ASX ANNOUNCEMENT

21 February 2022

Lendlease Group Appendix 4D and 2022 Half Year Consolidated Financial Report

Lendlease Group today announced its results for the half year ended 31 December 2021. Attached is the Appendix 4D and Half Year Consolidated Financial Report.

ENDS

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Authorised for lodgement by the Lendlease Group Disclosure Committee

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 2021
(previous corresponding period being the period ended 31 December 2020)

Results for Announcement to the Market

Profit After Tax

	6 months December 2021 $m	6 months December 2020 $m	% Change
Revenue[1]	4,569	5,213	(12.4%)
Profit after tax attributable to securityholders[1]	(264)	196	(234.7%)

1. Includes continuing and discontinued operations.

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 separately in the consolidated entity 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 distribution – payable 16 March 2022	5.0 cents	-

The interim distribution is comprised of a trust distribution of 5.0 cents per unit payable by LLT. No interim dividend has been declared by the Company.

The record date for determining entitlement to the interim distribution is 28 February 2022 (Record Date) and the distribution is payable on 16 March 2022.

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 1 March 2022. 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, commencing on 1 March 2022. Stapled securities issued under the DRP rank equally with all other stapled securities on issue.

Additional Information

	December 2021	June 2021
Net tangible assets per security	$7.80	$7.98

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 2021 Directors' Report and the December 2021 Half Year Consolidated Financial Report.

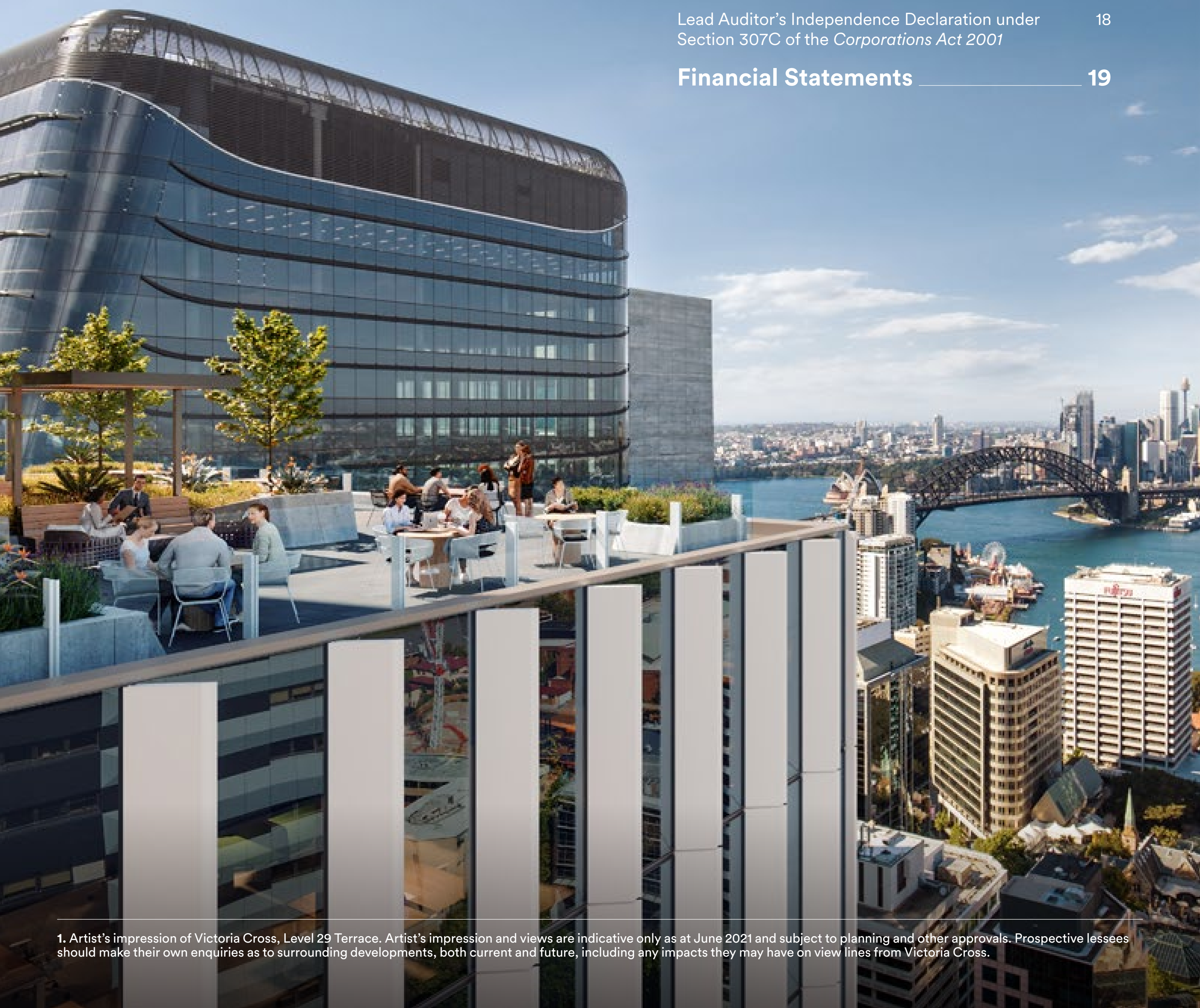
Lendlease Half Year Consolidated Financial Report

December 2021

Front cover:
Chicago: Southbank
Artist's impression

This page:
Sydney: Victoria Cross
on Cammeraygal Country
Artist's impression[1]

Contents



1. Artist's impression of Victoria Cross, Level 29 Terrace. Artist's impression and views are indicative only as at June 2021 and subject to planning and other approvals. Prospective lessees should make their own enquiries as to surrounding developments, both current and future, including any impacts they may have on view lines from Victoria Cross.

Milan:
Milan Innovation District
Artist's impression

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 2021 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 2021 and the date of this Report are:

M J Ullmer, AO
Director since 2011 and Chairman since 2018

A P Lombardo
Global Chief Executive Officer since June 2021 and Managing Director since September 2021

P M Coffey
Director since 2017

N R Collishaw
Director since December 2021

D P Craig
Director since 2016

J S Hemstritch
Director since 2011

E M Proust, AO
Director since 2018

N M Wakefield Evans
Director since 2013

R F Welanetz
Director since 2020

2. Dividends/Distributions

An unfranked interim distribution of $35 million from the Trust (December 2020: $26 million unfranked) has been approved by the Directors. No interim dividend was declared for the Company (December 2020: $77 million franked). The interim distribution comprising of a trust distribution of 5.0 cents per unit from Lendlease Trust will be paid on 16 March 2022 (December 2020: 11.2 cents per share from the Company and 3.8 cents per unit from Lendlease Trust paid on 17 March 2021).

3. Events subsequent to Balance Date

On 18 February 2022, the Group exchanged contracts with a third party to acquire a 28% interest in the asset management income stream of the Group's Military Housing portfolio, subject to regulatory approvals, through a newly formed joint venture. The Group is expected to receive $170 million in consideration on financial close, which will generate an estimated post tax gain on sale of $110 million.

There were no other material events subsequent to the end of the financial reporting 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 2021.

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 million dollars, unless specifically stated otherwise.

6. Performance and Outlook

The Performance and Outlook on pages 4 to 16 is based on the Half Year Consolidated Financial Statements for the six months ended 31 December 2021 and should be read in conjunction with those financial statements. All currency amounts are expressed in Australian dollars unless otherwise specified. The Performance and Outlook has not been audited or reviewed by our external auditors. The items excluded from Statutory Profit are consistent to the segment note disclosures in the financial statements which have been reviewed by the Group's external auditor.

Performance and Outlook

Kuala Lumpur:
The Exchange TRX
Artist's impression

Group performance

The Group's Statutory Loss after Tax for the period ending 31 December 2021 was $264 million, compared with a Statutory Profit after Tax of $196 million for the comparative period[1]. This included a loss of $262 million from Non operating items and a loss of $30 million from the Non core segment.

This report discloses financial performance on both a statutory and operating basis. The Core Operating profit metrics are used by management and provide a clear view of the Group's underlying operating results, excluding Non operating[2] items and the Non core segment. A list of items excluded from statutory profit is provided in the reconciliation of Core Operating profit on page 29 and described in greater detail on page 27.

The Group recorded Core Operating Profit after Tax[3] of $28 million for the period ending 31 December 2021. Core Operating Earnings per Security of 4.1 cents represents a Return on Equity of 0.8 per cent. The unfranked interim distribution per security of 5.0 cents, represents the payout of the earnings of the Trust during the period.

As outlined in the FY21 Annual Report and subsequently detailed at the Group's strategy update, FY22 is a reset year. This involves simplifying the Group's operating model, reassessing its development projects and the disposing of its Non core businesses. This, combined with managing the ongoing impact of COVID, is expected to result in FY22 marking the trough in both activity and profitability.

Targeted recurring savings arising from simplifying the Group's operating model remain greater than $160 million per annum, with benefits being realised from the second half of FY22. The anticipated pre tax restructuring charges in FY22 to achieve these savings are $150 million to $170 million, compared with the previous estimate of $130 million to $170 million, $124 million of which was accounted for in the period.

The review of projects within the Development segment confirmed the underlying strength of the development portfolio, with a small number of underperforming projects identified. While a change in development strategy will expedite the release of capital on these projects and prioritise capital to more profitable projects, an impairment expense of $299 million was incurred in the period. This compares to the initial estimate of $230 million to $290 million.

The Non core segment comprises the retained Melbourne Metro Tunnel Project, exposure to projects completed prior to the sale of Engineering, and the Services business which was sold during the period. The loss in the period of $30 million after tax included the gain on sale for Services, a provision for the retained Services projects and a tenancy impairment related to the exit of the Non core businesses.

The Group also advanced several other strategic priorities, including the launch of approximately $6 billion of partnerships to grow funds under management and the achievement of several development planning milestones.

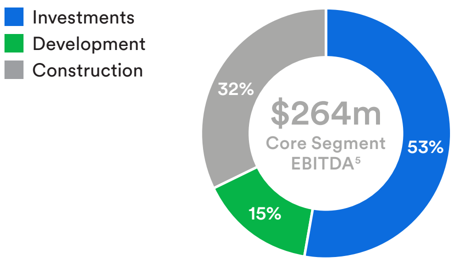
Core segment EBITDA of $264 million was down from $469 million[1]. Investment income improved, Development completions were limited, and Construction revenue declined, reflecting COVID impacts and an extended period of lower new work secured in the Americas.

The Investments segment continues to recover from the worst of the COVID impacts, although returns remain slightly below the target range. Investment income was higher, reflecting an improved contribution from the retirement business and distributions on investments.

Key Financials[4]

	$m	HY21	HY22	Var.
Core Business				
Investments		121	141	17%
Development		244	39	(84%)
Construction		104	84	(19%)
Segment EBITDA		**469**	**264**	**(44%)**
Corporate Costs		(64)	(101)	(58%)
Operating EBITDA		**405**	**163**	**(60%)**
Depreciation & Amortisation		(75)	(74)	1%
Net Finance Costs		(67)	(68)	(1%)
Operating Profit before Tax		**263**	**21**	**(92%)**
Income tax (expense)/benefit		(58)	7	>100%
Operating Profit after Tax		**205**	**28**	**(86%)**
Total Group				
Non Operating Items		(7)	(262)	>(100%)
Non core segment		(2)	(30)	>(100%)
Statutory Profit / (Loss) after Tax		**196**	**(264)**	**>(100%)**
Total Group				
Core Operating EPS	**cents**	**29.8**	**4.1**	**(86%)**
Distribution per Security	**cents**	**15.0**	**5.0**	**(67%)**
Total Group Statutory EPS	**cents**	**28.5**	**(38.3)**	**>(100%)**
Total Group Statutory ROE[6]	**%**	**5.7%**	**(7.8%)**	**n/m**

Core Segment EBITDA Mix



Core Operating Profit after Tax

HY21 $205m **HY22** $28m

Core Operating Return on Equity[6]

HY21 5.9% **HY22** 0.8%

Core Operating Earnings per Security

HY21 29.8c **HY22** 4.1c

Distribution Per Security

HY21 15.0c **HY22** 5.0c

1. Comparative period the half year ended 31 December 2020. **2.** Restructuring charges, development impairment expenses and property revaluations in the Investments segment. **3.** Excludes Non Operating Items and Non core segment. **4.** Operating earnings presented reflects Statutory earnings adjusted for non operating items. **5.** Excludes Corporate. **6.** Return on Equity is calculated using annualised Profit after Tax divided by the arithmetic average of beginning and half year end securityholders' equity.

Group performance continued

The lower contribution from the Development segment reflects fewer completions. While the returns from the segment were well below target, progress continues to be made towards converting the development pipeline into work in progress.

In the Construction segment, revenue was up across all regions except for the Americas, where significantly reduced new work secured since the onset of COVID resulted in a further decline in revenue. Overall returns came in just above the mid point of the target range.

Corporate costs of $101 million, while in line with H2 FY21, were higher due to several one-off benefits which reduced reported costs in the prior corresponding period. Net finance costs of $68 million were largely unchanged with a slight increase in the average cost of debt offset by modestly lower average net debt.

Portfolio Management Framework

The Portfolio Management Framework is designed to maximise long term securityholder value via a diversified risk adjusted portfolio, leveraging the integrated model and the Group's financial strength, including an investment grade credit rating, to execute the strategy.

It provides the structure for both capital allocation and generating returns across our three operating segments of Investments, Development and Construction.

As foreshadowed at the FY21 results, returns for the Core business in the first half were below target, reflecting difficult operating conditions: At the segment level, Investment returns were marginally below the target range; Development returns were negligible; and the Construction margin was in the middle of the range. The balance sheet remains in a strong position with gearing of 12 per cent and total liquidity of $3.0 billion.

Group Outlook

The COVID pandemic has had significant consequences for real estate markets across the gateway cities in which the Group operates. FY22 is proving to be another challenging year, particularly for the Development segment.

The Group has implemented a five-year plan to deliver long term sustainable performance. Statutory profit in FY22 will be impacted by the restructuring charge and development impairment outlined in the performance section.

Core operating earnings are expected to improve from the second half of the current financial year. For FY22, the Return on Invested Capital for the Investments and Development segments are expected to be in the ranges of 7.5-8.5 per cent and 2-4 per cent, respectively while the EBITDA margin for the Construction segment is expected to be in the range of 2-3 per cent. The outlook and associated return expectations remain subject to the potential ongoing disruption risk from COVID.

The Group remains optimistic on the medium to long term outlook and is well positioned to achieve improved returns as operating conditions recover. The Return on Equity target range is expected to be met by FY24.

Upscaling the investments platform via the launch of new funds and mandates is a priority for the Group, with funds under management anticipated to be greater than $70 billion by FY26. The medium term target is for more than 50 per cent of Group capital to be directed towards Investments.

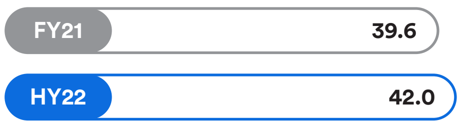
The focus for the Development segment is to deliver the $112 billion pipeline. Commencing projects to increase our work in progress above $20 billion will be a key metric to monitor in future periods.

