

# ASX ANNOUNCEMENT

25 February 2019

## Lendlease Trust 2019 Half Year Financial Report

Attached is the 2019 Half Year Financial Report for the half year ended 31 December 2018.

### 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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Half Year  
Lendlease Trust  
Financial Report  
December  
2018

# Lendlease Trust Half Year Financial Report

December 2018

ARSN 128 052 595

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

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

The financial report for the half year ended 31 December 2018 was  
authorised for issue by the Directors on 25 February 2019.

# Directors' Report

The Directors of Lendlease Responsible Entity Limited (ABN 72 122 883 185), the Responsible Entity of Lendlease Trust (the Trust), present their Report together with the Half Year Financial Report of the Trust, for the six months ended 31 December 2018 and the Auditor's Report thereon.

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

## 1. Governance

### a. Board/Directors

The name of each person who has been a Director of the Responsible Entity between 1 July 2018 and the date of this Report are:

D A Crawford, AO	Chairman and Director since 2009 (retired 16 November 2018)
M J Ullmer, AO	Director since 2011 and Chairman since 16 November 2018
S B McCann	Group Chief Executive Officer & Managing Director since 2009
C B Carter, AM	Director since 2012
P M Coffey	Director since 2017
P M Colebatch	Director since 2009 (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. Review and Results of Operations

For the six months ended 31 December 2018, the Trust reported a profit after tax of \$106,395,000 (December 2017: \$111,246,000).

Key transactions during the period include:

- Partial disposal of units in Lendlease One International Towers Sydney Trust for \$209,979,000.
- Further investment of \$49,600,000 relating to Australian Prime Property Fund - Commercial and \$15,819,000 for Australian Prime Property Fund - Industrial.
- An interim distribution of \$67,662,000 (December 2017: \$26,675,000) has been approved by the Directors and will be paid on 20 March 2019. 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.
- Further on market stapled security buyback for the period of \$33,849,000.

## 3. Events Subsequent to Balance Date

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

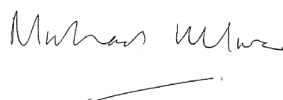
## 4. Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

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

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

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

Sydney, 25 February 2019



**S B McCann**

Chief Executive Officer and Managing Director



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

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

I declare that, to the best of my knowledge and belief, in relation to the 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.

A stylized, handwritten-style signature of the KPMG logo.

KPMG

A handwritten signature in cursive script that reads 'D M McLennan'.

D M McLennan

*Partner*

Sydney

25 February 2019

# Financial Statements

## Statement of Comprehensive Income

### Half Year Ended 31 December 2018

	Note	6 months December 2018 \$'000	6 months December 2017 \$'000
Revenue and other income	3	106,077	108,971
Other expenses		(1,195)	(375)
<b>Results from operating activities</b>		<b>104,882</b>	<b>108,596</b>
Finance revenue	4	2,181	2,650
Finance costs	4	(668)	
<b>Net finance revenue</b>		<b>1,513</b>	<b>2,650</b>
<b>Profit before tax</b>		<b>106,395</b>	<b>111,246</b>
Income tax expense			
<b>Profit after tax</b>		<b>106,395</b>	<b>111,246</b>
Other comprehensive income net of tax			
<b>Total comprehensive income after tax</b>		<b>106,395</b>	<b>111,246</b>
<b>Basic/diluted earnings per unit (cents)</b>	2	<b>18.65</b>	<b>19.06</b>

## Statement of Financial Position

### As at 31 December 2018

	Note	December 2018 \$'000	June 2018 \$'000
<b>Current Assets</b>			
Cash and cash equivalents		9,326	6,953
Loans and receivables		227,576	138,144
<b>Total current assets</b>		<b>236,902</b>	<b>145,097</b>
<b>Non Current Assets</b>			
Other financial assets	6	1,080,275	1,144,423
<b>Total non current assets</b>		<b>1,080,275</b>	<b>1,144,423</b>
<b>Total assets</b>		<b>1,317,177</b>	<b>1,289,520</b>
<b>Current Liabilities</b>			
Trade and other payables		93	132
Distributions payable	1		26,835
<b>Total current liabilities</b>		<b>93</b>	<b>26,967</b>
<b>Non Current Liabilities</b>			
Borrowings and financing arrangements			18,015
<b>Total non current liabilities</b>		<b>-</b>	<b>18,015</b>
<b>Total liabilities</b>		<b>93</b>	<b>44,982</b>
<b>Net assets</b>		<b>1,317,084</b>	<b>1,244,538</b>
<b>Equity</b>			
Issued capital	7	920,441	920,441
Buyback reserve	7	(67,149)	(33,300)
Retained earnings		463,792	357,397
<b>Total equity attributable to unitholders</b>		<b>1,317,084</b>	<b>1,244,538</b>

The accompanying notes form part of these financial statements.

