

ASX Announcement

Results for Announcement to the Market

27 August 2014

Lend Lease Group today announces its results for the full year ended 30 June 2014. Attached are the following documents:

- Final Report (Appendix 4E)
- Full Year Consolidated Financial Report
 - Directors' Report including Operating and Financial Review (MD&A)
 - Portfolio Report
 - Five Year Profile
 - Directors' Report
 - Consolidated Financial Statements
 - Independent Auditor's Report

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Lend Lease Group

Appendix 4E

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

Preliminary Final Report for the financial year ended 30 June 2014
(previous corresponding period being the financial year ended 30 June 2013)

Results for Announcement to the Market

Profit After Tax

	June 2014 A\$m	June 2013 ¹ A\$m	% Change
Revenue	13,935.9	13,162.6	5.9
Profit after tax attributable to securityholders	822.9	549.0	49.9

¹ June 2013 Income Statement has been adjusted to reflect the impact of the first time adoption of the revised AASB 119 *Employee Benefits* standard and the new AASB 11 *Joint Arrangements* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards' in the attached June 2014 Annual Consolidated Financial Report).

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 Lend Lease 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 dividend/distribution – paid 21 March 2014	22.0 cents	0.0 cents
Final dividend/distribution – payable 22 September 2014	49.0 cents	0.0 cents
Total amount per security	71.0 cents	0.0 cents

The final dividend/distribution is comprised of an unfranked dividend of 41.953477 cents per share payable by the Company, sourced from the Conduit Foreign Income ('CFI') account, and a trust distribution of 7.046523 cents per unit payable by LLT.

The record date for determining entitlement to the final distribution is 3 September 2014 ('Record Date') and the distribution is payable on 22 September 2014.

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 4 September 2014. Subject to the rules of the DRP, the issue price is the arithmetic average of the daily volume weighted average price of Lend Lease stapled securities traded on the Australian Securities Exchange for the period of five consecutive business days immediately following the Record Date. Stapled securities issued under the DRP rank equally with all other stapled securities on issue.

Additional Information

	June 2014	June 2013 ¹
Net tangible assets per security	A\$6.14	A\$5.22

¹ June 2013 Statement of Financial Position has been adjusted to reflect the impact of the first time adoption of the revised AASB 119 *Employee Benefits* standard and the new AASB 11 *Joint Arrangements* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards' in the attached June 2014 Annual Consolidated Financial Report).

The Annual General Meeting

The Annual General Meeting will be held in the Grand Ballroom, Four Seasons Hotel, 199 George Street, Sydney, NSW at 10:00am on Friday 14 November 2014. The Annual Report will be available in September 2014.

The remainder of the information requiring disclosure to comply with listing rule 4.3A is contained in the Operating and Financial Review section of the June 2014 Directors' Report and the audited June 2014 Annual Consolidated Financial Report.

Portfolio Report

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The Portfolio Report is based on the Lend Lease Group Consolidated Financial Statements for the year ended 30 June 2014 and should be read in conjunction with those financial statements.

All currency amounts in the Portfolio Report are expressed in Australian dollars unless otherwise specified.

Portfolio Report

Key Portfolio Metrics

Development

	Australia June 2014	June 2013	Asia June 2014	June 2013	Europe June 2014	June 2013	Americas June 2014	June 2013	Total June 2014	June 2013
Residential and Commercial										
Number of development projects	35	38		1	30	27	7 ¹	8	72	74
Backlog Units and SQM²										
Residential – Land units zoned	53,750	55,545					3,860	3,860	57,610	59,405
Residential – Built-form units zoned/unzoned ³	13,810	14,086			5,299 ⁴	5,927			19,109	20,013
Total residential units	67,560	69,631			5,299	5,927	3,860	3,860	76,719	79,418
Residential land (sqm/000s)					63 ⁴				63	
Commercial (sqm/000s) ⁵ zoned	5,466	5,552		32	402	389	442	449	6,310	6,422
Retirement Living										
Number of villages – owned	66	59							66	59
Number of villages – managed/leased/other	4	12							4	12
Number of villages	70	71							70	71
Number of units – owned	11,612	9,215							11,612	9,215
Number of units – managed/leased/other	1,212	3,202							1,212	3,202
Number of units⁶	12,824	12,417							12,824	12,417
Backlog units – zoned	945	1,247							945	1,247

1 The June 2013 Portfolio Report included the Mercy Regional Health Center Medical Office Building (located in Kansas) in the status of preferred bidder. However, during the current year, the ownership of this client changed and the new owners awarded the final project to a developer other than Lend Lease.

2 Backlog includes Group-owned, joint venture and managed projects. The actual number of units for any particular project can vary as planning approvals are obtained.

3 Includes 19,030 zoned and 262 unzoned units at June 2014 (June 2013: 19,014 zoned and 999 unzoned units).

4 The Crosby apartment portfolio has been reclassified from residential units to residential land in line with the Group's intention to restructure and divest the portfolio.

5 Represents net developable land in relation to master-planned urban communities, and net developable floor space for other developments. The actual land area and floor space for any particular project can vary as planning approvals are obtained.

6 The actual number of units for any particular village can vary as planning approvals are obtained.

Portfolio Report

Key Portfolio Metrics

Infrastructure Development

	Australia June 2014	June 2013	Asia June 2014	June 2013	Europe June 2014	June 2013	Americas June 2014	June 2013	Total June 2014	June 2013
Number of projects¹										
Operational	1				22	20	18	21	41	41
Under construction	4	4			2	4			6	8
Preferred bidder		1			1	1	1	1	2	3
Total number of projects	5	5			25	25	19	22	49	52
Invested equity A\$m²										
Operational	15.0				7.3	6.6	95.2	69.7	117.5	76.3
Under construction	64.3	44.1			4.2	45.7			68.5	89.8
Preferred bidder										
Total invested equity A\$m	79.3	44.1			11.5	52.3	95.2	69.7	186.0	166.1
Committed equity A\$m³										
Operational							5.4	30.9	5.4	30.9
Under construction	191.4	106.7			5.6	5.1			197.0	111.8
Preferred bidder					13.6	12.6			13.6	12.6
Total committed equity A\$m	191.4	106.7			19.2	17.7	5.4	30.9	216.0	155.3
Backlog revenue A\$m					2,442.9	1,518.2	415.7	367.7	2,858.6	1,885.9

- 1 Number of projects includes extensions of existing projects and projects where the Group is the preferred bidder. Where a project has multiple phases, these have been combined on completion for the purposes of presentation.
- 2 Invested equity refers to the contributed equity for each project, with the exception of the Global Renewables project which represents the written down value of the asset. The June 2013 balance for this project has been restated to align with 2014.
- 3 Committed equity refers to equity the Group has a future commitment to invest.

Portfolio Report

Key Portfolio Metrics

Construction

	Australia		Asia		Europe		Americas		Total	
	June 2014	June 2013	June 2014	June 2013	June 2014	June 2013	June 2014	June 2013	June 2014	June 2013
	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
New work secured revenue^{1,2}										
Building	3,796.5	4,817.5	59.4	296.2	673.0	1,118.0	2,751.0	3,514.1	7,279.9	9,745.8
Engineering	1,583.3	2,065.5	100.0	118.0	5.3	14.2			1,688.6	2,197.7
Services	1,179.8	771.6							1,179.8	771.6
Total new work secured revenue	6,559.6	7,654.6	159.4	414.2	678.3	1,132.2	2,751.0	3,514.1	10,148.3	12,715.1
Backlog revenue^{2,3}										
Building	6,515.1	6,275.6	128.9	393.8	1,071.1	1,255.3	5,363.1	4,937.1	13,078.2	12,861.8
Engineering	2,022.2	2,635.9	44.4	81.9	2.0	5.0			2,068.6	2,722.8
Services	1,017.9	649.4							1,017.9	649.4
Total backlog revenue	9,555.2	9,560.9	173.3	475.7	1,073.1	1,260.3	5,363.1	4,937.1	16,164.7	16,234.0
	Australia		Asia		Europe		Americas		Total	
	June 2014	June 2013	June 2014	June 2013	June 2014	June 2013	June 2014	June 2013	June 2014	June 2013
	%	%	%	%	%	%	%	%	%	%
Backlog realisation										
Year ending June 2015	54	58	82	85	88	60	50	50	55	56
Year ending June 2016	29	24	18	14	8	34	24	24	26	25
Post June 2016	17	18		1	4	6	26	26	19	19
Total	100	100	100	100	100	100	100	100	100	100
	Building		Engineering		Services		Total			
	June 2014	June 2013	June 2014	June 2013	June 2014	June 2013	June 2014	June 2013	June 2014	June 2013
	%	%	%	%	%	%	%	%	%	%
Backlog realisation										
Year ending June 2015			55	53	55	71	46	50	55	56
Year ending June 2016			31	26	25	18	19	27	26	25
Post June 2016			14	21	20	11	35	23	19	19
Total			100	100	100	100	100	100	100	100

1 New work secured revenue is the total revenue to be earned from projects secured during the year.

2 The June 2013 allocations across the Building, Engineering and Services lines of business have been restated.

3 Current year backlog revenue is the total revenue to be earned from projects in future financial years, based on projects secured as at 30 June 2014. Although backlog revenue is realised over several years, the average foreign exchange rate for the current year has been applied to the closing backlog revenue balance in its entirety, as the average rates for later years cannot be predicted.

Portfolio Report

Key Portfolio Metrics

Investment Management

	Australia June 2014	June 2013	Asia June 2014	June 2013	Europe June 2014	June 2013	Americas June 2014	June 2013	Total June 2014	June 2013
Funds Under Management (FUM)¹										
FUM at the beginning of the period	10.3	8.8	3.3	2.2	1.4	1.3			15.0	12.3
Foreign exchange movement			0.2	0.1	0.2				0.4	0.1
Additions	0.7	2.0	0.1	0.7					0.8	2.7
Reductions	(0.4)	(0.6)	(0.1)						(0.5)	(0.6)
Net revaluations	0.3	0.1	0.1	0.3	0.2	0.1			0.6	0.5
FUM (A\$b)	10.9	10.3	3.6	3.3	1.8	1.4			16.3	15.0

Assets Under Management (AUM)

Number of centres	16	16	4	4	2	3			22	23
AUM ¹ (A\$m)	5,974.0	5,283.2	3,819.9	3,530.3	869.4 ²	3,637.4			10,663.3	12,450.9
GLA under management (sqm/000s) ³	753.1	707.2	294.8	240.0	141.7 ²	294.5			1,189.6	1,241.7

Investments

Investments ¹ (A\$m)	821.1 ⁴	335.8	255.3	228.1	84.0 ²	965.5			1,160.4	1,529.4
Investment income ⁵ (A\$m)	38.3	10.8	8.8	4.8	41.5	38.3			88.6	53.9

1 Represents the Group's assessment of the market value.

2 The Group divested its interest in Bluewater on 26 June 2014.

3 GLA represents the gross lettable area of the centres.

4 During the year the Group made additional co-investments of A\$239.1m in the Australian Prime Property Fund – Industrial and A\$225.0m in the Australian Prime Property Fund – Commercial.

5 Represents the Group's share of income before tax, excluding revaluations (after tax for equity accounted investments), net of direct expenses.