Portfolio Management Framework

	Target	HY21	HY22
Total Group Metrics			
Core Operating ROE	8-11%	5.9%	0.8%
Distribution payout ratio[1]	40-60%	50%	125%
Gearing[2]	10-20%	5.0%	12.0%
Core Business EBITDA Mix			
Investments	35-45%	26%	53%
Development	40-50%	52%	15%
Construction	10-20%	22%	32%
Core Business Segment Returns			
Investments ROIC[3]	6-9%[4]	5.3%	5.9%
Development ROIC[3]	10-13%[4]	7.2%	0.6%
Construction EBITDA margin	2-3%	3.0%	2.6%
Segment Invested Capital Mix[2]			
Investments	40-60%	45%	44%
Development	40-60%	55%	56%
Regional Invested Capital Mix[2]			
Australia	40-60%	39%	38%
Asia	10-25%	19%	20%
Europe	10-25%	23%	24%
Americas	10-25%	19%	18%

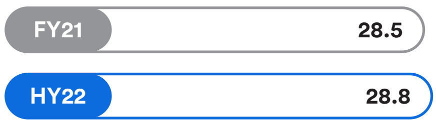
$42b

Funds Under Management



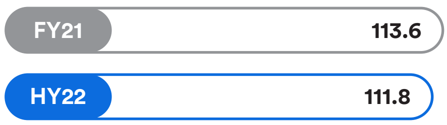
$29b

Assets Under Management



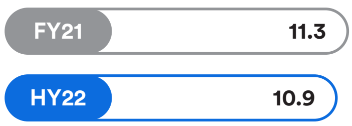
$112b

Development Pipeline[5]



$11b

Core Business Construction Backlog[6]



1. Distribution payout ratio has been calculated on Core Operating Earnings. **2.** Comparative value is closing FY21 balance. **3.** Return on Invested Capital (ROIC) is calculated using the annualised Operating Profit after Tax divided by the arithmetic average of beginning and half year end invested capital. **4.** Through-cycle target based on rolling three to five year timeline. **5.** Total estimated project revenue of all development work secured (representing 100% of project value). **6.** Construction revenue to be earned in future periods (excludes internal projects).

COVID impacts across the Group

The Group has incorporated the impacts of the pandemic into its review process in the 31 December 2021 financial statements where applicable. This process has highlighted the below impacts:

Investment segment	Impacts
Performance across asset management and investment income continues to be disrupted due to COVID, although on a comparative basis, there was less of an impact on earnings and operations.	• Retail asset management fees recovered, but were offset by a normalisation of expenses. • The Group's investment portfolio continued to be impacted by similar factors: – Coinvestment income was impacted with activity disrupted across underlying assets – Extended stabilisation periods are being experienced on recently completed assets, particularly the Group's Build to Rent assets in London. • Identified assets that were impacted, but unable to be quantified as solely related to COVID, included: – Coinvestment yields impacted by c.$24 million in rental assistance[1] provided to tenants across the portfolio • While there have been some impacts to income, real estate valuations were resilient with a $68 million (pre tax) increase in the book value of the Group's coinvestments, predominantly in Office and Retirement Living, highlighting the ongoing demand for high quality assets by investors. The revaluations were treated as non operating.
Development segment	
The Development segment has experienced various COVID related impacts on both historical and projected future year performance. The various impacts are expected to persist through FY22, affecting both activity and the profitability of the Development segment.	• Delays in converting opportunities across the Group's urban pipeline: – Weaker demand for new apartment product, especially from the investor segment of the market. – Population declines across many gateway cities impacting underlying real estate demand. – International border closures preventing both temporary and permanent international migration. – Tenant demand and investment partner appetite in the office sector. • Settlement delays have occurred in the apartments for sale product that has completed, with some purchasers requiring more time to settle. • Extended lockdowns across the gateway cities in which the Group operates. • There were also some positive impacts for the Development segment: – Demand and pricing for luxury apartments at Barangaroo was aided by the strength of established house prices, in part a function of the significant decline in household borrowing costs. – Government stimulus measures, including first home buyer schemes, have resulted in stronger activity in the new detached housing market in Australia
Construction segment	
COVID continued to impact origination, delivery, and revenue across the segment during the year. These factors contributed to revenue being down 6 per cent on the prior corresponding period and new work secured down 48 per cent.	• Impacts included: – Continued productivity disruption related to Government mandated shutdowns, positive COVID cases temporarily shutting down projects, and social distancing protocols was reflected in an 11 per cent reduction in hours worked on project sites compared to the prior corresponding period. – Projects being put on hold in some markets, with delays in the securing and commencement of new projects, particularly in the US, have impacted new work secured and backlog balances. • Cost management measures implemented following the onset of the pandemic cushioned the impact on construction segment margins. • Public sector activity has increased, with projects continuing to be brought to market, reflected by wins in the Australian business and in a preferred position on $3.7 billion in new projects, including several social infrastructure projects.

Government wage programs

In several countries, governments have established wage programs with the aim of keeping people in employment through the pandemic. The Group did not participate in any programs in the period.

Outlook

The Group expects some disruption caused by COVID in future periods. The possibility of further variants of the virus impacting employees, clients, customers, and supply chains in the markets that the Group operates remain likely. While the Group believes that it has captured the current disruptions in the return guidance that has been provided, this will remain subject to the potential ongoing risks associated with COVID.

1. Represents total rental assistance in HY22 across Lendlease managed assets.

Investments performance

The Investments segment delivered EBITDA of $141 million, up 17 per cent[1], driven by a solid recovery in investment income. The segment generated a Return on Invested Capital of 5.9 per cent.

Management EBITDA, derived from funds and asset management activities across the Group's Investments platform, was $59 million, down from $71 million[1]. Earnings from funds management activities have been reported separately to asset management activities.

Funds management EBITDA of $40 million was down from $48 million[1]. Revenue remained steady at $79 million with higher base fees from continued fund growth offset by lower performance and other fees. Higher expenses were driven by investment in resourcing to support the $6 billion in initiatives to underpin our growing platform, including the launch of new products, along with the temporary cost savings in HY21 rolling off.

Asset management EBITDA of $19 million was down from $23 million[1]. Residential earnings were steady with a small loss in commercial earnings. Higher expenses, as they normalised, more than offset a recovery in retail asset management fees which continue to be impacted by COVID.

Investment portfolio EBITDA was $82 million, up from $50 million[1], reflecting a recovery in underlying investment income and an improved operating performance from the Retirement Living business. This equates to an annualised investment yield of approximately 4.5 per cent across the portfolio. Core operating earnings exclude $68 million of revaluations in the period.

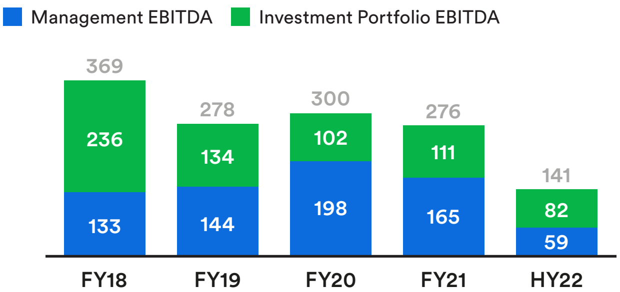
The trading performance of the Retirement Living business continued to recover, reflecting the strength of the established housing market. There was a solid rise in resales coupled with price growth, while new unit sales were steady.

The Group's investment portfolio is valued at $3.8 billion, up from $3.5 billion in FY21, with the acquisition of an industrial portfolio, in joint venture with Morgan Stanley Real Estate Investing, the largest contributor. The investment portfolio is well diversified, with exposure across the retirement, office, retail, residential and industrial sectors.

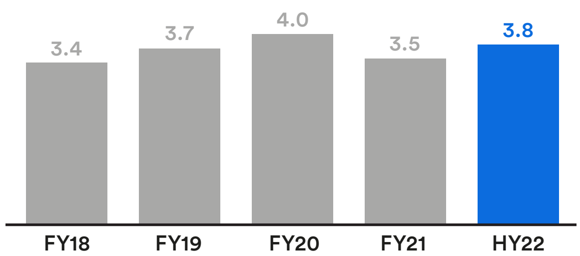
Key Financials and Operational metrics

	HY21	HY22
Management EBITDA[2] ($m)	71	59
Investment Portfolio EBITDA[3] ($m)	50	82
Operating EBITDA[3] ($m)	121	141
Operating Profit after Tax ($m)	96	111
Invested Capital[4] ($b)	3.6	3.9

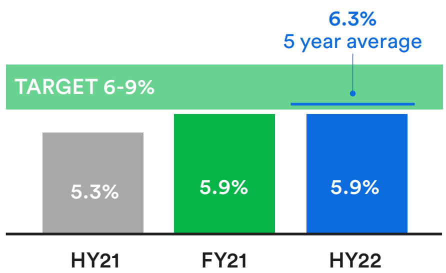
EBITDA ($m)



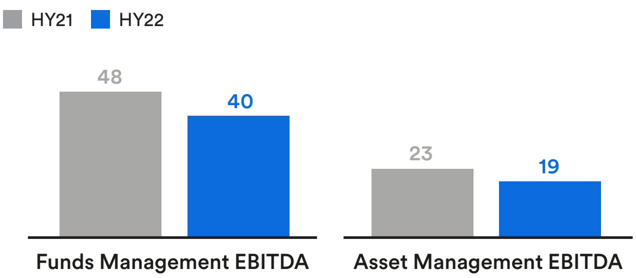
Investment Portfolio[5] ($b)



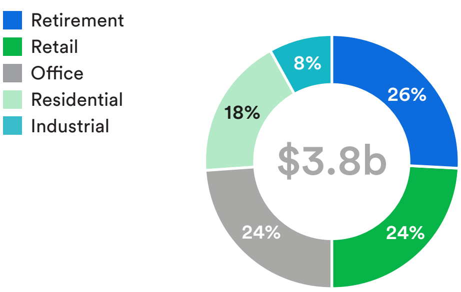
Return on Invested Capital



Management EBITDA by Activity ($m)



Investment Portfolio[5] by Sector ($b)



1. Comparative period the half year ended 31 December 2020. **2.** Earnings primarily derived from the investment management platform and the management of US residential housing operations. **3.** Returns excluding non-cash backed property related revaluation movements of Investment Property, Other Financial Assets, and Equity Accounted Investments in the Investments segment. **4.** Securityholder equity plus gross debt less cash on balance sheet. Comparative value is closing FY21 balance. **5.** The Group's assessment of market value of ownership interests.

Investments outlook

The Return on Invested Capital for the Investments segment is expected to be in the range of 7.5-8.5 per cent for FY22, above the previously anticipated range for FY22 of 5-8 per cent, primarily due to a financial partner acquiring part of the future asset management income stream from the US Military Housing portfolio. This is expected to contribute approximately $110 million to NPAT in H2 FY22. Funds under management, assets under management and the investment portfolio are the key operating metrics that drive performance.

Growth in funds under management of 11 per cent[1] was underpinned by a new office mandate and industrial acquisitions, an office partnership at International Quarter London and acquisitions across the Australian Funds Management platform. In addition to the current funds under management, there is approximately $3.6 billion of potential FUM based on development projects currently in delivery via managed funds or mandates. This forms part of more than $11 billion of new investment partnerships since the beginning of FY21.

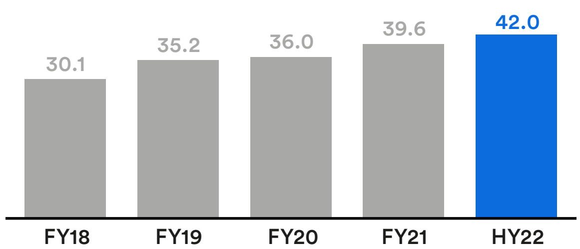
The Group's urban development pipeline is expected to continue to provide a key source of future growth for the Investments platform. The existing urban development pipeline includes approximately $60 billion of institutional investment grade product across commercial and residential for rent assets.

Assets under management were stable at $28.8 billion with divestments offset by modest valuation and foreign exchange rate benefits.

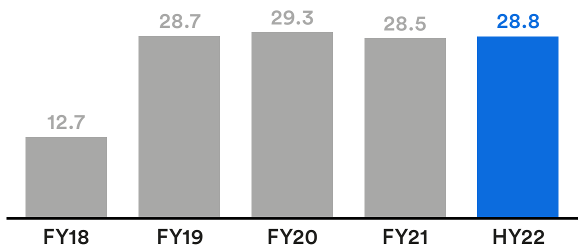
The Group's investment portfolio of $3.8 billion includes $1.0 billion in retirement, $0.9 billion in each of office and retail assets, $0.7 billion in residential, with the remainder in industrial. The Group continues to assess redeployment opportunities within the Investments segment and is considering the divestment of a further 25 per cent interest in the Retirement Living business.

The Group's strategy is to significantly grow its investment portfolio over time. Growth is expected to include retaining a larger proportion of completed assets from the development pipeline and investing alongside partners through the launch of new products. Key initiatives progressed include the launch of a value add diversified fund; a partnership to develop the office precinct at International Quarter London; and the acquisition of an industrial portfolio.

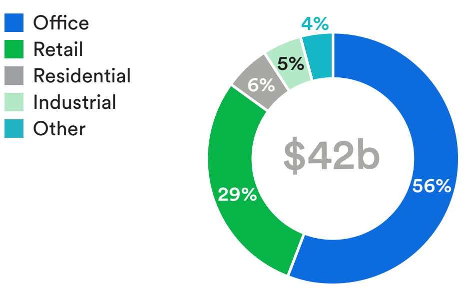
Funds Under Management[2] ($b)



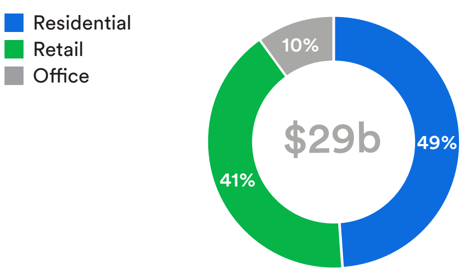
Assets Under Management[2,3] ($b)



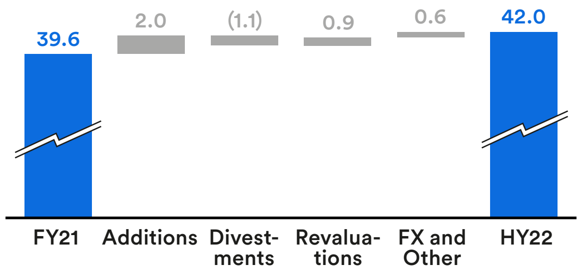
Funds Under Management[2] by Sector ($b)



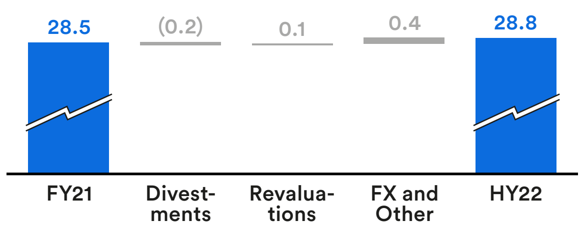
Assets Under Management[2] by Sector ($b)



Funds Under Management[2] roll forward ($b)



Assets Under Management[2] roll forward ($b)



1. Comparative period the half year ended 31 December 2020. **2.** The Group's assessment of market value. **3.** Assets Under Management excludes US residential housing for FY18.