# Financial Statements continued

## Statement of Changes in Equity Half Year Ended 31 December 2018

	Issued Capital \$'000	Buyback Reserve <sup>1</sup> \$'000	Retained Earnings \$'000	Total Equity \$'000
<b>Balance as at 1 July 2017</b>	918,894	-	198,110	1,117,004
<b>Total Comprehensive Income</b>				
Profit for the period			111,246	111,246
Other Comprehensive Income (Net of tax)				
<b>Total Comprehensive Income</b>	-	-	111,246	111,246
<b>Transactions with owners of the Trust</b>				
Distribution reinvestment plan (DRP)	1,547			1,547
Distributions provided for			(26,675)	(26,675)
<b>Total other movements</b>	1,547	-	(26,675)	(25,128)
Balance as at 31 December 2017	920,441	-	282,681	1,203,122
Balance as at 1 July 2018	920,441	(33,300)	357,397	1,244,538
<b>Total Comprehensive Income</b>				
Profit for the period			106,395	106,395
Other Comprehensive Income (Net of tax)				
<b>Total Comprehensive Income</b>	-	-	106,395	106,395
<b>Transactions with owners of the Trust</b>				
On market buyback		(33,849)		(33,849)
<b>Total other movements</b>	-	(33,849)	-	(33,849)
<b>Balance as at 31 December 2018</b>	<b>920,441</b>	<b>(67,149)</b>	<b>463,792</b>	<b>1,317,084</b>

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

## Statement of Cash Flows Half Year Ended 31 December 2018

	6 months December 2018 \$'000	6 months December 2017 \$'000
<b>Cash Flows from Operating Activities</b>		
Cash receipts in the course of operations	1,759	44
Cash payments in the course of operations	(991)	(409)
Interest received	1,416	2,660
Distributions received	25,233	25,062
<b>Net cash provided by operating activities</b>	<b>27,417</b>	<b>27,357</b>
<b>Cash Flows from Investing Activities</b>		
Acquisition of investments	(65,419)	(49,600)
Disposal of Investments	210,038	
<b>Net cash provided by/(used in) investing activities</b>	<b>144,619</b>	<b>(49,600)</b>
<b>Cash Flows from Financing Activities</b>		
Loan repayment to related party	(18,015)	
Loan to related party	(90,964)	
Distributions paid	(24,788)	(25,179)
Payments for on market buyback of stapled securities	(33,849)	
Payments for buyback of stapled securities - Distribution Reinvestment Plan	(2,047)	
<b>Net cash used in financing activities</b>	<b>(169,663)</b>	<b>(25,179)</b>
Net increase/(decrease) in cash and cash equivalents	2,373	(47,422)
<b>Cash and cash equivalents at beginning of financial period</b>	<b>6,953</b>	<b>90,595</b>
<b>Cash and cash equivalents at end of financial period</b>	<b>9,326</b>	<b>43,173</b>

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

## Basis of Preparation

The half year 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) and Interpretations adopted by the International Accounting Standards Board;
- should be read in conjunction with the 30 June 2018 annual financial report and any public announcements by the Trust 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 thousand dollars unless otherwise indicated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191; and
- is prepared under the historical cost basis except for the following assets, which are stated at their fair value: fair value through profit or loss investments.

The preparation of an interim 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; and
- 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 Trust and are consistent with those applied in the 30 June 2018 annual financial statements 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 Trust adopted AASB 15 *Revenue from Contracts with Customers* and consequential amendments. There were no material financial impacts on the Trust following adoption of this standard.

### New Accounting Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the half year ended 31 December 2018 but are available for early adoption and have not been applied in preparing this report.

