Contracts with Customers*. $687.8 million of Trade receivables and $377.0 million of Other receivables have been reclassified to Contract debtors and Accrued income respectively.

16. Loans and Receivables continued

	Note	December 2018 $m	June 2018 $m
Non Current			
Related parties		59.5	78.2
Less: Impairment		(1.3)	(1.2)
Retentions		370.4	364.0
Other receivables		287.2	346.8
Total non current		**715.8**	**787.8**
Total loans and receivables		**2,911.8**	**3,458.0**

a. Contract Assets	Note	December 2018 $m	June 2018 $m
Current			
Contract debtors		394.2	687.8
Construction contract assets	11	1,102.6	882.7
Accrued income		94.0	377.0
Total contract assets[1]		**1,590.8**	**1,947.5**

1. Movements in contract assets during the period relate primarily to the transfer of balances into Trade receivables as the right to receive payment from customers becomes unconditional.

17. Trade and Other Payables

	Note	December 2018 $m	June 2018 $m
Current			
Trade and accrued creditors		2,882.3	3,407.2
Construction contract liabilities[1]	17a	1,474.7	1,014.4
Related parties		13.5	11.0
Retentions[2]		458.9	395.5
Deferred land payments[2]		58.4	85.3
Unearned income[3,4]	17a	729.5	689.0
Other[4]		209.6	167.1
Total current		**5,826.9**	**5,769.5**
Non Current			
Trade and accrued creditors		6.7	12.6
Retentions[2]		335.8	331.4
Deferred land payments[2]		573.0	548.8
Unearned income[3,4]	17a	231.1	359.8
Other[4]		216.7	278.1
Total non current		**1,363.3**	**1,530.7**
Total trade and other payables		**7,190.2**	**7,300.2**

1. As a result of the adoption of AASB 15 *Revenue from Contracts with Customers,* the June 2018 description has been changed from Construction revenue - amounts due to customers to Construction contract liabilities.
2. June 2018 current ($480.8 million) and non current ($880.2 million) Retentions and deferred payments balance has been reclassified to separately present Retentions and Deferred land payments.
3. Includes unearned income liabilities from PLLACes transactions. PLLACes transactions involve selling the presold apartment cash flows for a specific development project to a third party for cash consideration.
4. June 2018 balances have been reclassified to align the presentation of comparative information to disclosures required under AASB 15 *Revenue from Contracts with Customers.* $689.0 million of current other payables and $359.8 million of non current other payables has been reclassified to current and non current unearned income respectively.

Notes to the Consolidated Financial Statements continued

Section C: Liquidity and Working Capital continued

17. Trade and Other Payables continued

a. Contract Liabilities	December 2018 $m	June 2018 $m
Current		
Unearned income[1]	729.5	689.0
Construction contract liabilities[2]	1,474.7	1,014.4
Total current	**2,204.2**	**1,703.4**
Non Current		
Unearned income[1]	231.1	359.8
Total non current	**231.1**	**359.8**
Total contract liabilities	**2,435.3**	**2,063.2**

1. Movements in Unearned income relates primarily to PLLACes transactions and residential pre-sales settled during the period, deposits received for development properties and transfers between non current and current.
2. Movements in Construction contract liabilities relate primarily to billings raised during the period in excess of revenue recognised on construction contracts with customers and losses recognised on engineering projects during the period. The increase in billings during the period relates primarily to new projects secured and commencing during the period.

During the period the Group recognised $873.8 million in revenue from contracts that held a contract liability balance at the beginning of the financial year.

The total transaction price allocated to unsatifisfied performance obligations on the Group's construction contracts as at December 2018 is $21.4 billion, which is the construction backlog reported in the Performance and Outlook section of the Director's report. This includes new work secured during the period. Of the total construction backlog, 30 per cent is expected to be realised within the next 6 months to June 2019, 38 per cent to June 2020 and the remaining 32 per cent realised post June 2020.

The total transaction price allocated to unsatifisfied performance obligations on the Group's development contracts with unearned income recognised on the Statement of Financial Position at June 2018 is $1,291.5 million relating primarily to residential apartments at Elephant and Castle and Darling Square. The difference between the Unearned income amount noted above and this amount primarily relates to the remaining value of apartments versus the deposit amount received. Revenue from these contracts is expected to be realised as control over each asset is transferred to the customer.

Section D: Other Notes

18. Fair Value Measurement

All financial instruments recognised in the Statement of Financial Position, including those instruments carried at amortised cost, are recognised at amounts that represent a reasonable approximation of fair value, with the exception of the following borrowings.