Development performance

The Development segment delivered EBITDA of $39 million, down significantly from $244 million[1]. The weak operating performance was reflected in a deterioration in returns with the Return on Invested Capital of 0.6 per cent well below target range. This is expected to be the low point for profitability and activity with both set to recover from the second half of FY22.

Origination fees following financial close on the North East Link Public Private Partnership contributed to EBITDA. The other key contributor to the result was the achievement of leasing and construction delivery milestones at Sydney Place.

There were $1.5 billion of commencements in the period, including office buildings at International Quarter London and North Sydney. These buildings will contribute to future funds under management.

These two office buildings accounted for two thirds of commencements with the remaining third from the Australian Communities business. Sales of 1,522 lots were up strongly from 800[1].

The $0.2 billion of completions in the period came entirely from the Communities business.

The EBITDA contribution from Communities has been separately disclosed. Communities recorded a small EBITDA loss of $6 million, down from a profit of $29 million[1]. Settlements of 504 lots is expected to be the trough.

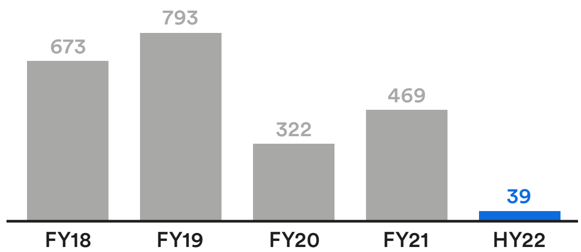
Progress continues to be made on converting the development pipeline which should facilitate an acceleration of commencements. Planning milestones were achieved across a range of projects, some of which are expected to commence in the second half.

Invested capital rose from $4.4 billion to $5.0 billion as development expenditure accelerates ahead of higher completions. Key projects utilising additional capital include: Sydney Place; One Sydney Harbour; The Exchange TRX and Ardor Gardens. The rise in invested capital includes a $0.3 billion reduction related to the impairment of development projects.

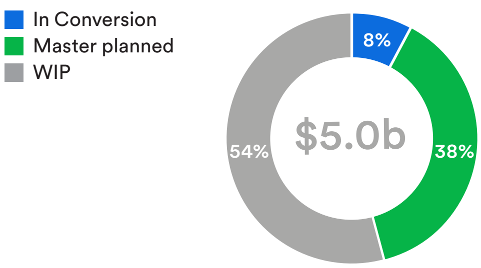
Key Financials and Operational metrics

	HY21	HY22
Operating EBITDA ($m)	**244**	**39**
Operating Profit after Tax ($m)	**177**	**13**
Invested Capital[3,4] ($b)	**4.4**	**5.0**
Completions[5] ($b)	**1.8**	**0.2**
Work in Progress[2,3] ($b)	**14.5**	**16.1**
Pipeline[3] ($b)	**113.6**	**111.8**

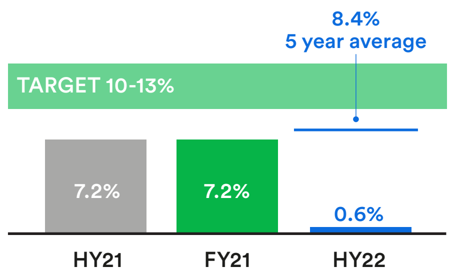
EBITDA ($m)



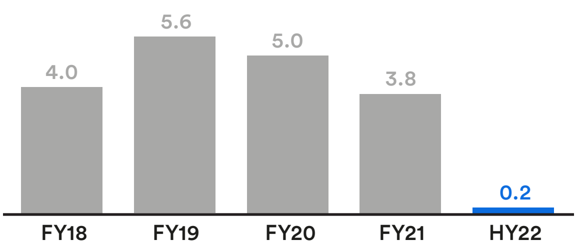
Invested Capital by stage[4] ($b)



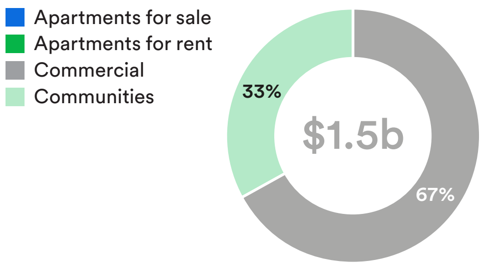
Return on Invested Capital



Completions[5] ($b)



HY22 Commencements by product ($b)



1. Comparative period the half year ended 31 December 2020. **2.** Represents the end value of buildings in delivery (representing 100% of project value). **3.** Comparative value is closing FY21 balance. **4.** Securityholder equity plus gross debt less cash on balance sheet. **5.** Project end value on product completed during a financial period (representing 100% of project value).

Development outlook

The Return on Invested Capital for the Development segment is expected to be in the range of 2-4 per cent for FY22, compared with the previously anticipated range for FY22 of 2-5 per cent. Second half completions are expected to accelerate to approximately $2 billion based on projects currently in delivery.

Near term COVID induced challenges are likely to persist. This will have implications for both activity and profitability of the Development segment over the next two years. In addition, a revision to our structuring approach will mean that profit recognition on projects commenced with investment partners will be more closely aligned with the achievement of key delivery milestones and project cash flow outcomes in future periods. This will result in a transition phase where profitability is subdued in the short term.

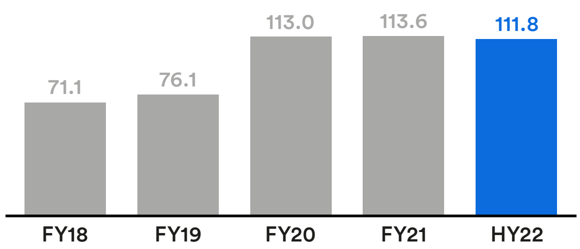
The size of the development pipeline, as well as its diversity by gateway city and product type, provides scope for a material acceleration in development activity. The completion target of greater than $8 billion of product per annum, along with the Return on Invested Capital target of 10 to 13 per cent, is expected to be met by FY24.

The development pipeline was steady on the prior year at $112 billion. Work in progress, the lead indicator for future completions, is $16.1 billion. Approximately $5 billion of the development pipeline has moved from the conversion phase into master planned or work in progress.

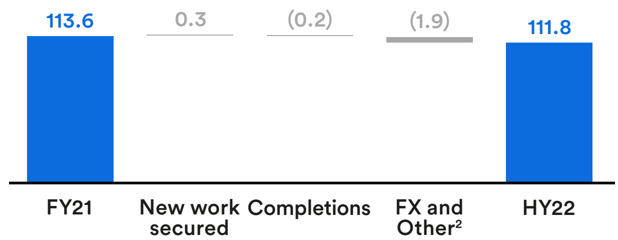
More than $4.0 billion of work is expected to commence in H2 FY22, subject to market conditions and planning approvals. Similarly, more than $8 billion of work is expected to commence in each of FY23 and FY24.

The Australian Communities business is showing signs of a strong recovery. Sales have almost doubled from the prior corresponding period. This is expected to translate into significantly improved settlement volumes in H2 FY22 with a move back into the target range of 3,000 to 4,000 in FY23.

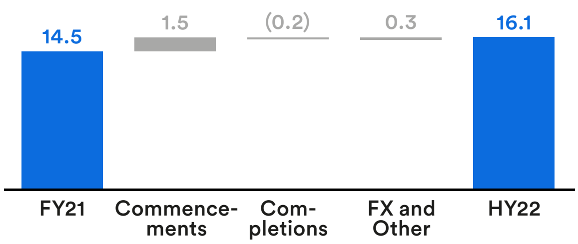
Pipeline[1] ($b)



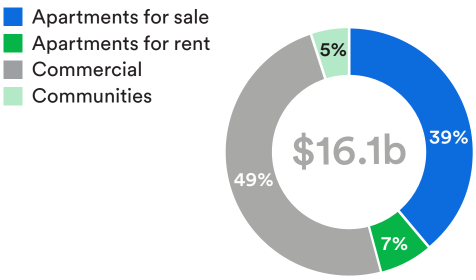
Pipeline[1] roll forward ($b)



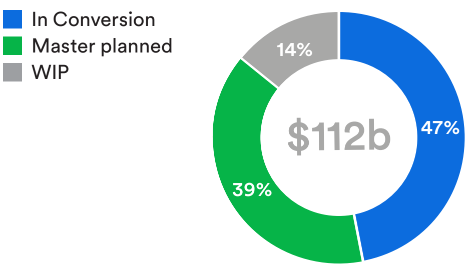
Work in Progress[3] roll forward ($b)



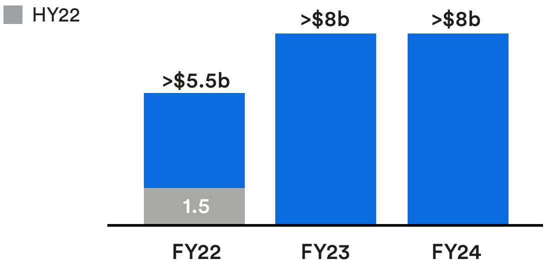
Work in Progress by Product[3] ($b)



Pipeline[1] by stage ($b)



Indicative commencements[4] ($b)



1. Total estimated project revenue of all Development work secured (representing 100% of project value). **2.** Includes Pipeline reduction for projects impaired in the period, $4.7b. **3.** End value of Development Pipeline in delivery as at period end (representing 100% of project value). **4.** Subject to changes in delivery program.

Construction performance

The Construction segment delivered a solid result, notwithstanding significant COVID disruptions. EBITDA of $84 million was down from $104 million[1].

Revenue of $3.2 billion was down 6 per cent[1]. This was driven by a 28 per cent decline in the Americas as COVID continued to impact the volume of new work secured and delay the commencement of projects. Australia, Asia and Europe, while still navigating COVID related impacts, most notably site productivity, each generated higher revenue.

The EBITDA margin of 2.6 per cent, while down from 3 per cent[1], remains within our target range of 2-3 per cent. Margin pressure was driven by lower productivity across projects, compared with some temporary cost reduction measures and project completions that boosted margins in the first half of FY21.

New work secured of $2.4 billion was down significantly from $4.6 billion with the larger Australian and Americas businesses both enduring weak periods. In Australia, new work secured of $1.6 billion was underpinned by the Powerhouse Museum Parramatta and two health related social infrastructure projects.

New work secured of $0.5 billion in the Americas was significantly below historical averages, reflecting subdued activity in the key markets, including some delays in projects being brought to market.

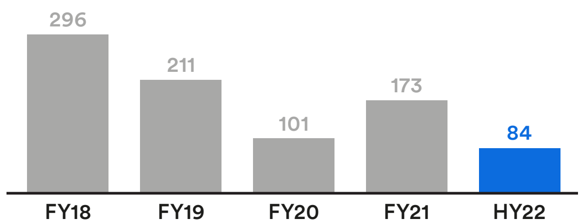
The business is preferred for $3.7 billion in new projects, including a number of social infrastructure projects in Australia and the Americas.

Extensive sector expertise and geographic diversity has been critical for the business to navigate through a difficult operating environment. The Group is closely monitoring supply chain pressures to gauge the extent to which transitory impacts become more permanent. To date, the Group has adequately covered for these constraints and price pressures.

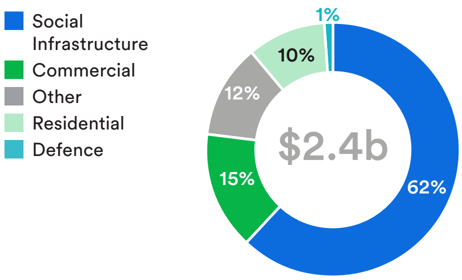
Key Financials and Operational metrics

	HY21	HY22
Revenue ($m)	3,440	3,239
Operating EBITDA ($m)	104	84
Operating Profit after Tax ($m)	59	54
New Work Secured ($b)[2]	4.6	2.4
Backlog ($b)[2,3]	11.3	10.9

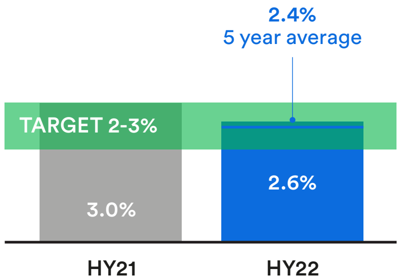
EBITDA ($m)



New Work Secured by Sector[2]



EBITDA Margin



1. Comparative period the half year ended 31 December 2020. **2.** Construction revenue to be earned in future periods (excludes internal projects). **3.** Comparative value is closing FY21 balance.

Construction outlook

The expected EBITDA margin for the Construction segment continues to be in the range of 2-3 per cent for FY22, although the outlook remains subject to the potential ongoing disruption risk from COVID. Backlog revenue remains solid at $10.9 billion.

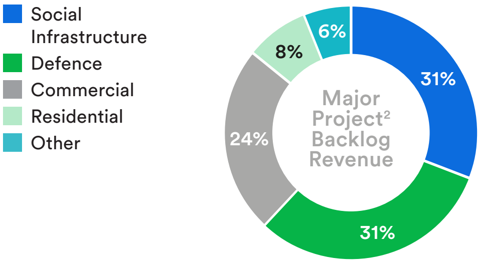
The backlog remains diversified by client type, sector and geography. Public sector projects have become more important for the business in recent periods and now account for two thirds of the backlog. Three sectors account for most of the backlog with a relatively even spread between the commercial, social infrastructure and the defence sectors.

Australia has a strong workbook, with $6.6 billion in backlog revenue. Key projects include several defence projects, Powerhouse Museum Parramatta, Tweed Valley Hospital, Liverpool Health and Academic Precinct and the North and South Towers of the Over Station Development at the Sydney Metro Martin Place Integrated Station Development.

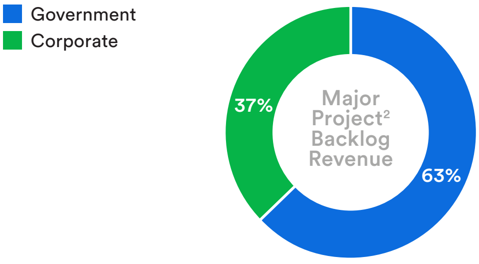
The established Construction business in the Americas has good market share in its target cities and sectors with external backlog revenue of $3.2 billion. Subdued recent new work secured has resulted in only a marginal increase in backlog.

Backlog revenue in Europe is $0.9 billion. In Asia, backlog revenue is modest relative to other regions with a focus on niche sectors such as pharmaceutical.