Accounting Standard	Requirement	Impact on Financial Statements
AASB 2014-10 <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> and consequential amendments	AASB 2014-10 amends AASB 10 and AASB 128 to clarify the requirements for recording the sale or contribution of assets between an investor and its associate or joint venture.  The amendment becomes mandatory for the June 2023 financial year and will be applied prospectively.	Based on the analysis performed, the amendments are not expected to have a material impact on the Trust.
AASB 16 <i>Leases</i>	AASB 16 provides a new model for accounting for leases.  The standard becomes mandatory for the June 2020 financial year and will be applied retrospectively.	Based on preliminary analysis performed, AASB 16 is not expected to have a material impact on the Trust.

# Notes to the Financial Statements continued

## Section A: Performance

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

### 1. Distributions

	Cents Per Unit	6 months December 2018 \$'000	6 months December 2017 \$'000
<b>Lendlease Trust Interim Distribution</b>			
December 2018 – declared subsequent to reporting date <sup>1</sup>	12.0	67,662	
December 2017 – paid 22 March 2018	4.6		26,675
		<b>67,662</b>	<b>26,675</b>
<b>Lendlease Trust Final Distribution</b>			
	Cents Per Unit	6 months June 2018 \$'000	6 months June 2017 \$'000
June 2018 – paid 21 September 2018	4.7	26,835	
June 2017 – paid 20 September 2017	4.6		26,726
		<b>26,835</b>	<b>26,726</b>

1. 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.

### 2. Earnings per Unit

		6 months December 2018	6 months December 2017
<b>Basic/Diluted Earnings Per Unit (EPU)</b>			
Profit after tax	\$'000	106,395	111,246
Weighted average number of units	'000	570,490	583,752
<b>Basic/Diluted EPU</b>	<b>cents</b>	<b>18.65</b>	<b>19.06</b>

### 3. Revenue and Other Income

	6 months December 2018 \$'000	6 months December 2017 \$'000
Distribution income	23,906	18,242
Net gain on fair value remeasurement of fair value through profit or loss assets	67,551	87,629
Net gain on sale of financial assets at fair value <sup>1</sup>	12,861	
Other income – related parties	1,759	744
Other income – external parties		2,356
<b>Total revenue and other income</b>	<b>106,077</b>	<b>108,971</b>

1. During the period, the Trust partially disposed of units in Lendlease One International Towers Sydney Trust for cash consideration of \$210.0 million. At 31 December 2018 the Trust holds a 2.5% interest in Lendlease One International Towers Sydney Trust (June 2018: 12.5%).

### 4. Finance Revenue and Finance Costs

	6 months December 2018 \$'000	6 months December 2017 \$'000
<b>Finance Revenue</b>		
Finance revenue – external parties	247	647
Finance revenue – related parties	1,934	2,003
<b>Total finance revenue</b>	<b>2,181</b>	<b>2,650</b>

## Section A: Performance Continued

### 4. Finance Revenue and Finance Costs Continued

Finance Costs	6 months December 2018 \$'000	6 months December 2017 \$'000
Finance Costs – related parties	(668)	
<b>Total finance costs</b>	<b>(668)</b>	<b>-</b>
<b>Net finance revenue</b>	<b>1,513</b>	<b>2,650</b>

### 5. Events Subsequent to Balance Date

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

## Section B: Investment

This section includes disclosures for indirect property assets such as Other Financial Assets contained within the Statement of Financial Position. The measurement basis of these assets is fair value. Refer to Note 8 'Fair Value Measurement' for details on basis of determining fair value and valuation technique.

### 6. Other Financial Assets

Non Current Measured at Fair Value	Fair Value Level	December 2018 \$'000	June 2018 \$'000
<b>Fair Value Through Profit or Loss – Designated at Initial Recognition</b>			
Lendlease International Towers Sydney Trust	Level 3	555,816	515,154
Lendlease One International Towers Sydney Trust	Level 3	52,082	245,998
Australian Prime Property Fund – Industrial	Level 3	89,124	69,818
Australian Prime Property Fund – Commercial	Level 3	353,636	284,160
Australian Prime Property Fund – Retail	Level 3	28,971	28,647
Carlton Connect Initiative	Level 3	646	646
<b>Total other financial assets</b>		<b>1,080,275</b>	<b>1,144,423</b>