		DECEMBER 2018		JUNE 2018	
	Note	Carrying Amount $m	Fair Value $m	Carrying Amount $m	Fair Value $m
Liabilities					
Current					
Commercial notes	14a			249.8	252.9
Non Current					
Commercial notes	14a	1,724.3	1,960.8	1,589.9	1,803.1

The fair value of commercial notes has been calculated by discounting the expected future cash flows by the appropriate government bond rates and credit margin applicable to the relevant term of the commercial note.

a. Basis of Determining Fair Value

The determination of fair values of financial assets and liabilities that are measured at fair value are summarised as follows:

- The fair value of unlisted equity investments, including investments in property funds, is determined based on an assessment of the underlying net assets, which may include periodic independent and Directors' valuations, future maintainable earnings and any special circumstances pertaining to the particular investment;
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted valuation techniques; these include the use of recent arm's length transactions, reference to other assets that are substantially the same, and discounted cash flow analysis; and
- The fair value of derivative instruments comprises forward foreign exchange contracts, which are valued using forward rates at balance date, and interest rate swap contracts, which are measured at the present value of future cash flows estimated and discounted based on applicable yield curves derived from quoted interest rates and includes consideration of counterparty risk adjustments.

b. Fair Value Measurements

The different levels for valuation method have been defined as follows:

- Level 1: The fair value is determined using the unadjusted quoted price for an identical asset or liability in an active market for identical assets or liabilities;
- Level 2: The fair value is calculated using predominantly observable market data other than unadjusted quoted prices for an identical asset or liability; and
- Level 3: The fair value is calculated using inputs that are not based on observable market data.

During the period there were no material transfers between Level 1, Level 2 and Level 3 fair value hierarchies.

19. Contingent Liabilities

The Group has the following contingent liabilities:

- There are a number of legal claims and exposures that arise from the normal course of business. There is significant uncertainty as to whether a future liability will arise in respect to these items. The amount of liability, if any, that may arise, cannot be measured reliably at this time. The Directors are of the opinion that all known liabilities have been brought to account and that adequate provision has been made for any anticipated losses.
- In certain circumstances, the Company guarantees the performance of particular Group entities in respect of their obligations. This includes bonding and bank guarantee facilities used primarily by the Construction business as well as performance guarantees for certain of the Company's subsidiaries.

Notes to the Consolidated Financial Statements continued

Section E: Basis of Consolidation

20. Consolidated Entities

The material consolidated entities of the Group listed below were wholly owned during the current and prior period.

PARENT ENTITY

Lendlease Corporation Limited

AUSTRALIA

Capella Capital Lendlease Pty Limited

Capella Capital Partnership

Lendlease Building Pty Limited

Lendlease Building Contractors Pty Limited

Lendlease Communities (Australia) Limited

Lendlease Development Pty Limited

Lendlease Engineering Pty Limited

Lendlease Finance Limited

Lendlease Infrastructure Investments Pty Limited

Lendlease International Pty Limited

Lendlease Real Estate Investments Limited

Lendlease Responsible Entity Limited

Lendlease Services Pty Limited

Lendlease Trust[1]

EUROPE

Lendlease Construction (Europe) Limited

Lendlease Construction Holdings (Europe) Limited

Lendlease Europe Finance plc

Lendlease Europe Limited

Lendlease Residential (CG) Limited

Lendlease (Elephant & Castle) Limited

ASIA

Lendlease Japan Inc.

Lendlease Singapore Pte. Limited

AMERICAS

Lendlease (US) Capital, Inc.

Lendlease (US) Construction, Inc.

Lendlease (US) Construction LMB, Inc.

Lendlease (US) Public Partnerships, LLC

Lendlease (US) Public Partnerships Holdings LLC

Lendlease Development, Inc.

1. Lendlease Trust is a consolidated entity of the Group as the parent entity is deemed to control it. Lendlease Trust is not wholly owned.

During the current and prior period, there were no **acquisitions** of material consolidated entities.

During the current and prior period the following **disposals** of material consolidated entities occurred.

	Ownership Interest Disposed %	Date Disposed	Gross Consideration received/ receivable $m
AUSTRALIA			
31 December 2018			
Americas Residential Partnership[1]	50.0	19 July 2018	172.3
31 December 2017			
Lendlease Retirement Living Trust	25.0	18 December 2017	510.4
LRIP LP	80.0	21 December 2017	196.8

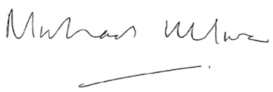
1. Represents the disposal of four entities relating to the Americas Residential Partnership. Refer to Note 5 Other Income for further details.

Director's Declaration

In the opinion of the Directors of Lendlease Corporation Limited (the Company):

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 Company as at 31 December 2018 and of its performance for the half year ended on that date; and
   b. Complying with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



M J Ullmer, AO

Chairman

S B McCann

Group Chief Executive Officer and Managing Director

Sydney, 25 February 2019

Independent Auditor's Review Report

To the members of Lendlease Corporation Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying ***Half-year Financial Report*** of Lendlease Corporation Limited (the Company) as the deemed parent presenting the stapled security arrangement of ***Lendlease Group***.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Lendlease Corporation Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Lendlease Group's financial position as at 31 December 2018 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Half-year Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 2018;
- Consolidated statement of profit or loss, Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date;
- Notes 1 to 20 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

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

Shares in Lendlease Corporation Limited and units in Lendlease Trust are jointly traded as a Stapled Security on the Australian Securities Exchange under the name of Lendlease Group.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;* and
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Lendlease Corporation Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

KPMG

D M McLennan

D M McLennan

Partner

Sydney

25 February 2019