Portfolio Report

Key Portfolio Metrics

Group Assets¹

	Australia		Asia		Europe		Americas		Total	
	June 2014	June 2013 ²	June 2014	June 2013	June 2014	June 2013 ²	June 2014	June 2013	June 2014	June 2013 ²
Development	7,796.6	6,806.8	(3.3)	2.5	612.6	364.6	91.2	63.6	8,497.1	7,237.5
Infrastructure Development	302.3	196.3			58.9	149.3	157.4	136.1	518.6	481.7
Construction	2,331.5	2,449.2	252.0	286.1	621.1	601.8	983.4	1,066.1	4,188.0	4,403.2
Investment Management	945.2	383.4	351.3	243.7	80.1	541.3			1,376.6	1,168.4
Total segment	11,375.6	9,835.7	600.0	532.3	1,372.7	1,657.0	1,232.0	1,265.8	14,580.3	13,290.8
Corporate activities									1,171.5	1,010.1
Total assets	11,375.6	9,835.7	600.0	532.3	1,372.7	1,657.0	1,232.0	1,265.8	15,751.8	14,300.9

1 The foreign exchange rates applied to the Statement of Financial Position as at 30 June 2014 are A\$1 = £0.55 (June 2013: A\$1 = £0.61), A\$1 = US\$0.95 (June 2013: A\$1 = US\$0.93) and A\$1 = S\$1.17 (June 2013: A\$1 = S\$1.23).

2 The June 2013 figures have been adjusted to reflect the impact of the first-time adoption of the revised AASB 119 *Employee Benefits* standard and the new AASB 11 *Joint Arrangements* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards' in the Group's Annual Consolidated Financial Statements for further details).

Portfolio Report

Australia

Development

Residential and Commercial Project Listing

Project	Sector	Location ¹	Ownership Interest	Estimated Completion Date ²	Backlog Land Units ³	Backlog Built-Form Units ³	Estimated Commercial Backlog sqm/000s ⁴
Zoned Projects							
Springbank Rise	Communities	ACT	Owned (50% interest)	2016	175	10	
Bingara Gorge	Communities	NSW	Land management	2027	790		46
Nelsons Ridge	Communities	NSW	Land management	2017	165		
River Oaks	Communities	NSW	Land management	2042	4,995		137
Rouse Hill	Communities	NSW	Land management	2016	265	445	116
St Marys – Jordan Springs	Communities	NSW	Owned (100% interest)	2021	1,230	55	31
St Marys – Other precincts	Communities	NSW	Owned (100% interest)	2021	1,365	10	578
Lennox Head	Communities	NSW	Service agreement	2024	480		60
St Marys – Ropes Crossing ⁵	Communities	NSW	Service agreement	2015	295		
Barangaroo South	Urban Regeneration	NSW	Staged payments	2023		775	390
Darling Harbour Live	Urban Regeneration	NSW	Staged payments	2021		1,360	69
Fernbrooke Ridge	Communities	Qld	Land management	2019	630		66
Rocky Springs	Communities	Qld	Land management	2060	9,730		1,126
Springfield Lakes	Communities	Qld	Land management	2028	5,060	540	88
Stoneleigh Reserve	Communities	Qld	Owned (100% interest)	2016	330		3
Woodlands ⁵	Communities	Qld	Service agreement	2016	220	10	
Yarrabilba	Communities	Qld	Staged acquisition (100% interest)	2043	14,030	2,470	1,922
RNA Showgrounds	Urban Regeneration	Qld	Land management	2027		2,595	101
Subtotal zoned (carried forward)					39,760	8,270	4,733

1 Locations are Australian Capital Territory (ACT), New South Wales (NSW) and Queensland (Qld).

2 Estimated completion date represents the expected financial year in which the last unit will be settled for master-planned communities, and the construction completion date for apartments and non-residential projects.

3 Backlog includes the total number of units in Group-owned, joint venture and managed projects. The actual number of units for any particular project can vary as planning approvals are obtained.

4 Represents net developable land in relation to master-planned urban communities and net developable floor space for other developments. The actual land area and floor space for any particular project can vary as planning approvals are obtained.

5 Projects managed on behalf of the Lend Lease Communities Fund 1. The Group holds a 20.8% co-investment position in the fund.

Portfolio Report

Australia

Development

Residential and Commercial Project Listing continued

Project	Sector	Location ¹	Ownership Interest	Estimated Completion Date ²	Backlog Land Units ³	Backlog Built-Form Units ³	Estimated Commercial Backlog sqm/000s ⁴
Subtotal zoned projects (brought forward)					39,760	8,270	4,733
Blakes Crossing	Communities	SA	Staged acquisition (100% interest)	2017	830		14
Springwood	Communities	SA	Staged acquisition	2025	1,865	20	27
Armadale	Apartments	Vic	Land management	2020		465	
Richmond	Apartments	Vic	Owned (100% interest)	2018		385	
Atherstone	Communities	Vic	Land management	2035	4,005		80
Harpley	Communities	Vic	Land management	2027	3,990		312
Pakenham Valley	Communities	Vic	Land management	2015	10		7
Craigieburn Town Centre	Communities	Vic	Owned (100% interest)	2015	5		
Edgewater	Communities	Vic	Owned (100% interest)	2015	10	15	
Laurimar	Communities	Vic	Owned (100% interest)	2016	245	5	
Mayfield	Communities	Vic	Owned (100% interest)	2017	420		
Melton East	Communities	Vic	Staged acquisition	2019	795		12
Batman's Hill	Urban Regeneration	Vic	Land management	2023		705	117
Victoria Harbour	Urban Regeneration	Vic	Land management	2025		2,820	70
Alkimos	Communities	WA	Land management	2023	1,760	170	77
North Lakes	Communities	WA	Land management	2015	55	30	
Waterbank	Urban Regeneration	WA	Land management	2022		925	17
Total zoned					53,750	13,810	5,466

¹ Locations are South Australia (SA), Victoria (Vic) and Western Australia (WA).

² Estimated completion date represents the expected financial year in which the last unit will be settled for master-planned communities, and the construction completion date for apartments and non-residential projects.

³ Backlog includes the total number of units in Group-owned, joint venture and managed projects. The actual number of units for any particular project can vary as planning approvals are obtained.

⁴ Represents net developable land in relation to master-planned urban communities and net developable floor space for other developments. The actual land area and floor space for any particular project can vary as planning approvals are obtained.

Portfolio Report

Australia

Development

Retirement Living and Aged Care Portfolio Summary

Location ¹	Owned		Managed/Leased/Other		Number of Sites	Total Units ²	Backlog Units ³
	Number of Sites	Units	Number of Sites	Units			
Qld	12	2,904	3	1,137	15	4,041	
NSW	13	2,627			13	2,627	430
Vic	22	3,213	1	75	23	3,288	201
SA	3	385			3	385	1
WA	9	1,464			9	1,464	53
ACT	2	23			2	23	260
NZ	5	996			5	996	
Total retirement villages	66	11,612	4	1,212	70	12,824	945

1 Locations are Queensland (Qld), New South Wales (NSW), Victoria (Vic), South Australia (SA), Western Australia (WA), Australian Capital Territory (ACT), and New Zealand (NZ).

2 Total units include only completed retirement village units at Group-owned and managed sites.

3 Backlog units include Group-owned and managed sites. The actual number of units for any particular village can vary as planning approvals are obtained.

Portfolio Report

Australia

Infrastructure Development

Project Listing

Project	Location	Status	Actual Financial Close Date	Operational Term Years	Estimated Capital Spend ¹ A\$m	Invested Equity A\$m	Committed Equity ² A\$m
Healthcare							
Sunshine Coast University Hospital ³	Kawana, Qld	Under construction	Jul 12	25	1,480	45.7	38.2
New Bendigo Hospital	Bendigo, Vic	Under construction	May 13	25	630		31.6
Queen Elizabeth II Medical Centre Car Park	Perth, WA	Operational	Jul 11	26	140	15.0	
Justice							
Eastern Goldfields Regional Prison	Kalgoorlie, WA	Under construction	Dec 12	25	250		20.4
Mixed-Use							
Darling Harbour Live	Sydney, NSW	Under construction	Dec 13	25	1,600	18.6	101.2
Total					4,100	79.3	191.4

1 Represents total estimated capital spend over the contract duration.

2 Committed equity represents future contributions the Group has a commitment to invest.

3 Excludes client provisional funding.

Portfolio Report

Australia

Construction Major Projects – Building^{1,2}

Project	Location ³	Client	Contract Type ⁴	Construction Value A\$m	Secured Date ⁵	Completion Date ⁶	Sector	Description
Barangaroo South	NSW	Lend Lease/Barangaroo Development Authority	LS	2,297	2012	2017	Commercial & Residential	Design and construction of the basement, infrastructure works, commercial office and residential buildings
Sunshine Coast University Hospital ⁷	Qld	Queensland Health	LS	1,569	2013	2022	Healthcare	Design and construction of a new 738 bed hospital
Darling Harbour Live	NSW	Darling Harbour Live Partnership/ Infrastructure NSW/ Sydney Harbour Foreshore Authority	LS	1,135	2014	2017	Entertainment/ Recreation	Design and construction for the redevelopment of Sydney Convention, Exhibition and Entertainment Precinct
The New Royal Children's Hospital	Vic	Children's Hospital Partnership	LS	1,100	2008	2015	Healthcare	Design and construction of a new 353 bed children's hospital in Melbourne
Lady Cilento Children's Hospital (formerly Queensland Children's Hospital)	Qld	Queensland Health	MC	885	2009	2015	Healthcare	Design and construction of a new 359 bed children's hospital in Brisbane
New Bendigo Hospital	Vic	Victorian Government/Bendigo Health	LS	630	2013	2017	Healthcare	Design and construction of a new 372 bed hospital in Bendigo
Mackay Base Hospital	Qld	Queensland Health	MC	331	2011	2015	Healthcare	Managing contractor of the extension to and redevelopment of the existing hospital
Box Hill Redevelopment	Vic	Department of Health	MC	321	2012	2015	Healthcare	Managing contractor of a new 52,000 square metre hospital facility and refurbishment of the existing hospital
Cairns Base Hospital	Qld	Queensland Health	MC	319	2011	2016	Healthcare	Design and construction of new buildings, alterations and refurbishment of existing hospital
Mulwala Redevelopment Project	NSW	Commonwealth Department of Defence	LS	317	2007	2015	Government	Design and construction for the redevelopment of a propellant manufacturing facility

1 Disclosure of major projects is subject to client approval. This could impact the projects available for disclosure.

2 Backlog revenue as at 30 June 2014 for the projects listed on pages 9 and 10 totals A\$5,268 million, representing 81% of the total backlog revenue for the region in relation to Building projects.