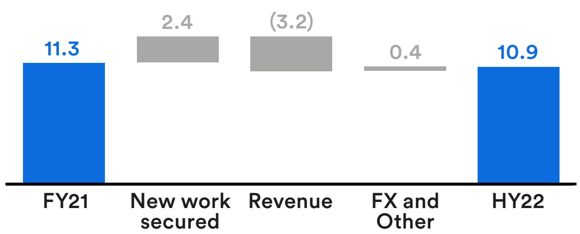
Backlog by Sector[1]



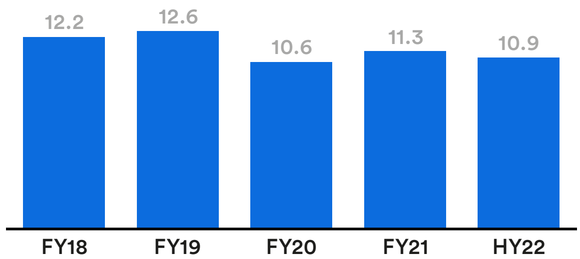
Backlog by Client[1]



Backlog roll forward[1] ($b)



Backlog[1] ($b)



1. Construction revenue to be earned in future periods (excludes internal projects). **2.** Includes all Construction projects with backlog greater than $100 million, which represents 90 per cent ($9.9 billion) of secured backlog.

Financial position and cash flow movements

Financial Position

	FY21 $m	HY22 $m	Var.
Investment assets			
Other financial assets	1,070	1,115	4%
Equity accounted investments	2,162	2,402	11%
Investment properties	278	283	2%
Development assets			
Inventories	3,298	3,022	(8%)
Equity accounted investments	1,595	1,946	22%
Investment properties	189	258	37%
Other assets and liabilities (including financial)			
Cash and cash equivalents	1,662	842	(49%)
Borrowing and financing arrangements	(2,357)	(2,538)	8%
Other net assets and liabilities	(946)	(651)	(31%)
Net assets	**6,951**	**6,679**	**(4%)**

Investment Assets

Growth in investment assets includes equity contributions on the new Industrial Fund, strong earnings in the Retirement Living business and valuation uplifts across the Group's investment portfolio.

Development Assets

Inventory decreased by 8 per cent including the impact of the impairment expense following the Development portfolio review and the formation of the new investment partnership at International Quarter London which resulted in a reclassification to Equity Accounted Investments

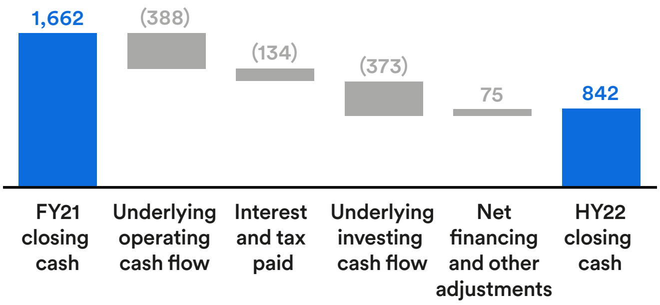
Equity contributions to development projects in delivery, including One Sydney Harbour, The Exchange TRX, and Milano Santa Giulia have also contributed to the 22 per cent increase in Equity Accounted Investment assets. The increase in Investment Properties includes capital expenditure on our Retirement Living assets in Asia.

Other assets and liabilities

The movement in other net assets and liabilities includes reduced trade and other payables, the settlement of deferred land payments and the disposal of the Services business.

Financial position and cash flow movements continued

Cash movements ($m)



Operating and investing cash flow

The Group measures underlying cash flow to enable an assessment of cash conversion. The measures are derived by adjusting statutory cash flows, with the largest adjustment relating to the impact on cash flows from investments in development.

Underlying operating cash outflow was $388 million, reflecting the challenging operating conditions in conjunction with reduced new business activity.

Underlying investing cash outflow was $373 million. The major contributors included an equity contribution to the new Industrial Fund, and continued investment across key Development projects in delivery. Proceeds received from the sale of the Services business partially offset production spend in the period.

Financing cash flow

Net cash inflow from financing activities was $63 million, with other adjustments of $12 million included in the total inflow of $75 million. Group facilities reduced from $5.6b to $4.7b from 30 June 2021 following the sale completion on the Engineering and Services businesses, along with the decision to reduce the quantum of available facilities. The Group remains in a strong financial position with $3.0 billion of liquidity.

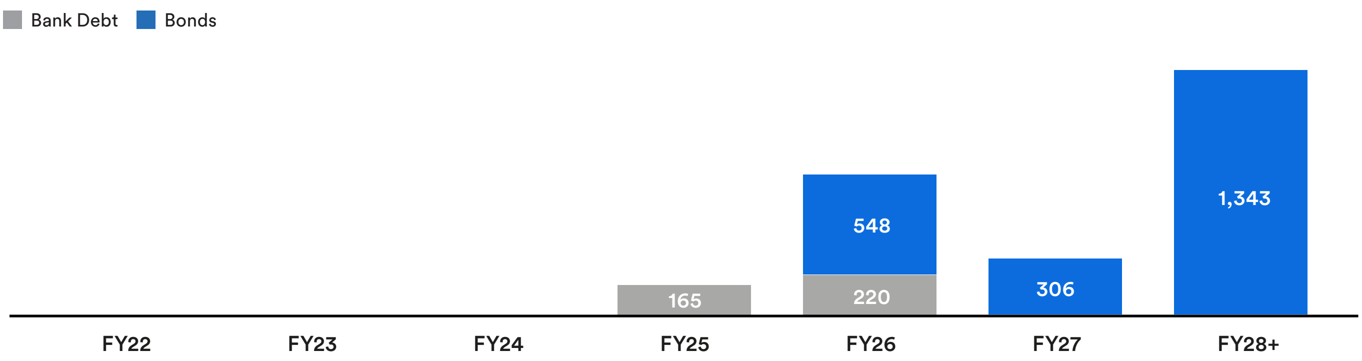
Treasury management

		FY21	HY22	Var.
Net debt	$m	695	1,696	>100%
Gearing[1]	%	5.0	12.0	>100%
Interest cover[2]	times	6.4	2.9	(55%)
Average cost of debt	%	3.6	3.8	6%
Average debt maturity	years	4.9	7.2	47%
Available liquidity	$m	4,930	3,036	(38%)

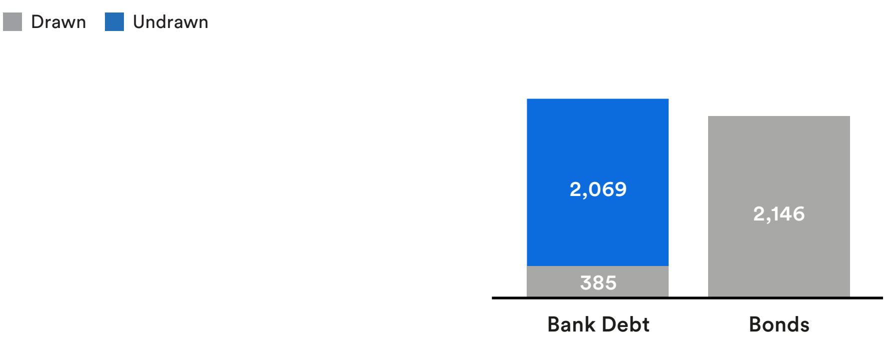
Credit Rating[3]	
Moody's	Baa3 stable outlook
Fitch	BBB- stable outlook

Gearing of 12 per cent is within the target range of 10 to 20 per cent. The Group is in a strong liquidity position with $0.8 billion of cash and cash equivalents and $2.2 billion in available undrawn debt. Average debt maturity increased to 7.2 years providing greater flexibility and access to longer term capital.

Drawn Debt Maturity Profile[4] ($m)



Debt Facilities[5] ($m)



1. Net debt to total tangible assets, less cash. **2.** HY22 EBITDA has been adjusted to exclude the Restructure costs incurred. FY21 EBITDA has been adjusted to exclude one off items related to the Engineering business. **3.** Credit ratings have been issued by a credit rating agency which holds an Australian Financial Services Licence with an authorisation to issue credit ratings to wholesale clients only and are for the benefit of the Group's debt providers. **4.** Values are shown at gross facility value. **5.** Values are shown at amortised cost.

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

A P Lombardo
Global Chief Executive Officer

Sydney, 21 February 2022

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 of Lendlease Corporation Limited for the half-year ended 31 December 2021 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

Eileen Hoggett

Eileen Hoggett

Partner

Sydney

21 February 2022

Financial Statements

Sydney:
Sydney Place,
George Street Plaza
Artist's impression

Consolidated Financial Statements

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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 2021 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 investments 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 21 February 2022.

Consolidated Financial Statements

Income Statement

Half Year Ended 31 December 2021

		Note	6 months December 2021 $m	6 months December 2020[1] $m
Revenue from contracts with customers		4	4,148	4,524
Other revenue			70	62
Cost of sales			(3,849)	(4,155)
Gross profit			**369**	**431**
Share of profit of equity accounted investments		6	105	18
Other income		5	67	211
Other expenses			(863)	(359)
Results from operating activities from continuing operations			**(322)**	**301**
Finance revenue		8	3	6
Finance costs		8	(71)	(73)
Net finance costs			**(68)**	**(67)**
(Loss)/profit before tax from continuing operations			**(390)**	**234**
Income tax benefit/(expense) from continuing operations		9	106	(48)
(Loss)/profit after tax from continuing operations			**(284)**	**186**
Profit after tax from discontinued operations		22	20	10
(Loss)/profit after tax			**(264)**	**196**
(Loss)/profit after tax attributable to:				
Members of Lendlease Corporation Limited			(335)	171
Unitholders of Lendlease Trust			71	25
(Loss)/profit after tax attributable to securityholders			**(264)**	**196**
External non controlling interests			-	-
(Loss)/profit after tax			**(264)**	**196**
Basic/Diluted Earnings per Lendlease Group Stapled Security (EPSS) from Continuing Operations				
Securities excluding treasury securities	(cents)	22	(41.6)	27.2
Securities on issue	(cents)	22	(41.2)	27.0
Basic/Diluted Earnings per Lendlease Group Stapled Security (EPSS)				
Securities excluding treasury securities	(cents)	3	(38.7)	28.7
Securities on issue	(cents)	3	(38.3)	28.5

1. December 2020 results have been re-presented for discontinued operations during the period. Refer to Note 22 ‘Discontinued Operations’ for further detail.

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statement of Comprehensive Income

Half Year Ended 31 December 2021

	6 months December 2021 $m	6 months December 2020[2] $m
(Loss)/profit after Tax	**(264)**	**196**
Other Comprehensive Income/(Loss) after Tax		
Items that may be reclassified subsequently to profit or loss:		
Movements in hedging reserve	9	(2)
Movements in foreign currency translation reserve	37	(141)
Total items that may be reclassified subsequently to profit or loss[1]	**46**	**(143)**
Items that will not be reclassified to profit or loss:		
Movements in non controlling interest acquisition reserve	(2)	8
Movements in defined benefit plans remeasurements	35	16
Total items that will not be reclassified to profit or loss	**33**	**24**
Total comprehensive (loss)/income after tax	**(185)**	**77**
Total comprehensive (loss)/income after tax from continuing operations attributable to:		
Members of Lendlease Corporation Limited	(279)	54
Unitholders of Lendlease Trust	74	15
Total comprehensive income after tax from discontinued operations attributable to:		
Members of Lendlease Corporation Limited	20	10
Total comprehensive (loss)/income after tax attributable to securityholders	**(185)**	**79**
External non controlling interests	-	(2)
Total comprehensive (loss)/income after tax	**(185)**	**77**

1. Includes Other comprehensive income of $47 million (December 2020: Other comprehensive loss of $112 million) relating to share of other comprehensive income on equity accounted investments.
2. December 2020 results have been re-presented for discontinued operations during the period. Refer to Note 22 'Discontinued Operations' for further detail.

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statement of Financial Position

As at 31 December 2021

	Note	December 2021 $m	June 2021 $m
Current Assets			
Cash and cash equivalents	19	842	1,662
Loans and receivables	16	1,703	1,741
Inventories	11	1,254	1,469
Other financial assets	13	14	7
Current tax assets		52	9
Other assets		114	62
Total current assets		**3,979**	**4,950**
Non Current Assets			
Loans and receivables	16	1,804	1,871
Inventories	11	2,389	2,404
Equity accounted investments	12	4,351	3,758
Investment properties		541	467
Other financial assets	13	1,132	1,080
Deferred tax assets		115	115
Property, plant and equipment		292	594
Intangible assets		1,305	1,456
Defined benefit plan asset		284	243
Other assets		54	62
Total non current assets		**12,267**	**12,050**
Total assets		**16,246**	**17,000**
Current Liabilities			
Trade and other payables	17	4,171	4,839
Provisions	18	604	575
Borrowings and financing arrangements	14a	-	555
Other financial liabilities		8	14
Total current liabilities		**4,783**	**5,983**
Non Current Liabilities			
Trade and other payables	17	1,851	1,760
Provisions	18	74	80
Borrowings and financing arrangements	14a	2,538	1,802
Other financial liabilities		40	23
Deferred tax liabilities		281	401
Total non current liabilities		**4,784**	**4,066**
Total liabilities		**9,567**	**10,049**
Net assets		**6,679**	**6,951**
Equity			
Issued capital	15	1,890	1,888
Treasury securities		(81)	(79)
Reserves		46	3
Retained earnings		2,972	3,327
Total equity attributable to members of Lendlease Corporation Limited		**4,827**	**5,139**
Total equity attributable to unitholders of Lendlease Trust		1,827	1,788
Total equity attributable to securityholders		**6,654**	**6,927**
External non controlling interests		25	24
Total equity		**6,679**	**6,951**

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statement of Changes in Equity

Half Year Ended 31 December 2021

	Issued Capital $m	Treasury Securities[2] $m	Reserves[3] $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 2020	**1,889**	**(68)**	**65**	**3,265**	**5,151**	**1,756**	**25**	**6,932**
Total Comprehensive Income								
Profit for the period	-	-	-	171	171	25	-	196
Other Comprehensive Income (Net of tax)	-	-	(123)	16	(107)	(10)	(2)	(119)
Total Comprehensive Income	**-**	**-**	**(123)**	**187**	**64**	**15**	**(2)**	**77**
Transactions with Owners of the Company								
Distribution reinvestment plan (DRP)	1	-	-	-	1	-	-	1
Dividends and distributions	-	-	-	-	-	(26)	-	(26)
Treasury securities acquired	-	(36)	-	-	(36)	-	-	(36)
Treasury securities vested	-	35	-	-	35	-	-	35
Fair value movement on allocation and vesting of securities	-	-	(5)	-	(5)	-	-	(5)
Transfer as a result of asset disposal[1]	-	-	(5)	-	(5)	-	-	(5)
Other movements	-	-	3	-	3	-	-	3
Total other movements through reserves	**1**	**(1)**	**(7)**	**-**	**(7)**	**(26)**	**-**	**(33)**
Balance as at 31 December 2020	**1,890**	**(69)**	**(65)**	**3,452**	**5,208**	**1,745**	**23**	**6,976**
Balance as at 1 July 2021	**1,888**	**(79)**	**3**	**3,327**	**5,139**	**1,788**	**24**	**6,951**
Total Comprehensive Income								
Profit for the period	-	-	-	(335)	(335)	71	-	(264)
Other Comprehensive Income (Net of tax)	-	-	41	35	76	3	-	79
Total Comprehensive Income	**-**	**-**	**41**	**(300)**	**(259)**	**74**	**-**	**(185)**
Transactions with Owners of the Company								
Capital contributed by non controlling interest	-	-	-	-	-	-	1	1
Distribution reinvestment plan (DRP)	2	-	-		2	1	-	3
Dividends and distributions	-	-	-	(55)	(55)	(35)	-	(90)
Treasury securities acquired	-	(23)	-	-	(23)	-	-	(23)
Treasury securities vested	-	21	-	-	21	-	-	21
Fair value movement on allocation and vesting of securities	-	-	4	-	4	-	-	4
Transfer as a result of asset disposal[1]	-	-	(2)	-	(2)	-	-	(2)
Other movements	-	-	-	-	-	(1)	-	(1)
Total other movements through reserves	**2**	**(2)**	**2**	**(55)**	**(53)**	**(35)**	**1**	**(87)**
Balance as at 31 December 2021	**1,890**	**(81)**	**46**	**2,972**	**4,827**	**1,827**	**25**	**6,679**

1. These movements in reserves were transferred to profit and loss in the year.
2. Opening balance for number of treasury securities at 1 July 2021 was 6 million (1 July 2020: 4 million) and closing balance at 31 December 2021 was 6 million (31 December 2020: 5 million).
3. Balance and movement in reserves are presented on a combined basis for the half year ended 31 December 2021 and 31 December 2020.