#### a. Fair Value Reconciliation

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

	December 2018 Unlisted Equity Investments \$'000	June 2018 Unlisted Equity Investments \$'000
Carrying amount at beginning of financial period	1,144,423	913,746
Additions	65,419	68,390
Disposals	(209,979)	
Gains recognised in Statement of Comprehensive Income – revenue and other income	80,412	162,287
<b>Carrying amount at end of financial period</b>	<b>1,080,275</b>	<b>1,144,423</b>

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

# Notes to the Financial Statements continued

## Section C: Liquidity and Working Capital

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

### 7. Issued Capital

	December 2018 No of units '000s	December 2018 \$'000	June 2018 No of units '000s	June 2018 \$'000
Issued capital at beginning of financial period	583,983	920,441	583,470	918,894
Distribution Reinvestment Plan (DRP) <sup>1</sup>			513	1,547
<b>Issued capital at end of financial period</b>	<b>583,983</b>	<b>920,441</b>	<b>583,983</b>	<b>920,441</b>
Buyback Reserve at beginning of financial period	(9,722)	(33,300)	-	-
On market buyback of securities <sup>2</sup>	(10,409)	(33,849)	(9,722)	(33,300)
<b>Buyback Reserve at end of financial period</b>	<b>(20,131)</b>	<b>(67,149)</b>	<b>(9,722)</b>	<b>(33,300)</b>
<b>Balance reflected in Reserves<sup>2</sup></b>		<b>67,149</b>		<b>33,300</b>
<b>Issued capital at end of financial period</b>	<b>563,852</b>	<b>920,441</b>	<b>574,261</b>	<b>920,441</b>

1. The Trust neutralised stapled securities issued under the 2018 Interim Distribution Plan (DRP) by acquiring an equivalent number of stapled securities on market. The value of neutralised stapled securities at 31 December 2018 is \$2,046,706 (June 2018: \$1,897,305) representing 533,942 number of units on issue (June 2018: 570,807).

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

#### a. Issuance of Securities

As at 31 December 2018, Lendlease Trust had 563,852,328 units on issue, equivalent to the number of Lendlease Corporation shares on issue. The issued units of the Trust and shares on issue by Lendlease Corporation Limited are stapled securities.

#### b. Security Accumulation Plans

The Distribution Reinvestment Plan (DRP) was reactivated in February 2011. The last date for receipt of an election notice for participation in the DRP is 5 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

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

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

## Section D: Other Notes

### 8. Fair Value Measurement

#### a. Basis of Determining Fair Value

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

#### b. Fair Value Measurements

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

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

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

### 9. Contingent Liabilities

In certain circumstances, the Trust, as part of the Group, guarantees the performance of particular Group entities in respect of their obligations. This includes bonding and bank guarantee facilities used primarily by the construction business. These guarantees are provided in respect of activities that occur in the ordinary course of business and any known losses in respect of the relevant contracts have been brought to account.

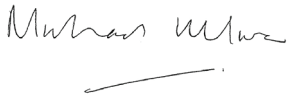
The Trust does not have any other contingent liabilities at 31 December 2018.

# Directors' Declaration

In the opinion of the Directors of Lendlease Responsible Entity Limited, the responsible entity for the Lendlease Trust (the Trust):

1. The financial statements and notes are in accordance with the *Corporations Act 2001*, including:
  - a. Giving a true and fair view of the financial position of the Trust as at 31 December 2018 and of its performance for the half year ended on that date; and
  - b. Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
2. There are reasonable grounds to believe that the Trust 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

Sydney, 25 February 2019



**S B McCann**

Chief Executive Officer and Managing Director



# Independent Auditor's Review Report

To the unitholders of Lendlease Trust

## Report on the Half-year Financial Report

### Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Lendlease Trust (the Trust).

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 Trust 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 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:

- Statement of financial position as at 31 December 2018;
- Statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date;
- Notes 1 to 9 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

### Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Lendlease Responsible Entity Limited, the Responsible Entity for Lendlease Trust, 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
- for 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 Trust'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 Trust, *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

D M McLennan

*Partner*

Sydney

25 February 2019