3 Locations are New South Wales (NSW), Queensland (Qld) and Victoria (Vic).

4 Contract types are Lump Sum (LS) and Managing Contractor (MC).

5 Secured date represents the financial year in which the project was secured.

6 Completion date represents the financial year in which the project is expected to be completed.

7 Includes client provisional funding.

Portfolio Report

Australia

Construction Major Projects – Building^{1,2} continued

Project	Location ³	Client	Contract Type ⁴	Construction Value A\$m	Secured Date ⁵	Completion Date ⁶	Sector	Description
Adelaide Convention Centre Redevelopment	SA	Department of Planning, Transport and Infrastructure	MC	304	2011	2017	Commercial	Construct only for the redevelopment and extension of the existing convention centre
Lakeside Joondalup	WA	Australian Prime Property Fund and another institutional investment partner	GMP	224	2013	2015	Retail	Design and construction for the redevelopment of Lakeside Joondalup Shopping Centre
Melbourne Park Redevelopment – Western Project	Vic	Major Projects Victoria	MC	182	2012	2015	Recreation	Managing contractor of a new retractable roof structure for Margaret Court Arena and upgrade for the Rod Laver Arena concourse
Monash Children's Hospital	Vic	Department of Health	MC	179	2014	2016	Healthcare	Managing contractor of a new 230 bed hospital
Adelaide Medical & Nursing Schools	SA	The University of Adelaide	MC	166	2014	2016	Healthcare	Design and construction of a new University health science facility for teaching and research
Project AIR 9000 Phase 8 MH-60R Helicopter Facilities	NSW	Commonwealth Department of Defence	LS	141	2014	2015	Defence	Construction of squadron, training, maintenance and storage facilities for new maritime combat helicopters
City West Police Complex	Vic	CBUS Property	LS	140	2013	2015	Commercial	Design and construction of a purpose-built 28,000 square metre facility comprising offices, parking and a police station
Concavo, Victoria Harbour	Vic	Lend Lease Development	LS	135	2013	2016	Residential	Design and construction of new waterfront apartments along Victoria Harbour
University of Technology, Sydney – Dr Chau Chak Wing Building	NSW	University of Technology, Sydney	LS	120	2013	2015	Education	Construction of a new 12 storey Faculty of Business building for UTS, designed by Frank Gehry

1 Disclosure of major projects is subject to client approval. This could impact the projects available for disclosure.

2 Backlog revenue as at 30 June 2014 for the projects listed on pages 9 and 10 totals A\$5,268 million, representing 81% of the total backlog revenue for the region in relation to Building projects.

3 Locations are South Australia (SA), Western Australia (WA) and Victoria (Vic) New South Wales (NSW).

4 Contract types are Managing Contractor (MC), Guaranteed Maximum Price (GMP) and Lump Sum (LS).

5 Secured date represents the financial year in which the project was secured.

6 Completion date represents the financial year in which the project is expected to be completed.

Portfolio Report

Australia

Construction Major Projects – Engineering^{1,2}

Project	Location ³	Client	Contract Type ⁴	Construction Value A\$m	Secured Date ⁵	Completion Date ⁶	Sector	Description
Tintenbar to Ewingsdale, Pacific Highway, Northern NSW	NSW	NSW Roads and Maritime Services	D&C	605	2012	2016	Roads and Highways	Construction of a new 16.3 kilometre section of the highway, several bridges and a 400 metre tunnel
Oxley Highway to Kundabung, Pacific Highway	NSW	NSW Roads and Maritime Services	D&C	582	2014	2018	Roads and Highways	Design and construction of 23 kilometres of upgrade works to the highway, including major bridge crossings across the Hastings and Wilson Rivers
Nambucca to Urunga, Pacific Highway, Mid-North Coast	NSW	NSW Roads and Maritime Services	D&C	533	2013	2017	Roads and Highway	Design and construction of 22 kilometres of dual carriageway and bridges
Southern Expressway Duplication	SA	Department of Planning, Transport and Infrastructure	D&C	342	2012	2015	Roads and Highways	Design and construction of the 18.5 kilometres multilane two-way Southern Expressway in Adelaide
M5 West Widening	NSW	Interlink Roads	SOR	317	2012	2015	Roads and Highways	Widening of the M5 West motorway from two lanes to three lanes in both directions
Regional Rail Link Package E ⁷	Vic	Department of Transport, Planning and Local Infrastructure (Vic) – Regional Rail Link	D&C	253	2012	2015	Rail	Design and construction of 25 kilometres of civil, track, structural and station works, from Deer Park to West Werribee
Headland Park and Barangaroo North Project Works	NSW	Barangaroo Delivery Authority	D&C	206	2012	2015	Marine and Ports	Design and construction of the headland park, including a new harbour cove
Epping to Thornleigh Third Track ⁷	NSW	Transport for NSW	ALL	149	2013	2017	Rail	Construction of a third rail track between Epping and Thornleigh

1 Disclosure of major projects is subject to client approval. This could impact the projects available for disclosure.

2 Backlog revenue as at 30 June 2014 for the projects listed totals A\$1,571 million, representing 76% of the total backlog revenue for the region in relation to Engineering projects.

3 Locations are New South Wales (NSW), South Australia (SA), and Victoria (Vic).

4 Contract types are Design and Construct (D&C), Schedule of Rates (SOR) and Alliance (ALL).

5 Secured date represents the financial year in which the project was secured.

6 Completion date represents the financial year in which the project is expected to be completed.

7 Represents the Group's interest in the project joint venture.

Portfolio Report

Australia

Investment Management

Investments

	Region	Lend Lease Interest %	Market Value ¹ June 2014 A\$m	Market Value ¹ June 2013 A\$m
Australian Prime Property Fund – Industrial ²	Australia	38.4	244.0	4.4
Australian Prime Property Fund – Commercial ³	Australia	19.1	233.3	5.1
Craigieburn Central	Australia	25.0	87.8	60.0
Lend Lease Real Estate Partners Funds	Australia	Various ⁴	81.9	68.3
Lend Lease International Towers Sydney Trust ⁵	Australia	15.0	80.9	89.3
Australian Prime Property Fund – Retail	Australia	1.1	42.2	41.1
Lend Lease Core Plus Fund	Australia	13.3	33.7	41.3
Lend Lease Communities Fund 1	Australia	20.8	8.5	8.7
Lend Lease Real Estate Partners New Zealand Fund	New Zealand	5.3	6.7	5.6
Lend Lease Retail Partners – Australia Fund	Australia	2.6	2.1	2.0
Pakenham Place ⁶	Australia			10.0
Total Investments			821.1	335.8

1 Represents the Group's assessment of the market value.

2 During the year the Group made an additional investment of A\$239.1 million in the Australian Prime Property Fund – Industrial.

3 During the year the Group made an additional investment of A\$225.0 million in the Australian Prime Property Fund – Commercial.

4 The Group holds varying proportional interests in the Lend Lease Real Estate Partners Funds.

5 During the year the Group divested 10% of its holding in Lend Lease International Towers Sydney Trust.

6 The Group divested its interest in the Pakenham Place shopping centre in July 2013.

Funds Under Management

Fund	Fund Type	Asset Class	Market Value ¹ June 2014 A\$b	Market Value ¹ June 2013 A\$b
Australian Prime Property Fund – Retail	Core	Retail	4.4	4.7
Australian Prime Property Fund – Commercial	Core	Commercial	1.7	1.6
Lend Lease International Towers Sydney Trust	Core	Commercial	1.3	0.9
Australian Prime Property Fund – Industrial	Core	Industrial	0.6	0.6
Lend Lease Real Estate Partners Funds	Enhanced	Retail	0.5	0.5
Lend Lease Core Plus Fund	Core Plus	Various	0.4	0.4
Lend Lease Real Estate Partners New Zealand Fund	Enhanced	Retail	0.2	0.2
Lend Lease Retail Partners – Australia Fund	Core Plus	Retail	0.1	0.1
Lend Lease Communities Fund 1	Value Add	Residential	0.1	0.1
Managed Investment Mandates	Core	Various	1.6	1.2
Total FUM			10.9	10.3

1 Represents the Group's assessment of the market value.

Portfolio Report

Australia

Investment Management

Assets Under Management

Shopping Centres	Managed on Behalf of	GLA sqm/000s ¹	Market Value ² June 2014 A\$m	Market Value ² June 2013 A\$m
Cairns Central, Qld	APPF Retail	52.8	}	}
Caneland Central, Qld	APPF Retail	65.6		
Sunshine Plaza, Qld	APPF Retail/Other joint owners	73.3		
Erina Fair, NSW	APPF Retail/Other joint owners	114.2		
Macarthur Square, NSW	APPF Retail/Other joint owners	94.6		
Mid City (retail), NSW	APPF Retail/Other joint owners	9.1		
Craigieburn Central, Vic	APPF Retail/Lend Lease	62.0		
Caroline Springs Square, Vic	APPF Retail/Lend Lease Core Plus Fund	21.0		
Lakeside Joondalup, WA	APPF Retail/Other joint owners	71.1		
Menai Marketplace, NSW	Lend Lease Real Estate Partners 3	16.5		
Settlement City, NSW	Lend Lease Real Estate Partners 3	19.4		
Southlands Boulevard, WA	Lend Lease Real Estate Partners 3	21.2		
Armada Shopping City, WA	Lend Lease Real Estate Partners 3	31.0		
Northgate, WA	Lend Lease Real Estate Partners 3	15.9		
Stud Park, Vic	Lend Lease Retail Partners – Australia Fund	26.9		
Greensborough Plaza, Vic	Other owners	58.5		
Total		753.1	5,974.0	5,283.2

1 GLA represents the gross lettable area of the centres.

2 Represents the Group's assessment of the market value.

Portfolio Report

Asia

Construction Major Projects^{1,5}

Project	Location	Client	Contract Type ²	Construction Value A\$m	Secured Date ³	Completion Date ⁴	Sector	Description
SoftBank Fast Pole	Japan	SoftBank Mobile	MC	148	2011	2016	Telecom-munications	Design and supply of concrete telecommunications poles
GEMS World Academy	Singapore	GEMS World Academy	D&C	118	2013	2015	Education	Design, supervision and construction of an international school campus
INSEAD Phase 3 Expansion Project	Singapore	INSEAD Singapore	GMP	41	2013	2015	Education	Construction of an extension building connecting to the north of the existing international school campus
Novartis MECCaNo	Singapore	Novartis Singapore Pharmaceutical Manufacturing Pte Ltd	CM	19	2013	2015	Pharmaceutical	Construction management for the new biologics manufacturing facility

1 Disclosure of major projects is subject to client approval. This could impact the projects available for disclosure.

2 Contract types are Managing Contractor (MC), Design and Construct (D&C), Guaranteed Maximum Price (GMP) and Construction Management (CM).

3 Secured date represents the financial year in which the project was secured.

4 Completion date represents the financial year in which the project is expected to be completed.

5 Backlog revenue as at 30 June 2014 for the projects listed totals A\$73 million, representing 42% of the total Construction backlog revenue for the region.

Portfolio Report

Asia

Investment Management

Investments

	Lend Lease Interest %	Market Value ¹ June 2014 S\$m	Market Value ¹ June 2013 S\$m	Market Value ¹ June 2014 A\$m	Market Value ¹ June 2013 A\$m
313@somerset ²	25.0	127.2	132.1	108.7	107.4
Parkway Parade Partnership Limited	4.9	34.5	33.9	29.5	27.6
Lend Lease Asian Retail Investment Fund (ARIF)					
ARIF 1 (313@somerset) ²	10.1	38.8	40.0	33.2	32.5
ARIF 2 (Setia City Mall) ³	35.9	27.2	6.0	23.3	4.9
ARIF 3 (Jem) ⁴	10.1	70.9	68.5	60.6	55.7
Total Investments		298.6	280.5	255.3	228.1

1 Represents the Group's assessment of the market value.

2 The Group owns 25% of the 313@somerset retail centre through its investment in CDR JV Ltd, with the remaining 75% held by ARIF 1, in which the Group holds a 10.1% interest. A capital redemption was paid during the year reducing the market value of these investments.