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statement of Cash Flows

Half Year Ended 31 December 2021

	Note	6 months December 2021[1] $m	6 months December 2020[1] $m
Cash Flows from Operating Activities			
Cash receipts in the course of operations		4,668	5,104
Cash payments in the course of operations		(5,536)	(5,534)
Interest received		2	5
Interest paid in relation to other corporations		(87)	(80)
Interest in relation to lease liabilities		(9)	(10)
Dividends/distributions received		55	33
Income tax paid in respect of operations		(40)	(57)
Net cash used in operating activities		**(947)**	**(539)**
Cash Flows from Investing Activities			
Sale/redemption of investments		40	111
Acquisition of investments		(349)	(161)
Acquisition of/capital expenditure on investment properties		(32)	(70)
Net loan drawdowns from associates and joint ventures		(3)	(7)
Disposal/acquisition of consolidated entities (net of cash disposed/acquired and transaction costs)		369	(320)
Disposal of property, plant and equipment		66	2
Acquisition of property, plant and equipment		(3)	(22)
Acquisition of intangible assets		(36)	(32)
Net cash provided by/(used in) investing activities		**52**	**(499)**
Cash Flows from Financing Activities			
Proceeds from borrowings		1,552	2,128
Repayment of borrowings		(1,379)	(1,708)
Dividends/distributions paid		(80)	(21)
Increase in capital of non controlling interests		2	1
Repayment of lease liabilities		(32)	(34)
Net cash provided by financing activities		**63**	**366**
Other Cash Flow Items			
Effect of foreign exchange rate movements on cash and cash equivalents		12	9
Net decrease in cash and cash equivalents		**(820)**	**(663)**
Cash and cash equivalents at beginning of financial period	19	1,662	1,562
Cash and cash equivalents at end of financial period	**19**	**842**	**899**

1. Balances include cash flows relating to both continuing and discontinued operations. Net cash flows relating to discontinued operations have been disclosed in Note 22 'Discontinued Operations'.

The accompanying notes form part of these consolidated financial statements.

Notes to Consolidated Financial Statements

Basis of Preparation

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

- Has been prepared in accordance with AASB 134 *Interim Financial Reporting* (AASB 134) 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 2021 annual consolidated financial report and any public announcements made 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 million dollars unless otherwise indicated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191
- Has re-presented comparative financial information in the Income Statement, Statement of Comprehensive Income and related Notes for discontinued operations during the period. The comparative information in the Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and related Notes have not been re-presented. Refer to Note 22 'Discontinued Operations' for further details
- 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 2021 annual consolidated financial report
- These significant accounting estimates and judgements have been considered in the context of the COVID pandemic and the impact of the current economic conditions.

At 31 December 2021, the Group is in a net current deficit (current liabilities exceeds current assets) but does not anticipate a significant liquidity risk in the next 12 months. This is due to the Group's strong financial profile, which includes significant committed undrawn facilities and low gearing ratios.

The financial statements are prepared on a going concern basis. In preparing the financial statements, including assessing the going concern basis of accounting, the Group has considered the COVID pandemic.

The Group has:

- $2,193 million in undrawn facilities. See Note 14 'Borrowings and Financing Arrangements'
- $842 million in cash and cash equivalents. See Note 19 'Cash and Cash Equivalents'.

Following this assessment, the Group is well placed to manage its financing and future commitments over the next 12 months from the date of the financial statements.

Impact of New and Revised Accounting Standards

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 2026 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.

Notes to Consolidated Financial Statements continued

Section A: Performance

In addition to the statutory result, Operating Earnings before Interest, Tax, Depreciation and Amortisation (Operating EBITDA) and Operating Profit after Tax (Operating PAT) are the key measures used to assess the Group's performance. This section of the Financial Report focuses on disclosure that enhances a user's understanding of Operating EBITDA and Operating 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 and Outlook section of the Directors' Report.

1. Segment Reporting

Accounting Policies

The Group's segments are Investment, Development, Construction and Non core. The Group has identified these operating segments based on the distinct products and services provided by each segment, the distinct target return profile and allocation of resources for each segment, and internal reports that are reviewed and used by the Global 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 presented the segments around business activity due to the Group's business model being broadly consistent in all regions. Additional disclosure has also been included for Operating EBITDA, Operating PAT and Statutory Profit by region.

The Group reports Operating EBITDA and Operating PAT as its primary earnings metrics, in addition to the statutory result. Operating PAT is defined as Statutory profit adjusted for non-cash backed property related revaluation increases or decreases of Investment property, Other financial assets and Equity accounted investments that are classified in the Investments segment, and other non-cash adjustments or non-trading items such as impairment losses relating to goodwill and other intangibles and non-trading items such as restructuring costs. Operating EBITDA is before Interest, Tax, Depreciation and Amortisation. Operating EBITDA and Operating PAT includes revaluation increases or decreases of Investment properties under construction that are classified in the Development segment.

The Chief Operating Decision Maker receives information and assesses segment performance under these metrics. Operating EBITDA and Operating PAT are 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:

Investments

Operates across all four geographic regions. Services include owning and/or managing investments across all four geographic regions. The segment includes an investment management platform and the Group's ownership interests in residential, office, retail, industrial, retirement and infrastructure investment assets.

Development

Operates in all four geographic regions. Its products and services include the development of inner city mixed use developments, apartments, communities, retirement, retail, commercial assets and social and economic infrastructure. Construction margin earned on development projects is recognised in this segment.

Construction

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

Non core

Non core includes the provision of project management, design and construction services in the Australian economic infrastructure sector. These products and services represent the retained Engineering and retained Services projects. The discontinued operations referenced throughout the financial statements are included in this segment. Discontinued operations represent the Services business sold during the period and the Engineering business sold in the prior period, excluding the projects retained by the Group. Refer to Note 22 'Discontinued Operations' for further detail.

Notes to Consolidated Financial Statements continued

Section A: Performance continued

1. Segment Reporting continued

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

		6 MONTHS TO DECEMBER 2021							
		SEGMENTS							
	Note	Investments	Development[2]	Construction	Total Core Segments	Non Core	Total Segments	Corporate Activities	Total Group
Operating EBITDA		**141**	**39**	**84**	**264**	**3**	**267**	**(101)**	**166**
Reconciling Items									
Net interest expense		-	(1)	(2)	**(3)**	-	**(3)**	(65)	**(68)**
Depreciation and amortisation		(5)	(6)	(16)	**(27)**	(13)	**(40)**	(47)	**(87)**
Operating profit/(loss) before tax[1]		**136**	**32**	**66**	**234**	**(10)**	**224**	**(213)**	**11**
Operating income tax (expense)/ benefit		(25)	(19)	(12)	**(56)**	(3)	**(59)**	63	**4**
Operating profit/(loss) after tax		**111**	**13**	**54**	**178**	**(13)**	**165**	**(150)**	**15**
Investments segment revaluations (pre-tax):									
Investment properties revaluations	5	4	-	-	**4**	-	**4**	-	**4**
Financial assets revaluations	5	35	-	-	**35**	-	**35**	-	**35**
Equity accounted investments revaluations	6	29	-	-	**29**	-	**29**	-	**29**
Restructuring costs (pre-tax):									
Development impairments	7	-	(299)	-	**(299)**	-	**(299)**	-	**(299)**
Tenancy impairments	7	-	-	-	**-**	(25)	**(25)**	(95)	**(120)**
Redundancy costs	7	-	-	-	**-**	-	**-**	(29)	**(29)**
Total adjustments[1]		**68**	**(299)**	**-**	**(231)**	**(25)**	**(256)**	**(124)**	**(380)**
Income tax benefit/(expense) on adjustments		(11)	68	-	**57**	8	**65**	36	**101**
Statutory (loss)/profit after tax		**168**	**(218)**	**54**	**4**	**(30)**	**(26)**	**(238)**	**(264)**

		6 MONTHS TO DECEMBER 2020							
		SEGMENTS							
	Note	Investments	Development[2]	Construction	Total Core Segments	Non Core	Total Segments	Corporate Activities	Total Group
Operating EBITDA		**121**	**244**	**104**	**469**	**24**	**493**	**(64)**	**429**
Reconciling Items									
Net interest (expense)/revenue		(1)	2	(2)	**(1)**	-	**(1)**	(66)	**(67)**
Depreciation and amortisation		(6)	(6)	(18)	**(30)**	(31)	**(61)**	(45)	**(106)**
Operating profit/(loss) before tax[1]		**114**	**240**	**84**	**438**	**(7)**	**431**	**(175)**	**256**
Operating income tax (expense)/ benefit		(18)	(63)	(25)	**(106)**	5	**(101)**	48	**(53)**
Operating profit/(loss) after tax		**96**	**177**	**59**	**332**	**(2)**	**330**	**(127)**	**203**
Investments segment revaluations (pre-tax):									
Investment properties revaluations	5	-	-	-	**-**	-	**-**	-	**-**
Financial assets revaluations	5	5	-	-	**5**	-	**5**	-	**5**
Equity accounted investments revaluations	6	(16)	-	-	**(16)**	-	**(16)**	-	**(16)**
Total adjustments[1]		**(11)**	**-**	**-**	**(11)**	**-**	**(11)**	**-**	**(11)**
Income tax benefit on adjustments		4	-	-	**4**	-	**4**	-	**4**
Statutory profit/(loss) after tax		**89**	**177**	**59**	**325**	**(2)**	**323**	**(127)**	**196**

1. Operating profit before tax of $11 million (December 2020: profit of $256 million) plus Investment segment revaluations (pre-tax) of $68 million (December 2020: $(11) million) and Restructuring costs (pre-tax) of $(448) million (December 2020: $nil) reconciles to Loss before tax from continuing operations of $(390) million (December 2020: profit of $234 million) as disclosed in the Income Statement and Profit before tax for discontinued operations of $21 million (December 2020: $11 million) as disclosed in Note 22 'Discontinued Operations'. December 2020 results in this footnote have been re-presented for discontinued operations during the period. Refer to Note 22 'Discontinued Operations' for further detail.
2. The Development segment includes $53 million (December 2020: $22 million) of revaluation gains from Equity accounted investments classified as Development.

Notes to Consolidated Financial Statements continued

Section A: Performance continued

1. Segment Reporting continued

The following table provides a reconciliation of Core operating profit after tax to Statutory profit after tax:

	DECEMBER 2021			DECEMBER 2020		
	Segments $m	Corporate Activities $m	**Total Group $m**	Segments $m	Corporate Activities $m	**Total Group $m**
Core operating profit/(loss) after tax	178	(150)	**28**	332	(127)	**205**
Non core operating loss after tax	(13)	-	**(13)**	(2)	-	**(2)**
Total adjustments (pre-tax)	(256)	(124)	**(380)**	(11)	-	**(11)**
Income tax expense on adjustments	65	36	**101**	4	-	**4**
Statutory (loss)/profit after tax	**(26)**	**(238)**	**(264)**	**323**	**(127)**	**196**

The following tables provides a reconciliation of Core operating earnings per stapled security to the Total Group Statutory earnings per stapled security:

		DECEMBER 2021	DECEMBER 2020
	Note	Cents per stapled security	Cents per stapled security
Core operating earnings per stapled security		4.1	29.8
Non core operating earnings per stapled security		(1.9)	(0.3)
Total adjustments (after tax)		(40.5)	(1.0)
Total Group statutory earnings per stapled security	3	**(38.3)**	**28.5**

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

	6 MONTHS TO DECEMBER 2021						DECEMBER 2021	
	Segment Revenue[1] $m	Finance Revenue $m	Finance Expense $m	Share of Results EAI[2] $m	Income Tax $m	Material Non Cash Items[3] $m	Non Current Segment Assets[4] $m	Group Total Assets $m
Core								
Investments	161	-	-	74	(36)	43	2,972	4,302
Development	591	2	(3)	29	49	(299)	5,813	7,268
Construction	3,239	-	(2)	2	(12)	-	1,443	3,578
Total core segments	**3,991**	**2**	**(5)**	**105**	**1**	**(256)**	**10,228**	**15,148**
Non core	564	-	-	-	5	(26)	11	398
Total segments	**4,555**	**2**	**(5)**	**105**	**6**	**(282)**	**10,239**	**15,546**
Corporate activities	17	1	(66)	-	99	(115)	497	700
Total	**4,572**	**3**	**(71)**	**105**	**105**	**(397)**	**10,736**	**16,246**

1. Comprised of Revenue from contracts with customers from continuing operations of $4,148 million (December 2020: $4,524 million), Other revenue from continuing operations of $70 million (December 2020: $62 million), Finance revenue from continuing operations of $3 million (December 2020: $6 million) and Revenue from contracts with customers from discontinued operations of $351 million (December 2020: $627 million). December 2020 results in this footnote have been re-presented for discontinued operations during the period. Refer to Note 22 'Discontinued Operations' for further detail.
2. Equity Accounted Investments.
3. Material Non Cash Items relates to impairments and provisions raised or written back, unrealised foreign exchange movements and fair value gains or losses.
4. Excludes deferred tax assets, financial instruments and defined benefit plan assets.