3 During the year the Group made an additional investment of A\$17.2 million in ARIF 2. The Group directly owns 35.9% of ARIF 2, which has a 50% ownership interest in Setia City Mall.

4 The Group directly owns 10.1% of ARIF 3, which has a 75% ownership interest in Jem.

Funds Under Management

Fund	Fund Type	Asset Class	Market Value ¹ June 2014 S\$b	Market Value ¹ June 2013 S\$b	Market Value ¹ June 2014 A\$b	Market Value ¹ June 2013 A\$b
Lend Lease Asian Retail Investment Fund (ARIF)	Core/Value Add	Retail and Commercial	2.5	2.5	2.2	2.0
Parkway Parade Partnership Limited	Core Plus	Retail and Commercial	1.2	1.2	1.0	1.0
Lend Lease Jem Partners Fund Limited	Core	Retail and Commercial	0.5	0.4	0.4	0.3
Total FUM			4.2	4.1	3.6	3.3

1 Represents the Group's assessment of the market value.

Assets Under Management

Shopping Centres	Managed on Behalf of	GLA ¹ sqm/000s	Market Value ² June 2014 S\$m	Market Value ² June 2013 S\$m	Market Value ² June 2014 A\$m	Market Value ² June 2013 A\$m
Jem, Singapore ³	ARIF/Lend Lease Jem Partners Fund Limited	108.2	1,864.0	1,785.0	1,593.2	1,451.2
Parkway Parade, Singapore	Parkway Parade Partnership Limited	52.5	1,176.0	1,143.0	1,005.1	929.3
313@somerset, Singapore	ARIF/Lend Lease	27.1	1,150.0	1,150.0	982.9	935.0
Setia City Mall, Malaysia	ARIF/Lend Lease	107.0	279.3	264.2	238.7	214.8
Total		294.8	4,469.3	4,342.2	3,819.9	3,530.3

1 GLA represents the gross lettable area of the centres.

2 Represents the Group's assessment of the market value.

3 The Jem office component was completed in October 2013.

Portfolio Report

Europe

Development

Project Listing

Project	Location	Ownership Interest	Estimated Completion Date ¹	Backlog Built-Form Units ²	Residential Land sqm/000s	Estimated Commercial Backlog sqm/000s ³
Zoned Projects						
Elephant & Castle	London, UK	100%	Various	2,988		25
Deptford	London, UK	100%	Various	905		15
The International Quarter	London, UK	50%	Various	333		351
Wandsworth	London, UK	100%	Various	214		
Chiswick	London, UK	100%	2016	64		
UK residential projects	Various	Various	Various	716	63 ⁴	11
Total zoned				5,220	63	402
Unzoned Projects						
Chiswick	London, UK	100%	2016	79		
Total unzoned				79		
Total Development				5,299	63	402

1 Estimated completion date for built-form units represents the financial year in which the project construction is expected to be completed.

2 Backlog includes the total number of units in Group-owned and joint venture projects. The actual number of units for any particular project can vary as planning approvals are obtained.

3 Represents net developable land in relation to master-planned urban communities and net developable floor space for other developments. The actual land area and floor space for any particular project can vary as planning approvals are obtained.

4 The Crosby apartment portfolio has been reclassified from residential units to residential land in line with the Group's intention to restructure and divest the portfolio.

Portfolio Report

Europe

Infrastructure Development

Project	Location	Status	Actual Financial Close Date	Operational Term Years	Estimated Construction Value ¹ £m	Percentage of Construction Complete %	Facilities Management Revenue Backlog ² £m	Invested Equity ³ £m	Committed Equity ⁴ £m
Healthcare									
Calderdale Royal Hospital ⁵	UK	Operational	Jul 98	33	87	100	43		
Worcester Royal Hospital ⁵	UK	Operational	Mar 99	33	82	100	59		
Hexham General Hospital – Phases 1 and 2 ⁵	UK	Operational	Apr 01	32	29	100	13		
Burnley General Hospital ⁵	UK	Operational	Oct 03	30	27	100	17		
St James' University Hospital, Leeds ⁵	UK	Operational	Oct 04	33	175	100	58		
Hexham General Hospital – Phase 3 ⁵	UK	Operational	Jul 06	27	24	100	8		
Central Manchester University Hospital ⁵	UK	Operational	Dec 04	38	393	100	45		
Majadahonda Hospital	Spain	Operational	Apr 05	30	187	100	232	4.0	
Brescia 2	Italy	Under construction	Mar 11	33	94	76	183	2.3	3.1
Treviso Hospital	Italy	Preferred bidder	Aug 14	21	147		410		7.5
Education									
Lincoln Schools ⁵	UK	Operational	Sep 01	31	20	100	9		
Newcastle Schools ⁵	UK	Operational	Mar 02	27	50	100	23		
Lilian Baylis Technology School ⁵	UK	Operational	Feb 03	27	13	100	8		
National Maritime College, Cork ⁵	Ireland	Operational	Feb 03	27	30	100	12		
Lancashire Schools Phase 1 ⁵	UK	Operational	Dec 06	25	81	100	32		
Lancashire Schools Phase 2 ⁵	UK	Operational	Dec 07	25	34	100	8		
Lancashire Schools Phase 2A ⁵	UK	Operational	Jul 08	25	59	100	14		
Lancashire Schools Phase 3 ⁵	UK	Operational	Jun 09	25	69	100	14		
Birmingham BSF Phase 1A ⁵	UK	Operational	Aug 09	25	69	100	31		
Birmingham BSF Phase 1B ⁵	UK	Operational	Jul 11	27	27	100	13		
Accommodation									
Treasury 1 ⁵	UK	Operational	May 00	37	114	100	52		
Treasury 2 ⁵	UK	Operational	Jan 03	35	148	100	46		
University of Sheffield ⁵	UK	Operational	May 06	40	169	100	38		
Waste									
Global Renewables Lancashire	UK	Under construction	Mar 07	25	252	99			
South Tyne and Wear Waste ⁵	UK	Operational	Apr 11	25	175	100			
Total					2,555		1,368	6.3	10.6

¹ Represents total construction value over the contract duration.

² Facilities management revenue backlog disclosed is for a maximum of 10 years, although PPP contracts typically operate for a period of up to 40 years. Subsequent to year end, the facilities management business was sold.

³ Invested equity refers to the contributed equity for each project, with the exception of the Global Renewables project which represents the written down value of the asset.

⁴ Committed equity refers to equity and loan stock contributions that the Group has a future commitment to invest.

⁵ Equity interest in these projects is held by the Lend Lease managed UKIF. The Group has a 10% interest in the UKIF.

Portfolio Report

Europe

Construction Major Projects^{1,2}

Project	Location	Client	Contract Type ³	Construction Value £m	Construction Value A\$m	Secured Date ⁴	Completion Date ⁵	Sector	Description
Ministry of Defence Single Living Accommodation Modernisation Phase 2	UK	Defence Estates	GMP	697	1,245	2003	2015	Government	Construction and upgrade of single living accommodation for the military
Kingsgate House	London	Land Securities	LS	167	298	2013	2015	Mixed-use	Demolition of existing office block and design and construction of a 12 storey commercial and retail block and a 14 storey residential building
Beacon Barracks	Midlands England	The Secretary of State for Defence	GMP	94	168	2004	2016	Government	Design and construction of single living accommodation for the military, regimental headquarters, mess and catering facilities and technical workshops, and the upgrade of the existing base's infrastructure
Cramlington Hospital	North-East England	Northumbria Trust	LS	74	132	2013	2015	Healthcare	Design and construction of a 282 bed specialist emergency care hospital
Strathclyde Technology and Innovation Centre	Glasgow	Strathclyde University	LS	61	109	2012	2015	Education	Design and construction of a nine storey Technology and Innovation Centre research facility to accommodate 1,200 researchers
BP – New Office	London	BP International Ltd	LS	33	59	2014	2015	Commercial Offices	Construction of a four storey 9,500 square metre commercial office building

1 Disclosure of major projects is subject to client approval. This could impact the projects available for disclosure.

2 Backlog revenue as at 30 June 2014 for the projects listed totals £312 million, representing 52% of the total Construction backlog revenue for the region.

3 Contract types are Guaranteed Maximum Price (GMP) and Lump Sum (LS).

4 Secured date represents the financial year in which the project was secured.

5 Completion date represents the financial year in which the project is expected to be completed.

Portfolio Report

Europe

Investment Management

Investments

	Lend Lease Interest %	Market Value ¹ June 2014 £m	Market Value ¹ June 2013 £m	Market Value ¹ June 2014 A\$m	Market Value ¹ June 2013 A\$m
Bluewater ²			549.0		900.0
Warrington Retail Limited Partnership ³	50.0				
Lend Lease Retail Partnership	4.3	34.6	29.8	62.9	48.8
Lend Lease PFI/PPP Infrastructure Fund LP (UKIF)	10.0	10.9	9.4	19.9	15.5
Lend Lease Global Properties, SICAF and LL Global Real Estate Advisors	various	0.7	0.8	1.2	1.2
Total		46.2	589.0	84.0	965.5

1 Represents the Group's assessment of the market value.

2 Lend Lease divested its interest in Bluewater on 26 June 2014.

3 Golden Square, Warrington was sold on 26 June 2014 and the partnership will be wound down. As at 30 June 2014, the Group's investment has been written down to nil.

Funds Under Management

Fund	Fund Type	Asset Class	Market Value ¹ June 2014 £b	Market Value ¹ June 2013 £b	Market Value ¹ June 2014 A\$b	Market Value ¹ June 2013 A\$b
Lend Lease Retail Partnership	Core	Retail	0.8	0.7	1.4	1.1
Lend Lease PFI/PPP Infrastructure Fund LP (UKIF)	Core	Infrastructure	0.2	0.2	0.4	0.3
Total FUM			1.0	0.9	1.8	1.4

1 Represents the Group's assessment of the market value.

Assets Under Management

Shopping Centres	Managed on Behalf of	GLA ¹ sqm/000s	Market Value ² June 2014 £m	Market Value ² June 2013 £m	Market Value ² June 2014 A\$m	Market Value ² June 2013 A\$m
Bluewater, Kent ³	Lend Lease Retail Partnership/Lend Lease			1,830.0		3,000.0
Touchwood, Solihull	Lend Lease Retail Partnership	60.4	274.2	265.2	498.5	434.8
Golden Square, Warrington ⁴	Warrington Retail Unit Trust			123.6		202.6
Queensgate, Peterborough ⁵	IREEF Queensgate Peterborough	81.3	204.0		370.9	
Total		141.7	478.2	2,218.8	869.4	3,637.4

1 GLA represents the gross lettable area of the centres.

2 Represents the Group's assessment of the market value.

3 Lend Lease divested its interest in Bluewater on 26 June 2014.

4 Golden Square, Warrington was sold on 26 June 2014 and asset management rights were terminated as at that date.

5 Lend Lease commenced asset management services for Queensgate on 20 January 2014.

Portfolio Report

Americas

Development

Commercial

Project	Location	Ownership Interest %	Secured Date ¹	Estimated Completion Date ²	Backlog Land Units ³	Backlog Built-Form Units ³	Estimated Commercial Backlog sqm/000s ⁴
Horizon Uptown	Colorado	100	2006	2032	3,860		371
Total Communities					3,860		371

1 Secured date represents the financial year in which the Group was announced as the preferred bidder for the project.

2 Estimated completion date for master-planned communities represents the estimated financial year in which the last unit will be settled.

3 The actual number of units for any particular project can vary as planning applications are obtained.

4 The actual floor space for any particular project can vary as planning approvals are obtained.

Healthcare

Project ¹	Location	Ownership Interest %	Status	Secured Date ²	Estimated Completion Date ³	Estimated Commercial Backlog sqm/000s ⁴
Bon Secours St. Francis Medical Pavilion	Virginia	100	Operational	2013	2014	5
Covington Medical Arts Pavilion	Louisiana	100	Operational	2012	2014	5
Bon Secours DePaul Medical Center	Virginia	100	Under construction	2012	2015	9
Winston-Salem Veterans Affairs Healthcare Center ⁵	North Carolina		Under construction	2013	2016	33
Medical Office Building II, USMD Hospital, Arlington, Texas	Texas	100	Preferred bidder	2013	2016	9
Providence Little Company of Mary Medical Center, Torrance	California	100	Preferred bidder	2011	2016	10
Total Healthcare						71

1 The June 2013 Portfolio Report included the Mercy Regional Health Center Medical Office Building (located in Kansas) in the status of preferred bidder. However, during the current year, the ownership of this client changed and the new owners awarded the final project to a developer other than Lend Lease.

2 Secured date represents the financial year in which the Group was announced as the preferred bidder for the project.

3 Estimated completion date for healthcare projects represents the estimated financial year in which construction will be completed.

4 Gross square metres expected from the projects were used in the June 2013 portfolio report to disclose commercial backlog. In the current year, the commercial backlog of each project was based on the expected rentable square metres resulting in minor revisions to amounts disclosed for some projects. The actual floor space for any particular project can vary as planning approvals are obtained.

5 Project ownership was sold during the year. However, the Group continues to provide construction and development services on a fee basis.

Portfolio Report

Americas

Infrastructure Development – Military Housing Project Listing

Project	Location	Service	Status	Actual Financial Close Date	Operational Term Years	Estimated Capital Spend ¹ US\$m	Percentage of Construction Completed %	Invested Equity US\$m	Committed Equity ² US\$m	Units Under Management ³
Air Combat Command Group II	Arizona/New Mexico	Air Force	Operational	Jul 07	50	224	100	11.0		2,200
Hickam ⁴	Hawaii	Air Force	Operational	Feb 05	50	652	100	23.7		2,500
Tri-Group	Colorado/California	Air Force	Operational	Sep 07	50	235	100	11.0		1,525
Wainwright/Greely Phase 1 ⁵	Alaska	Army	Operational	Apr 09	50	53	100			1,900
Wainwright/Greely Phase 2 ⁴	Alaska	Army	Operational	Sep 10	50	224	56		2.0	
Island Palm Communities	Hawaii	Army	Operational	Apr 05	50	2,172	78	8.0		7,750
Fort Campbell	Kentucky	Army	Operational	Dec 03	50	301	100	6.0		4,450
Fort Knox Phase 1 ^{4,5}	Kentucky	Army	Operational	Feb 07	50	199	93		3.0	2,350
Fort Knox Phase 2 (Additional Scoring) ⁴	Kentucky	Army	Operational	Oct 10	50	17	66			35
Fort Drum	New York	Army	Operational	May 05	50	491	100	5.0		4,025
Fort Hood ⁵	Texas	Army	Operational	Oct 01	50	296	100	6.0		5,900
Fort Hood Stage 3 (Chaffee Village 1)	Texas	Army	Operational	May 14	50	70				
Camp Lejeune Phases 1 and 2	North Carolina/New York	Marine Corps	Operational	Oct 05	50	461	100	10.0		4,350
Camp Lejeune Phase 3 ^{4,5,6}	North Carolina/New York	Marine Corps	Operational	Nov 07	50	257	75	4.5		2,120
Tri-Command ⁵	South Carolina	Marine Corps	Operational	Feb 03	50	140	100	3.3		1,500
PAL Group A Phase 1	Various	Army	Operational	Aug 09	50	57	100			3,400
PAL Group A Phase 2 and Group B	Various	Army	Operational	Apr 12	50	154	93			4,450
PAL Group C	Various	Army	Operational	May 13	50	375	6			3,700
Total Operational						6,378		88.5	5.0	52,155
PAL Lee Benning	Virginia/Georgia	Army	Preferred bidder	May 16	50	14				2,500
Total						6,392		88.5	5.0	54,655

1 Changes in estimated capital spend from prior reports reflect adjustments made to contract values, project scope changes and (for certain projects) the impact of contractual shares savings realised during the development period.

2 Committed equity represents future contributions the Group has a commitment to invest.

3 Units under management are the expected number of units at the end of the initial project development period.

4 Decrease in estimated capital spend from prior report reflects the impact of anticipated scope reduction as part of a pending modified scope plan.

5 Units under management have been revised to reflect the expected number of units at the end of the initial project development period.

6 Camp Lejeune Phase 4 included in December 2013 Portfolio Report. This project has been removed as it represents additional development management work only and does not include any additional construction value or expected units.

Portfolio Report

Americas

Construction Major Projects^{1,2}

Project	Location	Client	Contract Type ³	Construction Value US\$m	Construction Value A\$m	Secured Date ⁴	Completion Date ⁵	Sector	Description
National September 11 Memorial/Foundation/Port Authority	New York	National September 11 Memorial and Museum at the World Trade Center	CM	781	858	2006	2015	Other	Construction manager for the memorial and museum at the World Trade Center site in New York
432 Park Avenue	New York	CIM Group	GMP	656	721	2012	2016	Mixed-use	Construction manager for a 73,000 square metre, 89 storey condominium and retail project
One57	New York	Extell Development Company	GMP	400	440	2012	2015	Mixed-use	Construction manager for a 74 storey high-rise hotel and residential tower with retail in Manhattan, with 210 hotel rooms and 135 apartments
56 Leonard Avenue	New York	56 Leonard LLC	GMP	371	408	2012	2016	Residential	Construction manager for a 42,000 square metre, 60 storey residential building with 146 units
LUMINA	San Francisco	Tishman Speyer	GMP	353	388	2013	2017	Residential	Construction manager for a 655 condominium units in two towers (37 and 42 storeys, respectively) and two nine storey residential buildings
252 East 57 th Street	New York	World Wide Holdings	GMP	327	359	2014	2016	Mixed-use	Construction manager for a 55,000 square metre, 57 storey apartment, condominium and retail project
400 Park Avenue South	New York	ET 500 PAS LLC (JV)	GMP	208	229	2012	2015	Residential	Construction manager for a 43 storey residential project, split between condominiums and apartments
50 UN Plaza	New York	Zeckendorf Development LLC	GMP	201	221	2012	2015	Residential	Construction manager for a 44 storey condominium tower with 88 units
455 North Park/DRW Hotel	Chicago	New Water Park LLC	GMP	200	220	2012	2015	Mixed-use	Construction manager for a 51 storey mixed-use building, including 400 hotel rooms, 398 apartments
680 Madison Avenue/The Carlton House	New York	Extell Development Company	CMA	150	165	2013	2015	Residential	Construction manager for the interior demolition of a 23,000 square metre hotel for a new high-end apartment cooperative, including retail space, townhouse and penthouse
Brooklyn City Point Tower 2	New York	The Brodsky Organization	CM	130	143	2014	2016	Residential	Construction manager for a 33 storey reinforced concrete residential tower
22 Water Street	Boston	Wood Partners	GMP	126	138	2014	2016	Residential	Construction manager for a 50,000 square metre apartment development with 392 units
111 W. Wacker Drive	Chicago	Related BIT	GMP	114	125	2012	2015	Residential	Construction manager for a 59 storey residential tower with 506 apartments

1 Disclosure of major projects is subject to client approval. This could impact the projects available for disclosure.

2 Backlog revenue as at 30 June 2014 for the listed projects totals US\$1,547 million, representing 32% of the total Construction backlog revenue for the region.

3 Contract types are Construction Management (CM), Guaranteed Maximum Price (GMP) and Construction Management Agency (CMA).

4 Secured date represents the financial year in which the project was secured.

5 Completion date represents the financial year in which the project is expected to be completed.

Five Year Profile

		30 June 2014	30 June 2013 ¹	1 July 2012 ¹	30 June 2011	30 June 2010
Profitability						
Revenue	A\$m	13,936	13,163	11,548	8,927	10,502
Profit before tax	A\$m	999	571	523	632	451
Profit after tax attributable to securityholders	A\$m	823	549	501	493	346
EBITDA	A\$m	1,193	739	660	721	516
Earnings per stapled security on profit after tax ²	cents	142.7	95.6	87.7	86.9	69.5
Return on equity (ROE) ³	%	18.2	13.6	13.5	14.3	12.7
Distribution payout ratio on profit after tax ⁴	%	50	44	43	41	50
Distribution per stapled security ⁴	cents	71.0	42.0	38.0	35.0	32.1
Corporate Strength						
Total assets	A\$m	15,752	14,301	12,831	12,149	11,366
Cash	A\$m	1,716	1,610	1,052	1,046	1,636
Borrowings	A\$m	2,347	1,976	1,369	1,694	1,447
Current assets	A\$m	4,933	4,833	4,317	4,097	4,171
Non current assets	A\$m	10,819	9,468	8,515	8,052	7,196
Current liabilities ⁵	A\$m	7,576	6,957	6,736	5,794	5,541
Non current liabilities	A\$m	3,307	3,077	2,266	2,722	2,465
Total equity	A\$m	4,869	4,267	3,830	3,633	3,361
Operating cash flow	A\$m	822	81	(46)	(42)	168
Net asset backing per security	A\$	8.43	7.41	6.69	6.36	5.94
Ratio of current assets to current liabilities ⁵	times	0.7	0.7	0.6	0.7	0.8
Ratio of current assets to current liabilities (excluding resident and accommodation bond liabilities) ⁵	times	1.1	1.1	1.0	1.2	1.2
Net debt to total tangible assets, less cash ⁶	%	5.7	5.4	5.5	8.9	n/a
Borrowings to total equity	%	48.2	46.3	35.7	46.6	43.0
Borrowings to total equity plus borrowings	%	32.5	31.7	26.3	31.8	30.1
Gross borrowings to total tangible assets ⁶	%	16.9	17.1	14.2	17.7	15.1
Borrowings to total market capitalisation	%	31.0	41.1	33.2	33.1	34.9
Number of equivalent full-time employees ⁷	no.	13,268	15,634	17,315	17,253	11,094
Securityholders' Returns and Statistics						
Weighted average number of securities	m	577	574	572	567	497
Securities on issue	m	577	576	573	571	566
Total distributions ⁸	A\$m	410	242	218	199	161
Number of securityholders	no.	55,046	53,591	52,739	54,370	55,492
Proportion of securities on issue to top 20 securityholders	%	76.1	76.1	76.6	76.3	75.3
Security holdings relating to employees ⁹	%	6.3	6.9	6.9	6.4	6.1
Security price as at 30 June as quoted on the Australian Securities Exchange	A\$	13.11	8.35	7.20	8.97	7.33

¹ June 2012 and June 2013 has been adjusted to reflect the impact of first time adoption of the revised AASB 119 *Employee Benefits* standard and the new AASB 11 *Joint Arrangements* standard (Refer to Note 1 'Significant Accounting Policies' of the Consolidated Financial Statements). The June 2012 Statement of Financial Position has been adjusted to reflect restated opening balances as at 1 July 2012.