Notes to Consolidated Financial Statements continued

Section A: Performance continued

1. Segment Reporting continued

	6 MONTHS TO DECEMBER 2020						JUNE 2021	
	Segment Revenue[1] $m	Finance Revenue $m	Finance Expense $m	Share of Results EAI[2] $m	Income Tax $m	Material Non Cash Items[3] $m	Non Current Segment Assets[4] $m	Group Total Assets $m
Core								
Investments	151	-	(1)	(3)	(14)	15	2,737	3,954
Development	766	3	-	14	(63)	36	5,416	6,975
Construction	3,440	-	(2)	7	(25)	(1)	1,509	3,627
Total core segments	**4,357**	**3**	**(3)**	**18**	**(102)**	**50**	**9,662**	**14,556**
Non core	843	-	-	1	5	(12)	273	948
Total segments	**5,200**	**3**	**(3)**	**19**	**(97)**	**38**	**9,935**	**15,504**
Corporate activities	19	3	(70)	-	48	12	677	1,496
Total	**5,219**	**6**	**(73)**	**19**	**(49)**	**50**	**10,612**	**17,000**

1. Comprised of Revenue from contracts with customers from continuing operations of $4,148 million (December 2020: $4,524 million), Other revenue from continuing operations of $70 million (December 2020: $62 million), Finance revenue from continuing operations of $3 million (December 2020: $6 million) and Revenue from contracts with customers from discontinued operations of $351 million (December 2020: $627 million). December 2020 results in this footnote have been re-presented for discontinued operations during the period. Refer to Note 22 'Discontinued Operations' for further detail.
2. Equity Accounted Investments.
3. Material Non Cash Items relates to impairments and provisions raised or written back, unrealised foreign exchange movements and fair value gains or losses.
4. Excludes deferred tax assets, financial instruments and defined benefit plan assets.

The operating segments generate revenue in the following regions.

	REVENUE[1]							
6 months to December 2021	Investments $m	Development $m	Construction $m	**Total Core Segments $m**	Non Core $m	**Total Segments $m**	Corporate Activities $m	**Statutory Result $m**
Australia	96	360	1,547	**2,003**	564	**2,567**	17	**2,584**
Asia	34	7	156	**197**	-	**197**	-	**197**
Europe	9	196	474	**679**	-	**679**	-	**679**
Americas	22	28	1,062	**1,112**	-	**1,112**	-	**1,112**
Total	**161**	**591**	**3,239**	**3,991**	**564**	**4,555**	**17**	**4,572**

	REVENUE[1]							
6 months to December 2020	Investments $m	Development $m	Construction $m	**Total Core Segments $m**	Non Core $m	**Total Segments $m**	Corporate Activities $m	**Statutory Result $m**
Australia	78	390	1,395	**1,863**	843	**2,706**	19	**2,725**
Asia	41	6	131	**178**	-	**178**	-	**178**
Europe	6	342	441	**789**	-	**789**	-	**789**
Americas	26	28	1,473	**1,527**	-	**1,527**	-	**1,527**
Total	**151**	**766**	**3,440**	**4,357**	**843**	**5,200**	**19**	**5,219**

1. Comprised of Revenue from contracts with customers from continuing operations of $4,148 million (December 2020: $4,524 million), Other revenue from continuing operations of $70 million (December 2020: $62 million), Finance revenue from continuing operations of $3 million (December 2020: $6 million) and Revenue from contracts with customers from discontinued operations of $351 million (December 2020: $627 million). December 2020 results in this footnote have been re-presented for discontinued operations during the period. Refer to Note 22 'Discontinued Operations' for further detail.

No revenue from transactions with a single external customer amounts to 10 per cent or more of the Group's revenue.

Notes to Consolidated Financial Statements continued

Section A: Performance continued

1. Segment Reporting continued

The following table sets out further information on Operating EBITDA, Operating PAT and Statutory Profit by region.

	6 MONTHS TO DECEMBER 2021				
	Operating EBITDA $m	Operating PAT $m	Total Adjustments $m	Tax on Adjustments $m	Statutory Profit $m
Australia	202	148	(145)	53	56
Asia	27	16	(1)	-	15
Europe	19	12	(82)	3	(67)
Americas	16	2	(3)	1	-
Total region	**264**	**178**	**(231)**	**57**	**4**
Corporate activities	(101)	(150)	(124)	36	(238)
Total core	**163**	**28**	**(355)**	**93**	**(234)**
Non core	3	(13)	(25)	8	(30)
Total Group	**166**	**15**	**(380)**	**101**	**(264)**

	6 MONTHS TO DECEMBER 2020				
	Operating EBITDA $m	Operating PAT $m	Total Adjustments $m	Tax on Adjustments $m	Statutory Profit $m
Australia	292	201	7	(1)	207
Asia	37	36	(6)	2	32
Europe	94	71	-	-	71
Americas	46	24	(12)	3	15
Total region	**469**	**332**	**(11)**	**4**	**325**
Corporate activities	(64)	(127)	-	-	(127)
Total core	**405**	**205**	**(11)**	**4**	**198**
Non core	24	(2)	-	-	(2)
Total Group	**429**	**203**	**(11)**	**4**	**196**

	NON CURRENT ASSETS[1]	
	December 2021 $m	June 2021 $m
Australia	4,791	5,007
Asia	1,584	1,388
Europe	1,713	1,471
Americas	2,151	2,069
Total segment	**10,239**	**9,935**
Corporate activities	497	677
Total	**10,736**	**10,612**

1. Excludes deferred tax assets, financial instruments and defined benefit plan assets and is based on the geographical location of assets.

Notes to Consolidated Financial Statements continued

Section A: Performance continued

2. Dividends/Distributions[1]

	Cents Per Share/Unit	COMPANY/TRUST 6 months December 2021 $m	6 months December 2020 $m
Parent Company Interim Dividend			
December 2021[2]	-	-	-
December 2020 – paid 17 March 2021	11.2	-	77
Lendlease Trust Interim Distribution			
December 2021 – provided for and payable 16 March 2022	5.0	35	-
December 2020 – paid 17 March 2021	3.8	-	26
Total		**35**	**103**

	Cents Per Share/Unit	COMPANY/TRUST 6 months June 2021 $m	6 months June 2020 $m
Parent Company Final Dividend			
June 2021 - paid 15 September 2021	7.9	55	-
June 2020[3]	-	-	-
Lendlease Trust Final Distribution			
June 2021 – paid 15 September 2021	4.1	28	-
June 2020 – paid 15 September 2020	3.3	-	22
Total		**83**	**22**

1. The current and prior period distributions were not franked. The current and prior period final dividends were not franked. The prior period interim dividend was 50 per cent franked, with the balance sourced from the conduit foreign income account.
2. No interim dividend was declared for the Company for 31 December 2021.
3. No final dividend was declared for the Company for 30 June 2020.

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

		DECEMBER 2021 Shares/Securities Excluding Treasury Securities	DECEMBER 2021 Shares/Securities on Issue	DECEMBER 2020 Shares/Securities Excluding Treasury Securities	DECEMBER 2020 Shares/Securities on Issue
Basic/Diluted Earnings Per Share (EPS)[1]					
(Loss)/profit attributable to members of Lendlease Corporation Limited	$m	(335)	(335)	171	171
Weighted average number of ordinary shares	m	683	689	684	688
Basic/Diluted EPS	**cents**	**(49.0)**	**(48.6)**	**25.0**	**24.9**
Basic/Diluted Earnings Per Stapled Security (EPSS)[1]					
(Loss)/profit attributable to securityholders of Lendlease Group	$m	(264)	(264)	196	196
Weighted average number of stapled securities	m	683	689	684	688
Basic/Diluted EPSS	**cents**	**(38.7)**	**(38.3)**	**28.7**	**28.5**

1. Balance includes both continuing and discontinued operations. Earnings per share/stapled security for continuing and discontinued operations have been separately disclosed in Note 22 'Discontinued Operations'.

Notes to Consolidated Financial Statements continued

Section A: Performance continued

4. Revenue from Contracts with Customers

	6 months December 2021 $m	6 months December 2020[2] $m
Revenue from the Provision of Services		
Core Construction services	3,239	3,439
Non core Construction services	213	216
Construction services	**3,452**	**3,655**
Investments services	125	118
Development services	386	303
Total revenue from the provision of services	**3,963**	**4,076**
Revenue from the sale of development properties	185	448
Total revenue from contracts with customers[1]	**4,148**	**4,524**

1. Further information on revenue by geography and by segments is included in Note 1 'Segment Reporting'.
2. December 2020 results have been re-presented for discontinued operations during the period. Refer to Note 22 'Discontinued Operations' for further detail.

5. Other Income

	6 months December 2021 $m	6 months December 2020[3] $m
Net Gain on Sale/Transfer of Investments		
Consolidated entities	-	144
Other financial assets at fair value	-	1
Equity accounted investments	3	7
Other assets and liabilities	12	-
Total net gain on sale/transfer of investments	**15**	**152**
Net Gain on Fair Value Measurement		
Investment properties[1]	4	4
Fair value through profit or loss assets[2]	41	17
Total net gain on fair value measurement	**45**	**21**
Other	7	38
Total other income	**67**	**211**

1. Net gain on fair value measurements for Investment properties includes $4 million (December 2020: $nil million) recognised in the Investments segment adjustments in Note 1 'Segment Reporting'.
2. Net gain on fair value measurements for Fair value through profit or loss assets includes $35 million (December 2020: $5 million) recognised in the Investments segment adjustments in Note 1 'Segment Reporting'.
3. December 2020 results have been re-presented to exclude the Services business and retained Engineering projects. Refer to Note 22 'Discontinued Operations' for further detail.

6. Share of Profit of Equity Accounted Investments

	Note	6 months December 2021 $m	6 months December 2020[3] $m
Associates[1,2]			
Share of profit	12a	25	3
Joint Ventures[1,2]			
Share of profit	12b	80	15
Total share of profit of equity accounted investments		**105**	**18**

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.
2. Share of profit from Associates and Joint Ventures include $5 million gain (December 2020: $1 million loss) and $24 million gain (December 2020: $15 million loss), respectively, in revaluation gains and losses recognised in the Investments segment adjustments in Note 1 'Segment Reporting'. Share of profit from Associates and Joint Ventures include $6 million (December 2020: $nil million) and $47 million (December 2020: $22 million), respectively, in revaluation gains in the Development segment.
3. December 2020 results have been re-presented for discontinued operations during the period. Refer to Note 22 'Discontinued Operations' for further detail.

Notes to Consolidated Financial Statements continued

Section A: Performance continued

7. Expenses

	6 months December 2021 $m	6 months December 2020[3] $m
Profit before income tax includes the following expense items:		
Employee benefit expenses:		
Projects[1]	693	649
Non-projects	279	251
Superannuation accumulation plan expense	27	21
Net defined benefit plan expense	(2)	1
Restructuring expenses[2]:		
Development impairments	299	-
Tenancy impairments - Core	95	-
Tenancy impairments - Non core	25	-
Redundancy costs	29	-
Expenses include impairments (reversals)/raised relating to:		
Loans and receivables	(4)	1
Property inventories	-	(15)
Equity accounted investments	(8)	6
Net loss on sale of consolidated entity	6	-
Lease expense (including outgoings)	13	13
Depreciation on right-of-use assets	29	31
Depreciation on owned assets	22	35
Amortisation	29	27
Net foreign exchange (gain)/loss	(1)	2

1. Expenses recovered through projects.
2. Expenses resulting from the revised strategy announcement and business review undertaken by the Global CEO during the period.
3. December 2020 results have been re-presented for discontinued operations during the period. Refer to Note 22 'Discontinued Operations' for further detail.

8. Finance Revenue and Finance Costs

	6 months December 2021 $m	6 months December 2020 $m
Finance Revenue		
Other corporations	2	3
Other finance revenue	1	2
Total interest finance revenue	**3**	**5**
Interest discounting	-	1
Total finance revenue	**3**	**6**
Finance Costs		
Interest expense in relation to other corporations	59	65
Interest expense in relation to lease liabilities	9	10
Less: Capitalised interest finance costs	(9)	(10)
Total interest finance costs	**59**	**65**
Non interest finance costs	12	8
Total finance costs	**71**	**73**
Net finance costs	**(68)**	**(67)**

Notes to Consolidated Financial Statements continued

Section A: Performance continued

9. Taxation

Income Tax Expense	6 months December 2021 $m	6 months December 2020 $m
Recognised in the Income Statement		
Current Tax Expense		
Current period	5	50
Adjustments for prior years	2	(1)
Total current tax expense	**7**	**49**
Deferred Tax Expense		
Origination and reversal of temporary differences	(115)	(6)
Temporary differences recovered/recognised	(14)	10
Net tax losses write-off/(recognised)	17	(4)
Total deferred tax benefit	**(112)**	**-**
Income Tax Expense		
Total income tax (benefit)/expense from continuing operations[1]	(106)	48
Total income tax expense from discontinued operations[1]	1	1
Total income tax (benefit)/expense[1]	**(105)**	**49**
Reconciliation of Effective Tax Rate		
(Loss)/profit before tax	(369)	245
Income tax using the domestic corporation tax rate of 30 per cent	**(111)**	**74**
Adjustments for prior year tax claim	2	(1)
Non assessable and exempt income[2]	(25)	(9)
Non allowable expenses[3]	2	2
Net write-off/(recognition) of tax losses through income tax expense	26	(3)
Temporary differences recognised through income tax expense[4]	(2)	5
Utilisation of capital losses on disposal of assets	(41)	(14)
Effect of tax rates in foreign jurisdictions[5]	8	(8)
Other	36	3
Income tax (benefit)/expense[1]	**(105)**	**49**

1. Represents income tax expense from continuing and discontinued operations. Refer to Note 22 'Discontinued Operations' for income tax expense relating to the discontinued operations. December 2020 results have been re-presented for discontinued operations during the period. Refer to Note 22 'Discontinued Operations' for further detail.
2. Includes LLT Group profit.
3. Includes accounting expenses for which a tax deduction is not allowed permanently.
4. 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.
5. 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

On 18 February 2022, the Group exchanged contracts with a third party to acquire a 28% interest in the asset management income stream of the Group's Military Housing portfolio, subject to regulatory approvals, through a newly formed joint venture. The Group is expected to receive $170 million in consideration on financial close, which will generate an estimated post tax gain on sale of $110 million.

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

Notes to 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, drive 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 2021 $m	June 2021 $m
Current			
Development properties[1]		633	894
Construction contract assets	16a	619	565
Other		2	10
Total current		**1,254**	**1,469**
Non Current			
Development properties[1]		2,389	2,404
Total non current		**2,389**	**2,404**
Total inventories		**3,643**	**3,873**

1. The Group has considered the impacts of the COVID pandemic on its recoverability assessment of inventories at 31 December 2021. As part of its semi annual review of development property projects, the Group has considered sales volumes in the short term, production timeframes, and potential increased costs for its projects. The carrying value of the Group's projects has not been materially impacted during the period due to their long dated nature, except for those projects impacted by the revised strategy announcement and business review undertaken by the Global CEO during the period. The Development impairment expense of $299 million (30 June 2021: $nil) has been recorded net against the inventories balance. Refer to Note 7 'Expenses' for further detail.

12. Equity Accounted Investments

Accounting Policies

Development - Investment Property

Investments in this category hold investment property that is under construction and is subject to periodic revaluations. These revaluations represent development profit earned and are recognised in the Development segment.

Development - Inventory

Investments in this category contain inventory under development and are held at cost. Revenue is recognised once the inventory settles with the customer and is recognised in the Development segment.