² Calculated using the weighted average number of securities on issue including treasury securities.

³ Return on equity is calculated as the annual profit after tax divided by the arithmetic average of beginning, half year and year end securityholders' equity.

⁴ Distributions include interim and final distributions. June 2010 also includes the 'in specie' dividend of 0.1 cent following the stapling of LLT units to shares in the company in November 2009.

⁵ Since June 2010 ratio includes resident and accommodation bond liabilities recognised following the Primelife acquisition. These are required to be classified as current liabilities as any resident may depart within 12 months. The investment properties, property, plant and equipment, and intangible assets to which they relate, however, are required to be classified as non current.

⁶ Net debt and gross borrowings include certain other financial liabilities of A\$91.4 million (June 2013: A\$254.1 million).

⁷ Casual and third party workers are excluded from full time equivalent employees at June 2014, comparative periods have been restated to conform with current period disclosure. The reduction from June 2013 mainly relates to the restructure of the Australian Construction business. The reduction from June 2012 relates to the sale of the Aged Care business. June 2011 includes full time equivalent employees following the acquisition of Valemus Australia Pty Limited on 10 March 2011.

⁸ The June 2014 Company dividend of A\$242.3 million was declared subsequent to the reporting date.

⁹ Securities held through employee benefit vehicles.

Directors' Report

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Directors' Report

The Directors present their Report together with the Annual Consolidated Financial Report of the consolidated entity, being Lend Lease Corporation Limited ('the Company') and its controlled entities including Lend Lease Trust ('LLT') (together referred to as the 'Consolidated Entity' or the 'Group'), for the financial year ended 30 June 2014 and the Auditor's Report thereon.

1. Governance

a. Board/Directors

The names, skills, experience and qualifications of each person holding the position of Director of the Company at the date of this Report are:

D A Crawford AO, Chairman (Independent Non Executive Director)

Age 70

Term of Office

Mr Crawford joined the Board in July 2001 and was appointed Chairman in May 2003.

Skills, Experience and Qualifications

Mr Crawford has extensive experience in risk management and business reorganisation. He has acted as a consultant, scheme manager, receiver and manager and liquidator to many large and complex corporations. Previously, Mr Crawford was National Chairman of the Australian firm of KPMG. He was appointed an Officer of the Order of Australia (AO) in June 2009 in recognition for service in various fields including to business as a Director of public companies, to sport particularly through the review and restructure of national sporting bodies, and to the community through contributions to arts and educational organisations.

Mr Crawford holds a Bachelor of Commerce and Bachelor of Laws from the University of Melbourne and is a Fellow of the Institute of Chartered Accountants.

Other Directorships and Positions (current and recent)

- Chairman of Australia Pacific Airports Corporation Limited (appointed May 2012)
- Non Executive Director of BHP Billiton Limited (appointed May 1994)
- Former Chairman of Foster's Group Limited (appointed Director August 2001 and Chairman November 2007, resigned December 2011)

Board Committee Memberships

- Member of the Nomination Committee

S B McCann, Group Chief Executive Officer and Managing Director (Executive Director)

Age 49

Term of Office

Mr McCann was appointed Group Chief Executive Officer in December 2008 and joined the Board as Managing Director in March 2009.

Skills, Experience and Qualifications

Mr McCann joined Lend Lease in 2005. Prior to his current role, Mr McCann was Group Finance Director, appointed in March 2007 and Chief Executive Officer for Lend Lease's Investment Management business from September 2005 to December 2007.

Mr McCann has more than 15 years' experience in funds management and capital markets transactions. Prior to joining Lend Lease, Mr McCann spent six years at ABN AMRO, where his roles included Head of Property, Head of Industrial Mergers & Acquisitions and Head of Equity Capital Markets for Australia and New Zealand. Previous roles also include Head of Property at Bankers' Trust, four years as a mergers and acquisitions lawyer at Freehills and four years in taxation accounting.

Mr McCann holds a Bachelor of Economics (Finance major) and a Bachelor of Laws from Monash University in Melbourne, Australia.

Other Directorships and Positions

- Nil

Directors' Report continued

1. Governance continued

a. Board/Directors continued

C B Carter AM
(Independent Non Executive Director)
Age 71

Term of Office

Mr Carter joined the Board in April 2012.

Skills, Experience and Qualifications

Mr Carter is one of the founding partners of The Boston Consulting Group in Australia, retiring as a Senior Partner in 2001, and continues as an Adviser with that company. He has over 30 years of experience in management consulting advising on organisational, strategy and governance issues. His career has included major projects in Australia and overseas. Mr Carter has wide industry knowledge on corporate governance issues and has carried out board performance reviews for a number of companies. He has co-authored a book on boards, 'Back to the Drawing Board'.

Mr Carter holds a Bachelor of Commerce degree from Melbourne University and a Master of Business Administration from Harvard Business School, where he graduated with Distinction and as a Baker Scholar. He is a Fellow of the Australian Institute of Company Directors.

Other Directorships and Positions (current and recent)

- Non Executive Director of Wesfarmers Limited (appointed October 2002)
- Non Executive Director of SEEK Limited (appointed March 2005)
- President of Geelong Football Club
- Director of World Vision Australia
- Director of The Ladder Project

Board Committee Memberships

- Chairman of the Nomination Committee
- Member of the Personnel & Organisation Committee
- Member of the Sustainability Committee

P M Colebatch
(Independent Non Executive Director)
Age 69

Term of Office

Mr Colebatch joined the Board in December 2005.

Skills, Experience and Qualifications

Mr Colebatch has held senior management positions in insurance and investment banking, and was formerly on the Executive Board of Swiss Reinsurance Company, Zurich. He was previously on the Executive Board of Credit Suisse Group, Zurich, where he was Chief Financial Officer, and was subsequently Chief Executive Officer of Credit Suisse Asset Management.

Mr Colebatch has a Bachelor of Science and Bachelor of Engineering from the University of Adelaide, a Master of Science from Massachusetts Institute of Technology and a Doctorate in Business Administration from Harvard University.

Other Directorships and Positions (current and recent)

- Non Executive Director of Man Group plc (appointed September 2007)
- Board of Trustees for the Prince of Liechtenstein Foundation and the LGT Group Foundation (appointed September 2009)
- Former Director of Insurance Australia Group Limited (appointed January 2007, resigned August 2012)

Board Committee Memberships

- Member of the Risk Management and Audit Committee
- Member of the Nomination Committee

Directors' Report continued

1. Governance continued

a. Board/Directors continued

P C Goldmark
(Independent Non Executive Director)
Age 73

Term of Office

Mr Goldmark joined the Board in December 1999.

Skills, Experience and Qualifications

Mr Goldmark brings to Lend Lease his wide experience as a Chief Executive Officer and senior executive in the private and public sectors, both in the USA and internationally. Until his retirement in December 2010, he was Director, Climate and Air Program at Environmental Defense, a US based non-profit environmental advocacy organisation. He was the Chairman and Chief Executive Officer of The International Herald Tribune in Paris between 1998 and 2003. Prior to this, he was the President and Chief Executive Officer of the Rockefeller Foundation in New York for 10 years. Mr Goldmark has held positions including Senior Vice President of the Times-Mirror Corporation, Executive Director of the Port Authority of New York and New Jersey, and Director of the Budget for the State of New York. He now works as an independent consultant and columnist and is a writer and speaker on world affairs.

Mr Goldmark graduated with a BA from Harvard College, Government Department, magna cum laude.

Other Directorships and Positions (current and recent)

- Chairman of the Mekong Renewable Resources Fund, an advisory board operating in the IndoChina peninsula (appointed March 2012)

Board Committee Memberships

- Member of the Sustainability Committee
- Member of the Nomination Committee

J S Hemstritch
(Independent Non Executive Director)
Age 61

Term of Office

Ms Hemstritch joined the Board in September 2011.

Skills, Experience and Qualifications

Ms Hemstritch has extensive senior executive experience in information technology, communications, change management and accounting. She also has broad experience across the financial services, telecommunications, government, energy and manufacturing sectors and in business expansion in Asia. During a 25 year career with Accenture and Andersen Consulting, Ms Hemstritch worked with clients across Australia, Asia and the US. She held a number of leadership positions within the company and was Managing Director Asia Pacific for Accenture from 2004 until her retirement in 2007. Ms Hemstritch was a member of Accenture's global Executive Leadership Team and oversaw the management of Accenture's business in the Asia Pacific region which spanned 12 countries and included 30,000 personnel.

Ms Hemstritch has a Bachelor of Science degree in Biochemistry and Physiology from the University of London and is a Fellow of the Institutes of Chartered Accountants in Australia and in England and Wales. She is a Member of the Council of the National Library of Australia and Chief Executive Women Inc.

Other Directorships and Positions (current and recent)

- Non Executive Director of the Commonwealth Bank of Australia (appointed October 2006)
- Non Executive Director of Tabcorp Holdings Ltd (appointed November 2008)
- Non Executive Director of Santos Limited (appointed February 2010)
- Chairman of Victoria Opera Company Ltd (appointed Director October 2010 and Chairman February 2013)
- Former Director and Deputy Chairman of The Global Foundation (appointed November 2009, resigned November 2012)

Board Committee Memberships

- Chairman of the Personnel and Organisation Committee
- Member of the Nomination Committee

Directors' Report continued

1. Governance continued

a. Board/Directors continued

D J Ryan AO
(Independent Non Executive Director)
Age 62

Term of Office

Mr Ryan joined the Board in December 2004.

Skills, Experience and Qualifications

Mr Ryan has a background in commercial banking, investment banking and operational business management. He has previously held senior executive management positions in investment banking and industry, as well as being the Chairman or a Non Executive Director of a number of listed public companies.

Mr Ryan has a Bachelor of Business from the University of Technology in Sydney, Australia, and is a Fellow of the Australian Institute of Company Directors and CPA Australia.

Other Directorships and Positions (current and recent)

- Advisory Board of Virgin Group Worldwide (appointed August 2012)
- Former Non Executive Director of Aston Resources Limited until the merger with Whitehaven Coal (appointed November 2011 and resigned May 2012)

Board Committee Memberships

- Chairman of the Risk Management and Audit Committee
- Member of the Personnel and Organisation Committee
- Member of the Nomination Committee

M J Ullmer
(Independent Non Executive Director)
Age 63

Term of Office

Mr Ullmer joined the Board in December 2011.