	Note	December 2021 $m	June 2021 $m
Associates			
Investment in associates	12a	459	444
Less: Impairment	12a	(3)	(3)
Total associates	**12a**	**456**	**441**
Joint Ventures			
Investment in joint ventures	12b	3,927	3,356
Less: Impairment	12b	(32)	(39)
Total joint ventures	**12b**	**3,895**	**3,317**
Total equity accounted investments	**12b**	**4,351**	**3,758**

Notes to Consolidated Financial Statements continued

Section B: Investment continued

12. Equity Accounted Investments continued

	INTEREST		SHARE OF PROFIT		NET BOOK VALUE	
a. Associates	December 2021 %	June 2021 %	December 2021 $m	December 2020 $m	December 2021 $m	June 2021 $m
Australia						
Investments						
Lendlease Communities Fund 1	20.8	20.8	-	-	3	3
Lendlease Sub Regional Retail Fund[1]	10.0	10.0	6	1	29	25
Other			-	-	5	5
Total Australia			**6**	**1**	**37**	**33**
Asia						
Investments						
Lendlease Global Commercial REIT	26.5	25.9	10	(1)	264	249
Lendlease Asian Retail Investment Fund 1	48.7	48.7	-	-	4	4
Lendlease Asian Retail Investment Fund 2	39.8	39.4	5	-	41	32
Lendlease Asian Retail Investment Fund 3[1]	13.1	15.1	3	2	110	123
Total Asia			**18**	**1**	**419**	**408**
Americas						
Investments						
Other			1	1	3	3
Total Americas			**1**	**1**	**3**	**3**
Total Group			**25**	**3**	**459**	**444**
Less: Impairment			-	-	(3)	(3)
Total associates			**25**	**3**	**456**	**441**

1. Although the Group has less than a 20 per cent ownership interest in Lendlease Sub Regional Retail Fund and Lendlease Asian Retail Investment Fund 3, it holds at least 20 per cent of the voting rights over the funds and has significant influence over the investments. As a result, the Group applies equity accounting for its ownership interests.

Notes to Consolidated Financial Statements continued

Section B: Investment continued

12. Equity Accounted Investments continued

	INTEREST		SHARE OF PROFIT		NET BOOK VALUE	
b. Joint Ventures	December 2021 %	June 2021 %	December 2021 $m	December 2020[3] $m	December 2021 $m	June 2021 $m
Australia						
Investments						
Lendlease Retirement Living Trust	50.0	50.0	48	19	995	952
Lendlease DTC Industrial Trust	50.0	-	1	-	155	-
Other			-	(1)	-	-
Development						
Development - Investment Property						
Circular Quay Tower	20.0	20.0	31	-	182	150
Victoria Cross	75.0	75.0	-	(11)	137	132
Development - Inventory						
Melbourne Quarter R1	50.0	50.0	-	4	44	64
North East Link	20.0	-	(1)	-	50	-
One Sydney Harbour R1 Trust	75.0	75.0	1	-	159	111
One Sydney Harbour R2 Trust	75.0	75.0	-	-	148	146
Other Development			1	-	19	25
Total Australia			**81**	**11**	**1,889**	**1,580**
Asia						
Investments						
CDR JV Ltd (313@somerset)	25.0	25.0	-	-	3	3
Paya Lebar Quarter	30.0	30.0	4	(2)	379	358
Development						
Development - Investment Property						
Certis and Lendlease Property Trust	49.0	49.0	-	-	49	24
The Exchange TRX[1]	60.0	60.0	1	-	453	388
Total Asia			**5**	**(2)**	**884**	**773**
Europe						
Investments						
LRIP LP[2]	20.0	20.0	2	5	179	177
Other			-	-	15	15
Development						
Development - Investment Property						
IQL Office LP	50.0	-	-	-	100	-
LRIP 2 LP	50.0	50.0	3	12	59	52
MSG South	50.0	50.0	4	4	91	67
Milano Innovation District	50.0	50.0	1	-	41	31
Stratford City Business District Limited (International Quarter London)	50.0	50.0	(2)	(2)	19	21
Development - Inventory						
Victoria Drive Wandsworth	50.0	50.0	(1)	(2)	40	39
Other Development			(1)	(3)	6	7
Total Europe			**6**	**14**	**550**	**409**

1. Investment includes both investment property and residential inventory.
2. During the period, LRIP LP was transferred from the Development segment to the Investments segment subsequent to project completion.
3. December 2020 results have been re-presented for discontinued operations during the period. Refer to Note 22 'Discontinued Operations' for further detail.

Notes to Consolidated Financial Statements continued

Section B: Investment continued

12. Equity Accounted Investments continued

	INTEREST		SHARE OF PROFIT		NET BOOK VALUE	
b. Joint Ventures continued	December 2021 %	June 2021 %	December 2021 $m	December 2020 $m	December 2021 $m	June 2021 $m
Americas						
Investments						
845 Madison	37.5	37.5	5	(4)	85	83
Americas Residential Partnership						
Clippership Wharf Multifamily Holdings	50.1	50.1	2	(2)	83	79
720 S Wells Holdings	50.1	50.1	(2)	(7)	80	82
Development						
Development - Investment Property						
60 Guest Street	25.0	25.0	-	-	25	23
Americas Residential Partnership						
211 North Harbor Drive Venture	42.5	42.5	-	-	98	99
445 East Waterside	42.5	42.5	-	-	80	82
SB Polk Street	50.1	50.1	-	-	33	18
1 Java Holdings	25.0	20.2	-	-	34	31
La Cienega	50.0	50.0	1	-	27	23
Development - Inventory						
277 Fifth Avenue	40.0	40.0	(20)	(2)	20	41
Other Development			-	-	36	32
Construction						
Lendlease Turner Joint Venture	50.0	50.0	2	7	3	1
Total Americas			**(12)**	**(8)**	**604**	**594**
Total Group			**80**	**15**	**3,927**	**3,356**
Less: Impairment			-	-	(32)	(39)
Total joint ventures			**80**	**15**	**3,895**	**3,317**
Total associates			**25**	**3**	**456**	**441**
Total equity accounted investments			**105**	**18**	**4,351**	**3,758**

Notes to Consolidated Financial Statements continued

Section B: Investment continued

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.

	LENDLEASE GLOBAL COMMERCIAL REIT		LENDLEASE RETIREMENT LIVING TRUST		PAYA LEBAR QUARTER	
Income Statement[1]	6 months December 2021 $m	6 months December 2020 $m	6 months December 2021 $m	6 months December 2020 $m	6 months December 2021 $m	6 months December 2020 $m
Revenue and other income	64	42	113	73	85	52
Cost of sales	(10)	(11)	(26)	(10)	(19)	(24)
Other expenses	(10)	(20)	(31)	(30)	(9)	-
Unrealised fair value gains	-	-	51	3	2	10
Finance costs	(6)	(5)	(11)	(11)	(26)	(27)
Income tax expense	-	-	-	-	-	(1)
Profit for the period	**38**	**6**	**96**	**25**	**33**	**10**
Other comprehensive income	(18)	15	10	3	-	-
Total comprehensive income	**20**	**21**	**106**	**28**	**33**	**10**
Group's ownership interest	26.5%	25.6%	50.0%	75.0%	30.0%	30.0%
Group's total share of:						
Profit for the period	10	2	48	19	10	3
Other adjustments	-	(3)	-	-	(6)	(5)
Total profit/(loss) for the period	**10**	**(1)**	**48**	**19**	**4**	**(2)**
Other comprehensive income/(loss)	3	(11)	5	2	16	(21)
Total comprehensive income/(loss)	**13**	**(12)**	**53**	**21**	**20**	**(23)**

1. The underlying investments in the material associates and joint ventures are office, retail and retirement living investment properties measured at fair value. At 31 December 2021, valuations were undertaken on the underlying assets which take into account the current COVID environment. The carrying value of the investments are considered recoverable as they correlate with the net assets of the associates and joint ventures, which have been valued at 31 December 2021.

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 2021 $m	6 months December 2020 $m	6 months December 2021 $m	6 months December 2020[1] $m
Aggregate amounts of the Group's share of:				
Profit/(loss) from continuing operations	15	4	28	(2)
Other comprehensive income/(loss)	5	(11)	18	(71)
Aggregate amounts of Group's share of total comprehensive income/(loss) of individually immaterial equity accounted investments	**20**	**(7)**	**46**	**(73)**

1. December 2020 results have been re-presented for discontinued operations during the period. Refer to Note 22 'Discontinued Operations' for further detail.

Notes to Consolidated Financial Statements continued

Section B: Investment continued

12. Equity Accounted Investments continued

	LENDLEASE GLOBAL COMMERCIAL REIT		LENDLEASE RETIREMENT LIVING TRUST[1]		PAYA LEBAR QUARTER	
Statement of Financial Position	December 2021 $m	June 2021 $m	December 2021 $m	June 2021 $m	December 2021 $m	June 2021 $m
Current Assets						
Cash and cash equivalents	47	245	28	44	107	107
Other current assets	11	9	59	28	96	95
Total current assets	**58**	**254**	**87**	**72**	**203**	**202**
Non Current Assets						
Investment properties	1,439	1,409	7,583	7,441	3,056	2,960
Equity accounted investments	527	-	-	-	-	-
Other non current assets	8	52	3	2	4	4
Total non current assets	**1,974**	**1,461**	**7,586**	**7,443**	**3,060**	**2,964**
Current Liabilities						
Resident liabilities	-	-	4,904	4,835	-	-
Other financial liabilities (excluding trade payables)	101	-	-	-	-	-
Other current liabilities	19	24	73	56	47	55
Total current liabilities	**120**	**24**	**4,977**	**4,891**	**47**	**55**
Non Current Liabilities						
Financial liabilities (excluding trade payables)	568	536	728	742	1,778	1,733
Other non current liabilities	10	11	-	-	70	86
Total non current liabilities	**578**	**547**	**728**	**742**	**1,848**	**1,819**
Net assets	**1,334**	**1,144**	**1,968**	**1,882**	**1,368**	**1,292**
Reconciliation to Carrying Amounts						
Opening net assets 1 July	1,144	1,037	1,882	1,805	1,292	1,297
Total comprehensive income for the period	20	7	106	77	33	46
Acquisition/contributions	169	197	-	-	3	14
Distributions	(28)	(47)	(20)	-	-	-
Foreign currency translation for the period	29	(50)	-	-	40	(65)
Closing net assets	**1,334**	**1,144**	**1,968**	**1,882**	**1,368**	**1,292**
% ownership	26.5%	25.9%	50.0%	50.0%	30.0%	30.0%
Group's share of net assets	353	296	984	941	410	388
Other adjustments	(89)	(47)	(2)	(2)	(31)	(30)
Carrying amount at end of period	**264**	**249**	**982**	**939**	**379**	**358**

1. The carrying amount at the end of the period differs to Note 12b 'Joint Ventures' due to an impairment of $13 million.

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

	ASSOCIATES		JOINT VENTURES	
	December 2021 $m	June 2021 $m	December 2021 $m	June 2021 $m
Aggregate carrying value of individually immaterial equity accounted investments	**195**	**195**	**2,553**	**2,046**

Notes to Consolidated Financial Statements continued

Section B: Investment continued

13. Other Financial Assets

	Fair Value Level[1]	December 2021 $m	June 2021 $m
Current Measured at Fair Value			
Fair Value Through Profit or Loss – Designated at Initial Recognition			
Derivatives	Level 2	14	7
Total current		**14**	**7**
Non Current Measured at Fair Value			
Fair Value Through Profit or Loss – Designated at Initial Recognition			
Lendlease International Towers Sydney Trust	Level 3	168	165
Lendlease One International Towers Sydney Trust	Level 3	59	57
Australian Prime Property Fund – Industrial	Level 3	129	120
Australian Prime Property Fund – Commercial	Level 3	403	386
Australian Prime Property Fund – Retail	Level 3	59	56
Military Housing Projects Initiative	Level 3	209	201
Parkway Parade Partnership Limited	Level 3	66	65
Other investments	Level 3	22	20
Derivatives	Level 2	17	10
Total non current		**1,132**	**1,080**
Total other financial assets		**1,146**	**1,087**

1. Refer to Note 20 'Fair Value Measurement' for details on basis of determining fair value and valuation techniques.

a. Fair Value Reconciliation

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

Unlisted Investments	December 2021 $m	June 2021 $m
Carrying amount at beginning of financial period	1,070	1,068
Disposals	(3)	(39)
Net gain recognised in Income Statement	41	61
Other movements	7	(20)
Carrying amount at end of financial period	**1,115**	**1,070**

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

Notes to Consolidated Financial Statements continued

Section C: Liquidity and Working Capital

The ability of the Group to fund the continued investment in the Development 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 disclosures 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

a. Borrowings	December 2021 $m	June 2021 $m
Current		
Commercial notes	-	555
Total current	**-**	**555**
Non Current		
Commercial notes	2,146	1,682
Bank credit facilities	392	120
Total non current	**2,538**	**1,802**
Total borrowings	**2,538**	**2,357**

b. Finance Facilities		
The Group has access to the following lines of credit:		
Commercial Notes		
Facility available	2,146	2,237
Amount of facility used	(2,146)	(2,237)
Amount of facility unused	**-**	**-**
Bank Credit Facilities		
Facility available	2,461	3,264
Amount of facility used	(392)	(120)
Amount of facility unused	**2,069**	**3,144**
Bank Overdrafts		
Facility available and amount unused	**124**	**124**

Commercial notes include:
- £300 million of guaranteed unsecured notes issued in October 2006 in the UK bond market with a 6.125 per cent per annum coupon matured and was repaid in October 2021
- US$400 million of guaranteed unsecured senior notes issued in May 2016 in the US Reg. S market with a 4.5 per cent per annum coupon maturing in May 2026
- S$300 million of guaranteed unsecured senior notes issued in April 2017 in the Singapore bond market with a 3.9 per cent coupon maturing in April 2027
- $500 million of guaranteed unsecured Green senior notes issued in October 2020 in the Australian bond market with a 3.4 per cent coupon maturing in October 2027
- $80 million of guaranteed unsecured senior medium term notes issued as an A$ private placement in December 2018 with a 5.4 per cent per annum coupon maturing in December 2028
- $300 million of guaranteed unsecured Green senior notes issued in March 2021 in the Australian bond market with a 3.7 per cent coupon maturing in March 2031
- £250 million of guaranteed unsecured Green senior notes issued in December 2021 in the Sterling bond market with a 3.5 per cent coupon maturing in December 2033.

Bank credit facilities include:
- $1,800 million syndicated cash advance facility with Tranche A $900 million and Tranche B $900 million. Tranche A $900 million matured and was repaid in November 2021 and Tranche B was cancelled in December 2021
- $300 million syndicated loan facility was repaid and cancelled during the period
- £400 million club bank facility maturing in March 2023 was undrawn as at 31 December 2021
- $235 million A$ syndicated loan facility was repaid and cancelled during the period
- US$300 million sustainability linked loan maturing in July 2024 was undrawn as at 31 December 2021
- CNY871 million bank facility maturing in January 2025 was drawn to $165 million as at 31 December 2021
- $800 million sustainability linked loan with Tranche A $400 million maturing in November 2025, $220 million was drawn as at 31 December 2021 and Tranche B $400 million maturing in November 2026 was undrawn as at 31 December 2021
- €200 million sustainability linked loan maturing in July 2026 was undrawn as at 31 December 2021.

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

The Group has not defaulted on any obligations in relation to its borrowings and financing arrangements.

Notes to Consolidated Financial Statements continued

Section C: Liquidity and Working Capital continued

15. Issued Capital

	LENDLEASE CORPORATION LIMITED				LENDLEASE TRUST			
	December 2021		June 2021		December 2021		June 2021	
	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, net of prior period share buyback	689	1,888	688	1,889	689	1,537	688	1,536
Distribution reinvestment plan (DRP)	-	2	1	3	-	1	1	1
Share issue via institutional placement (net of transaction costs)	-	-	-	(3)	-	-	-	-
Share issue via Security Purchase Plan (net of transaction costs)	-	-	-	(1)	-	-	-	-
Issued capital at end of financial period	**689**	**1,890**	**689**	**1,888**	**689**	**1,538**	**689**	**1,537**

a. Issuance of Securities

As at 31 December 2021, the Group had 689 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 1 March 2022. 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, commencing on 1 March 2022, 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 2021 $m	June 2021 $m
Current			
Trade receivables		459	602
Less: Impairment		(10)	(12)
		449	**590**
Related parties		261	185
Retentions		283	279
Contract debtors	16a	227	247
Accrued income	16a	81	78
Other receivables		402	362
Total current		**1,703**	**1,741**

Notes to Consolidated Financial Statements continued

Section C: Liquidity and Working Capital continued

16. Loans and Receivables continued

	Note	December 2021 $m	June 2021 $m
Non Current			
Related parties		580	570
Less: Impairment		(1)	(4)
		579	**566**
Retentions		46	70
Other receivables		1,179	1,235
Total non current		**1,804**	**1,871**
Total loans and receivables		**3,507**	**3,612**

a. Contract Assets	Note	December 2021 $m	June 2021 $m
Current			
Contract debtors[1]		227	247
Construction contract assets[2]	11	619	565
Accrued income		81	78
Total contract assets		**927**	**890**

1. Movements in contract debtors during the period relate primarily to the transfer of balances into Trade receivables as the right to receive payment from customers becomes unconditional.
2. Movements in construction contract assets during the period relate primarily to revenue recognised on construction contracts with customers in excess of billings raised during the period.

17. Trade and Other Payables

	Note	December 2021 $m	June 2021 $m
Current			
Trade and accrued creditors		1,876	2,243
Construction contract liabilities	17a	1,351	1,379
Related parties		233	263
Retentions		356	386
Deferred land payments		115	278
Unearned income	17a	45	27
Lease liabilities[1]		69	67
Other		126	196
Total current		**4,171**	**4,839**
Non Current			
Trade and accrued creditors[1]		338	316
Retentions		31	47
Deferred land payments		335	366
Unearned income	17a	81	67
Lease liabilities[2]		356	407
Other[1]		710	557
Total non current		**1,851**	**1,760**
Total trade and other payables		**6,022**	**6,599**

1. Prior period balances have been reclassified to reflect updated management information.
2. As at 31 December 2021, the Group recognised right-of-use assets of $195 million (June 2021: $325 million) within Property, plant and equipment.

Notes to Consolidated Financial Statements continued

Section C: Liquidity and Working Capital continued

17. Trade and Other Payables continued

a. Contract Liabilities	December 2021 $m	June 2021 $m
Current		
Unearned income[1]	45	27
Construction contract liabilities[2]	1,351	1,379
Total current	**1,396**	**1,406**
Non Current		
Unearned income[1]	81	67
Total non current	**81**	**67**
Total contract liabilities	**1,477**	**1,473**

1. Movements in Unearned income relate primarily to residential pre-sales settled during the period and deposits received for development properties.
2. Movements in Construction contract liabilities relate primarily to revenue recognise during the period in excess of billings raised on construction contracts with customers. This balance also contains provisions previously incurred on retained Engineering projects that are in progress.

18. Provisions

	Employee Benefits $m	Development Projects[1] $m	Construction Projects $m	Other $m	Total $m
Balance as at 1 July 2021	**194**	**143**	**266**	**52**	**655**
Provisions made during the year	9	15	95	2	121
Provisions used during the year	(36)	(8)	(30)	(1)	(75)
Provisions reversed during the year	(2)	(1)	(4)	(16)	(23)
Balance as at 31 December 2021	**165**	**149**	**327**	**37**	**678**
Current provisions	144	103	320	37	604
Non current provisions	21	46	7	-	74
Total Provisions	**165**	**149**	**327**	**37**	**678**

1. The Development impairment expense of $299 million (30 June 2021: $nil) has been recorded net against the inventories balance. Refer to Note 7 'Expenses' for further detail.

19. Cash and Cash Equivalents

	December 2021 $m	June 2021 $m
Cash	804	1,303
Short term investments	38	359
Total cash and cash equivalents	**842**	**1,662**

Notes to Consolidated Financial Statements continued

Section D: Other Notes

20. 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 2021		JUNE 2021	
	Note	Carrying Amount $m	Fair Value $m	Carrying Amount $m	Fair Value $m
Liabilities					
Current					
Commercial notes	14a	-	-	555	565
Non Current					
Commercial notes	14a	2,146	2,320	1,682	1,838

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. Fair value of unlisted equity investments has also taken the COVID pandemic into consideration to determine fair value at 31 December 2021. This included valuations of underlying investment properties at balance date.
- 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.
- 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 valuation methods for each level 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
- 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.

21. Contingent Liabilities

The Group has the following contingent liabilities, being liabilities in respect of which there is the potential for a cash outflow in excess of any provision where the likelihood of payment is not considered probable or cannot be measured reliably at this time:

- There are a number of legal claims and exposures that arise from the normal course of the Group's business. Such claims and exposures largely arise in respect of claims for defects, claims for breach of performance obligations or breach of warranty or claims under indemnities. In some claims:
  - there is uncertainty as to whether a legal obligation exists;
  - there is uncertainty as to whether a future cash outflow will arise in respect to these items; and / or
  - it is not possible to quantify the potential exposure with sufficient reliability.

  This particularly applies in larger more complex projects, in claims involving a number of parties or in claims made a number of years after completion of a project.

  Where it is probable there will be liabilities from such claims and the potential exposure can be quantified with sufficient reliability, a provision has been made for anticipated losses arising from such claims.
- 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.
- Securities Class Action
  On 18 April 2019, Lendlease Corporation and Lendlease Responsible Entity (Lendlease Group) were served with a shareholder class action proceeding filed in the Supreme Court of New South Wales on 18 April 2019 by David William Pallas and Julie Ann Pallas as trustees for the Pallas Family Superannuation Fund, represented by Maurice Blackburn. On 7 August 2019, Lendlease Corporation and Lendlease Responsible Entity (Lendlease Group) were served with a shareholder class action proceeding filed in the Supreme Court of New South Wales on 6 August 2019 by Martin John Fletcher, represented by Phi Finney McDonald. On 21 November 2019 the Supreme Court ordered consolidation of the two class actions into a single proceeding. The consolidated proceeding alleges that Lendlease was in breach of its continuous disclosure obligations under the *Corporations Act 2001* and made representations about its Engineering and Services business that were misleading or deceptive or likely to mislead or deceive. It is currently not possible to determine the ultimate impact of these claims, if any, on Lendlease Group. Lendlease Group denies the allegations and intends to vigorously defend this proceeding.

Notes to Consolidated Financial Statements continued

Section D: Other Notes continued

22. Discontinued Operations

Accounting Policies

Discontinued operations relate to a component of the Group including its corresponding assets and liabilities that have been classified as held for sale and represent a separate major line of business or geographical area of operation. The group of assets and their corresponding liabilities (together referred to as a Disposal Group), may only be classified as held for sale once the following criteria are met:

- The carrying amount will be recovered principally through a sale transaction rather than through continuing use
- The sale must be highly probable.

A Disposal Group is measured at the lower of its carrying amount and fair value less costs to sell. Where fair value is lower than the carrying amount, the difference is recognised as an impairment loss within the Income Statement.

The results of discontinued operations are presented separately in the Income Statement and Statement of Comprehensive Income. Comparatives have also been re-presented for the Income Statement, Statement of Comprehensive Income and corresponding Notes to separately disclose the results of the discontinued operations from continuing operations.

On 25 February 2019, the Group announced that its Engineering and Services businesses are no longer a required part of the Group's strategy. Management at that time committed to a plan to exit from Non core operations of Engineering and Services.

On 19 December 2019, the Group entered into an agreement with Acciona to sell its Engineering business and on 9 September 2020 the Group completed the sale. The agreed purchase price for the sale of the Engineering business was $160 million which was adjusted by $37 million at completion, resulting in total estimated proceeds of $197 million. $163 million has been received by 31 December 2021. Acciona has not paid the balance of the final deferred payment which was due 30 June 2021, claiming various amounts should be set off against that payment. This is disputed by Lendlease and legal proceedings are ongoing to seek recovery of payments due by Acciona.

On 21 July 2021, the Group entered into an agreement with Service Stream to sell the Services business and on 1 November 2021 the Group completed the sale. The agreed purchase price for the sale of the Services business was $310 million which was adjusted by $21 million at completion, resulting in total estimated proceeds of $331 million. $317 million has been received by 31 December 2021. As a result of the sale, the 31 December 2020 results have been re-presented to include the Services business as part of discontinued operations.

The discontinued operations represent the Services business sold in the current year and the Engineering business sold in the prior year, excluding the projects retained by the Group.

The major classes of assets and liabilities sold are as follows:

Assets and Liabilities Sold	SERVICES 1 November 2021 $m	ENGINEERING 9 September 2020 $m
Cash and cash equivalents	3	411
Loans and receivables	84	187
Inventories	145	34
Other assets	276	215
Total assets sold	**508**	**847**
Trade and other payables	121	610
Other liabilities	97	50
Total liabilities sold	**218**	**660**
Net assets and liabilities sold	**290**	**187**
Net proceeds from sale	331	197
Transaction and separation costs	(32)	(10)
Gain on sale	**9**	**-**

Notes to Consolidated Financial Statements continued

Section D: Other Notes continued

22. Discontinued Operations continued

The results of the discontinued operations representing the Services and Engineering business for the current and prior period are as follows:

	SERVICES		ENGINEERING	TOTAL
Results from Discontinued Operations	1 July to 1 November 2021 $m	6 months December 2020[1] $m	1 July to 9 September 2020 $m	6 months December 2020 $m
Revenue from contracts with customers	351	344	283	627
Cost of sales	(320)	(321)	(272)	(593)
Gross profit	**31**	**23**	**11**	**34**
Share of profit of equity accounted investments	-	1	-	1
Other income	-	1	1	2
Gain on sale	9	-	-	-
Other expenses	(19)	(13)	(13)	**(26)**
Profit/(loss) before tax for discontinued operations	**21**	**12**	**(1)**	**11**
Income tax (expense)/benefit	(1)	(4)	3	(1)
Total profit after tax for discontinued operations as presented in the Income Statement	**20**	**8**	**2**	**10**

		DECEMBER 2021		DECEMBER 2020	
		Shares/ Securities Excluding Treasury Securities	Shares/ Securities on Issue	Shares/ Securities Excluding Treasury Securities[1]	Shares/ Securities on Issue[1]
Basic/Diluted Earnings Per Share (EPS) from Continuing Operations					
(Loss)/profit from continuing operations attributable to members of Lendlease Corporation Limited (Company)	$m	(355)	(355)	161	161
Weighted average number of ordinary shares	m	683	689	684	688
Basic/Diluted EPS from continuing operations	**cents**	**(51.9)**	**(51.5)**	**23.5**	**23.4**
Basic/Diluted Earnings Per Share (EPS) from Discontinued Operations					
Profit from discontinued operations attributable to members of Lendlease Corporation Limited (Company)	$m	20	20	10	10
Weighted average number of ordinary shares	m	683	689	684	688
Basic/Diluted EPS from discontinued operations	**cents**	**2.9**	**2.9**	**1.5**	**1.5**
Basic/Diluted Earnings Per Security (EPSS) from Continuing Operations					
(Loss)/profit from continuing operations attributable to securityholders of Lendlease Group	$m	(284)	(284)	186	186
Weighted average number of stapled securities	m	683	689	684	688
Basic/Diluted EPSS from continuing operations	**cents**	**(41.6)**	**(41.2)**	**27.2**	**27.0**
Basic/Diluted Earnings Per Security (EPSS) from Discontinued Operations					
Profit from discontinued operations attributable to securityholders of Lendlease Group	$m	20	20	10	10
Weighted average number of stapled securities	m	683	689	684	688
Basic/Diluted EPSS from discontinued operations	**cents**	**2.9**	**2.9**	**1.5**	**1.5**

1. December 2020 results have been re-presented for discontinued operations during the period.

The net cash flows for discontinued operations representing the Services and Engineering business for the current and prior period are as follows:

	SERVICES		ENGINEERING	TOTAL
Cash Flows from Discontinued Operations	1 July to 1 November 2021 $m	6 months December 2020 $m	1 July to 9 September 2020 $m	6 months December 2020 $m
Net cash inflow/(outflow) from operating activities	16	58	(39)	19
Net cash inflow/(outflow) from investing activities	4	(13)	(1)	(14)
Net cash outflow from financing activities	(2)	(2)	-	(2)
Net increase/(decrease) in cash and cash equivalents	**18**	**43**	**(40)**	**3**

Notes to Consolidated Financial Statements continued

Section E: Basis of Consolidation

23. 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 Finance Limited

Lendlease Infrastructure Investments Pty Limited

Lendlease International Pty Limited

Lendlease Real Estate Investments Limited

Lendlease Responsible Entity 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. The parent entity has no ownership interest in Lendlease Trust.

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.

31 December 2021	Ownership Interest Disposed %	Date Disposed	Consideration received/ receivable $m
Lendlease Services Pty Limited	100.0	1 November 2021	331
31 December 2020			
One Sydney Harbour R1 Trust	25.0	1 July 2020	43
Lendlease Construction Australia Holdings Pty Limited[1]	100.0	9 September 2020	197
Lendlease (US) Telecom Holdings LLC	100.0	15 October 2020	390

1. Includes the sale of Lendlease Engineering Pty Limited.

Directors' 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 Consolidated Entity as at 31 December 2021 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

A P Lombardo
Global Chief Executive Officer and Managing Director

Sydney, 21 February 2022

Independent Auditor's Review Report

To the members of Lendlease Corporation Limited

Conclusion

We have reviewed the accompanying ***Half Year Financial Report*** of Lendlease Corporation Limited (the Company) as the deemed parent presenting the stapled security arrangements 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 does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2021 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 2021;
- Consolidated income statement, 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 23 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The ***Group*** comprises Lendlease Corporation Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half Year.

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

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

KPMG

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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities 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. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half Year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 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*.

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.

KPMG

Eileen Hoggett

Partner

Sydney

21 February 2022

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