Skills, Experience and Qualifications

Mr Ullmer brings to the Board extensive strategic, financial and management experience accumulated over his career in international banking and finance. He was the Deputy Group Chief Executive Officer of the National Australia Bank (NAB) from 2007 until he stepped down from the Bank in August 2011. He joined NAB in 2004 as Finance Director and held a number of key positions including Chairman of the subsidiaries Great Western Bank (US) and JB Were. Prior to NAB, Mr Ullmer was at Commonwealth Bank of Australia, initially as Group Chief Financial Officer and then Group Executive with responsibility for Institutional and Business Banking. Before that he was a Partner at accounting firms KPMG (1982 to 1992) and Coopers & Lybrand (1992 to 1997).

Mr Ullmer has a degree in mathematics from the University of Sussex. He is a Fellow of the Institute of Chartered Accountants and a Senior Fellow of the Financial Services Institute of Australia.

Other Directorships and Positions (current and recent)

- Non Executive Director of Woolworths Limited (appointed January 2012)
- Advisory Board of Nomura Australia (appointed September 2012)
- Deputy Chairman of Melbourne Symphony Orchestra (appointed February 2007)
- Trustee of National Gallery of Victoria (appointed December 2011)
- Chairman Schools Connect Australia (appointed November 2011)
- Former Executive Director of National Australia Bank (appointed October 2004, retired August 2011)
- Former Director of Bank of New Zealand (appointed September 2007, retired August 2011)
- Former Non Executive Director of Fosters Group Limited (appointed June 2008, resigned December 2011)

Board Committee Memberships

- Chairman Sustainability Committee
- Member Risk Management and Audit Committee
- Member of the Nomination Committee

Directors' Report continued

1. Governance continued

a. Board/Directors continued

N M Wakefield Evans

(Independent Non Executive Director)

Age 53

Term of Office

Ms Wakefield Evans joined the Board in September 2013.

Skills, Experience and Qualifications

Ms Wakefield Evans was an M&A lawyer for 29 years at King & Wood Mallesons where she was a partner for nearly 20 years. She has extensive experience as an equity capital markets and M&A lawyer, has been involved in a number of significant and ground-breaking M&A transactions and has advised some of the largest companies in Australia, Asia and globally. She is well known in Asia where she was the Managing Partner, International at King & Wood Mallesons, Hong Kong and is rated by a number of publications as one of the Asian region's leading M&A, corporate governance, communications and resources & energy lawyers. Ms Wakefield Evans was also a key member of King & Wood Malleson's corporate governance group and has deep experience providing strategic advice to a number of company boards. In October 2012, Ms Wakefield Evans was included in the Australian Financial Review and Westpac Group's inaugural list of 'Australia's 100 Women of Influence.'

Ms Wakefield Evans holds a Bachelor of Jurisprudence and Bachelor of Laws degree from the University of New South Wales and is a qualified lawyer in Australia, Hong Kong and the United Kingdom.

Other Directorships and Positions (current and recent)

- Non Executive Director of Macquarie Group Limited
- Non Executive Director of Toll Holdings Limited
- Non Executive Director of Bupa Australia
- Non Executive Director of O'Connell Street Associates Pty Limited (July 2014)
- Member of the Board of Asialink (University of Melbourne)
- Member of the Law Advisory Council of the University of New South Wales Law School
- Former partner of King & Wood Mallesons (retired September 2013)

Board Committee Memberships

- Member Sustainability Committee
- Member of the Nomination Committee

Former Directors

Mr G G Edington retired from the Board on 15 November 2013, having joined the Board in December 1999.

b. General Counsel and Company Secretary Qualifications and Experience

K Pedersen

Ms Pedersen was appointed as Group General Counsel in January 2013. Before that she was Deputy General Counsel and Company Secretary for several large property and construction companies. Ms Pedersen has a Masters of Law from the University of Technology, Sydney and a Bachelor of Commerce/Bachelor of Laws from the University of New South Wales.

W Lee

Ms Lee joined Lend Lease in September 2009 and was appointed as a Company Secretary of Lend Lease in January 2010. Prior to her appointment, Ms Lee was a company secretary for several subsidiaries of a large financial institution listed on the ASX. She has over 10 years of company secretarial experience. Ms Lee has a Bachelor of Arts and a Bachelor of Laws from the University of Sydney, a Graduate Diploma in Applied Corporate Governance and is an Associate of the Governance Institute Australia.

c. Officers Who Were Previously Partners of the Audit Firm

KPMG or its predecessors was appointed as the Company's auditor at its first Annual General Meeting in 1958.

Mr Crawford was a Partner and Australian National Chair of KPMG. He resigned from this position on 28 June 2001 prior to his appointment as a Director of the Company on 19 July 2001. Mr Ullmer was also a Partner at KPMG from 1982 until October 1992.

Directors' Report continued

1. Governance continued

d. Directors' Meetings

Board Meetings

The Board meets as often as necessary to fulfil its role. Directors are required to allocate sufficient time to the Group to perform their responsibilities effectively, including adequate time to prepare for Board meetings. During the financial year ended 30 June 2014, 15 Board meetings were held. Five of these meetings were held in Australia and one each in the UK, Americas and Asia reflecting the geographic spread of the Lend Lease business. These meetings run over two or three days. Seven meetings were held via teleconference to discuss specific matters. In addition, matters were dealt with as required by circular resolution.

The Board recognises the essential role of Committees in guiding the Company on specific issues. Committees address important corporate issues, calling on senior management and external advisers prior to making a final decision or making a recommendation to the full Board.

There are four permanent Committees of the Board.

Risk Management and Audit Committee

The Risk Management and Audit Committee consists entirely of Non Executive Directors. The principal purpose of the Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Group's risk management and internal control systems, accounting policies and practices, internal and external audit functions and financial reporting. During the financial year ended 30 June 2014, five meetings of the Risk Management and Audit Committee were held.

Personnel and Organisation Committee

The Personnel and Organisation Committee consists entirely of Non Executive Directors. The Committee's agenda reflects the importance of human capital to the Group's strategic and business planning and it assists the Board in establishing appropriate policies for people management and remuneration across the Group. During the financial year ended 30 June 2014, eight meetings of the Personnel and Organisation Committee were held. Full details of the Committee's work on behalf of the Board are set out in the Remuneration Report.

Sustainability Committee

The Sustainability Committee consists entirely of Non Executive Directors. The Committee assists the Board in monitoring the decisions and actions of management in achieving Lend Lease's aspiration to be a sustainable organisation. During the financial year ended 30 June 2014, four meetings of the Sustainability Committee were held.

Nomination Committee

The Nomination Committee consists entirely of Non Executive Directors. The Committee assists the Board by considering nominations to the Board to ensure that there is an appropriate mix of expertise, skills and experience on the Board. During the financial year ended 30 June 2014, all eight meetings of the Nomination Committee were held in conjunction with scheduled Board meetings and all Non Executive Directors routinely attend.

Directors' Report continued

1. Governance continued

d. Directors' Meetings continued

Attendance at Meetings of Directors 1 July 2013 to 30 June 2014

The number of Board and Board Committee meetings held, and the number of meetings attended by each Director during the 2014 Financial Year are set out in the tables below.

	Membership	Number of Meetings Held ¹	Number of Meetings Attended
Board	D A Crawford (Chairman)	15	15
	S B McCann (CEO)	15	14
	C B Carter	15	14
	P M Colebatch	15	15
	G G Edington	7	6
	P C Goldmark	15	14
	J S Hemstritch	15	15
	D J Ryan	15	15
	M J Ullmer	15	15
	N M Wakefield Evans	11	11
Risk Management & Audit Committee Meetings	D J Ryan (Chairman)	5	5
	P M Colebatch	5	5
	G G Edington	3	3
	M J Ullmer	5	5
	Standing Invitees:		
	D A Crawford	5	5
Personnel and Organisation Committee	J S Hemstritch (Chairman)	8	8
	C B Carter	4	4
	D J Ryan	8	8
	P M Colebatch	4	4
	Standing Invitees:		
	D A Crawford	8	8
Sustainability Committee	M J Ullmer (Chairman)	4	4
	G G Edington	2	2
	P C Goldmark	4	4
	C B Carter	4	4
	N M Wakefield Evans	3	3
	Standing Invitees:		
	D A Crawford	4	4
Nomination Committee	C B Carter (Chairman)	8	8
	D A Crawford	8	8
	P M Colebatch	8	8
	G G Edington	4	4
	P C Goldmark	8	8
	J S Hemstritch	8	8
	D J Ryan	8	8
	M J Ullmer	8	8
	N M Wakefield Evans	8	8

¹ Reflects the number of meetings held during the time the Director held office during the year. Seven of the 15 meetings were out of schedule board teleconferences constituted to address specific issues. S B McCann, G G Edington and C B Carter were unable to attend one each of these teleconferences, as these were called at short notice.

Directors' Report continued

1. Governance continued

e. Interest in Capital

The interest of each of the Directors (in office at the date of this report) in the stapled securities of the Group at 30 June 2014 and 30 June 2013 is set out below.

Director	Securities held directly 2014	Securities held beneficially/indirectly 2014 ¹	Total 2014	Securities held directly 2013	Securities held beneficially/indirectly 2013 ¹	Total 2013
D A Crawford	809	75,650	76,459	778	74,773	75,551
S B McCann	525,784	154,443	680,227	292,961	154,443	447,404
C B Carter		15,000	15,000		15,000	15,000
P M Colebatch	5,023	13,300	18,323	5,023	13,300	18,323
G G Edington ²				22,998	17,070	40,068
P C Goldmark	8,441	16,353	24,794	6,892	17,902	24,794
J S Hemstritch		20,000	20,000		20,000	20,000
D J Ryan	15,792	15,481	31,273	15,792	15,481	31,273
M J Ullmer		25,000	25,000		25,000	25,000
N M Wakefield Evans		4,000	4,000			—

1 Includes securities in the Retirement Plan beneficially held by Non Executive Directors.

2 G G Edington retired from the Board on 15 November 2013.

Directors' Report continued

2. Operating and Financial Review

a. About Lend Lease

Lend Lease is an international property and infrastructure group with operations in Australia, Asia, Europe and the Americas. Our people are the core of our business who live the Lend Lease values. Our vision is to create the best places. These places leave a positive legacy by using the safest delivery methods and deliver solutions which provide sustainable outcomes.

Our Business Activities

The principal activities of the Group include designing, developing, constructing, funding, owning, co-investing or managing property and infrastructure assets. The Group delivers these activities through a regional management structure focussed on four major geographic regions: Australia, Asia, Europe and the Americas.

Our Business Model

The Group delivers the above activities in each region, in full (through the integrated model) or in part, to clients and investors across the property and infrastructure value chain.



Our Business Strategy

To be the leading international property and infrastructure group.

Leading	International	Property	Infrastructure
Top three in each of our chosen markets and segments	Focus on four core regions with defined geographies across Australia, Asia, Europe and Americas	- Commercial - Retail - Residential - Retirement - Industrial	Social (e.g. Health and Education) Economic (e.g. Road and Rail)

The strategy is underpinned by a continued focus on five major trends impacting our sectors.

Urban Regeneration	Infrastructure	Ageing Population	Funds Growth	Sustainability
By 2030, over 80% of the world's population will live in increasing density in cities creating strong demand for urban regeneration	Urbanisation and resources growth driving strong demand for social and economic infrastructure	Internationally, people aged 65+ are the fastest growing segment of the population, with the majority forecast to live in major cities	As global pools of institutional capital increase, demand is fuelled for quality investment products and manager of those investments	Climate concerns driving focus on sustainability initiatives

Directors' Report continued

2. Operating and Financial Review continued

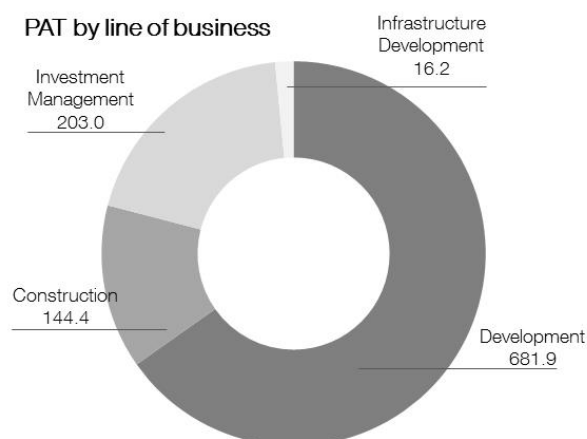
b. Review of Group Performance

The Operating and Financial Review (OFR) is based on the Lend Lease Group (the Group) Consolidated Financial Statements for the year ended 30 June 2014 and should be read in conjunction with those financial statements. All currency amounts in the OFR are expressed in Australian dollars unless otherwise specified.

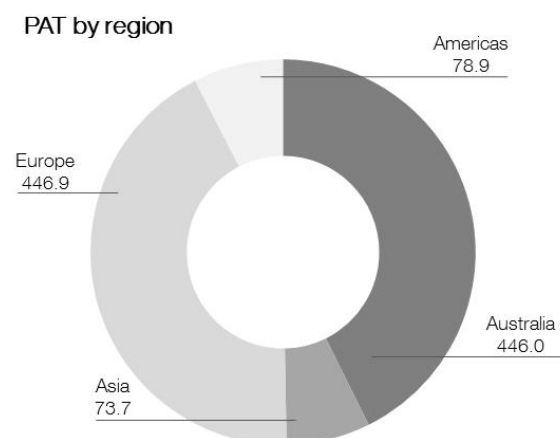
Financial		June 2014	June 2013	Percentage Movement
Key Metrics				
Revenue	A\$m	13,973.1	13,206.6	6%
EBITDA	A\$m	1,192.8	741.4	61%
Profit After Tax (PAT)	A\$m	822.9	549.0	50%
Operating Cash Flow	A\$m	822.4	80.9	917%
Total Assets	A\$m	15,751.8	14,300.9	10%
Net Debt	A\$m	722.6	620.8	(16%)
Key Ratios				
Effective Tax Rate	%	17.6	3.8	(363%)
Gearing	%	5.7	5.4	(6%)
Return on Equity	%	18.2	13.6	34%
Key Returns				
Earnings per security	cents	142.7	95.6	49%
Weighted avg security	no.	576.6	574.3	0%
Payout ratio	%	50	44	14%
Distribution	cents	71.0	42.0	69%

- **Profit after tax** of A\$822.9 million is up 50% on the prior year, driven by sale of the Bluewater Shopping Centre (A\$485.0 million);
- **Operating cash flow** increased significantly to A\$822.4 million due to the proceeds from sale of Bluewater (A\$1,263.2 million), offset by investments made in development projects;
- **Effective tax rate** has increased to 17.6% (June 2013: 3.8%) due to higher earnings offset by a reduction in tax deductions associated with the Retirement business and lower research & development tax credits from the Construction business;
- **Return on equity** up 34% to 18.2%, outperforming 15% target;
- **Payout ratio** 50% resulting in a full year **distribution** to security holders of 71.0 cents per stapled security;
- **Earnings per security** of 142.7 cents, a 49% increase from the prior period;
- **Australia** contributed A\$446.0 million profit after tax driven by a strong performance from Residential Development and Investment Management activities; Development was impacted by a A\$39.9 million after tax restructure and exit provision for three projects; decreased earnings in Construction was due to lower revenue, the impact of A\$27.0 million after tax associated with the restructure to Building, Engineering and Services and A\$18.3 million after tax of bid costs incurred pursuing major projects;
- **Asia** contributed A\$73.7 million profit after tax with a strong performance from Investment Management; the region was recently announced as preferred bidder on a retail-led urban regeneration project in Malaysia, which positions the business well for future periods;
- **Europe** contributed A\$446.9 million profit after tax, a significant increase on the prior year following the sale of the Group's interest in the Bluewater Shopping Centre which generated A\$485.0 million in profit after tax. This was offset by a provision of A\$29.5 million after tax taken against the proposed divestment of the Crosby portfolio and a A\$16.0 million after tax provision taken up for the Global Renewables project in Lancashire, which the Group has exited subsequent to year end. The underlying business has been challenged by market conditions, however is well positioned with a strong development pipeline;
- **Americas** contributed A\$78.9 million profit after tax, a 47% increase on the prior year primarily driven by the construction business with improved performance in key markets (including New York and Chicago) and strong performance within our Military Housing projects underpinning the result; and
- **Group Services costs** reduced by A\$24.4 million to A\$126.1 million after tax from the prior period. This reduction has been offset by a net increase in **treasury costs** of A\$29.1 million due to an increase in the average debt balance during the period.

PAT by line of business



PAT by region



Directors' Report continued

2. Operating and Financial Review continued

b. Review of Group Performance continued

Development

With continued investment into production, the Development segment performed strongly delivering profit after tax of A\$681.9 million, a 69% increase from the prior year. Key achievements included:

- **Sale** of Bluewater and interest in the Winston-Salem Veterans Affairs Centre in North Carolina, US;
- **New work secured** included Batman's Hill in Melbourne, Australia and Deptford and Chiswick in London, UK;
- **Preferred bidder** on Darling Harbour Live in Sydney, Australia and on Tun Razak Exchange (TRX) in Malaysia;
- **Planning permission** achieved on residential units in the UK at The International Quarter and Wandsworth;
- **Commercial leasing** included new tenancies with PricewaterhouseCoopers Australia (PwC), HSBC Bank Australia (HSBC) and Gilbert + Tobin at Barangaroo South taking leasing across the three towers to 61%;
- **Products launched** included 19 apartment buildings, two commercial towers and a communities project;
- **Residential settlements** increased by 36% to 3,425 units reflecting improved trading conditions in Australia and the UK; and
- **Residential pre sales** were up 166%, driven by key launches at Barangaroo South, Darling Harbour Live, and Victoria Harbour in Australia and at Elephant and Castle, Wandsworth and The International Quarter in the UK.

		June 2014	June 2013	Percentage Movement
Pipeline	A\$b	37.7	37.4	1%
Settlements	units	3,425	2,522	36%
Pre Sales	A\$m	2,496	940	166%
EBITDA	A\$m	862.5	354.3	143%
EBITDA margin	%	36.2	29.5	23%

Infrastructure Development

The Infrastructure Development segment delivered profit after tax of A\$16.2 million an 84% decrease from the prior year due to a reduced number of projects reaching financial close. The business is well positioned in both the Australian and American markets to contribute strongly to future earnings. Key achievements included:

- **Financial close** on the redevelopment of the Sydney Convention Centre at Darling Harbour Live in Australia and an additional stage of the Fort Hood project in the Americas; and
- **Preferred bidder** subsequent to year end on Ravenhall Prison PPP in Australia, where Lend Lease performed an advisory role.

		June 2014	June 2013	Percentage Movement
Committed Equity	A\$m	216.0	155.3	39%
Invested Equity	A\$m	186.0	166.1	12%
EBITDA	A\$m	22.6	141.9	(84%)
EBITDA margin	%	8.7	43.6	(80%)

Construction

The Construction segment delivered profit after tax of A\$144.4 million a 23% decrease from the prior year. The decreased earnings in the business has been due to lower revenue, the impact of restructure costs and challenging market conditions in certain sectors in the year, however, the significant backlog will underpin earnings in future periods. Key achievements included:

- **Restructure** of the Australian business into Building, Engineering and Services (A\$27.0 million after tax), and divestment of Spain;
- **New work secured** of A\$10.2 billion across: Australia (A\$6.6 billion), Asia (A\$0.2 billion), Europe (A\$0.7 billion) and the Americas (A\$2.7 billion);
- **Closing backlog revenue** remained stable at A\$16.2 billion and is comprised of Building (A\$13.1 billion), Engineering (A\$2.1 billion) and Services (A\$1.0 billion); and
- **Preferred bidder** on A\$1.8 billion of new work, including the NorthConnex Motorway (M1 to M2) in Sydney and fitouts for KPMG and Westpac at Barangaroo South.

		June 2014	June 2013	Percentage Movement
New Work Secured	A\$b	10.2	12.7	(20%)
Backlog	A\$b	16.2	16.2	0%
EBITDA	A\$m	271.5	312.0	(13%)
EBITDA margin	%	2.5	2.7	(7%)

Investment Management

The Investment Management business has been a significant contributor to the current year delivering profit after tax of A\$203.0 million, a 182% increase from the prior year. Key achievements included:

- **Funds under management** increased due to investment in the Lend Lease International Towers Sydney Trust, the APPF Commercial acquisition of 485 La Trobe Street in Melbourne and foreign exchange movement;
- **Assets under management** decreased due to the divestment of Bluewater offset by the completion of Craigieburn Central shopping centre in Australia, the securing of management rights for the Queensgate shopping centre in the UK and improved valuation on Jem and foreign exchange movement; and
- **Investments** decreased due to divestment of Bluewater¹ offset by additional investments in APPF Commercial and APPF Industrial.

		June 2014	June 2013	Percentage Movement
FUM	A\$b	16.3	15.0	9%
AUM	A\$b	10.7	12.5	(14%)
Investments	A\$m	1,160.4	1,529.4	(24%)
EBITDA	A\$m	247.8	101.1	145%
EBITDA margin	%	84.1	54.4	55%

¹ Bluewater was held as inventory and has been booked as Development profit in the period.

Directors' Report continued

2. Operating and Financial Review continued

b. Review of Group Performance continued

Financial Performance

	June 2014 A\$m	June 2013 A\$m	Percentage Movement
Revenue and other income	14,125.8	13,384.8	6%
Cost of sales and other expenses	(12,992.3)	(12,689.2)	(2%)
Share of profit of equity accounted investments	59.3	45.8	29%
EBITDA	1,192.8	741.4	61%
Depreciation and amortisation	(87.7)	(87.3)	0%
EBIT	1,105.1	654.1	69%
Net finance costs	(106.5)	(80.8)	(32%)
Operating profit before tax	998.6	573.3	74%
Income tax expense	(175.3)	(22.0)	(697%)
External non controlling interests	(0.4)	(0.9)	56%
Property investment revaluations ¹		(1.4)	100%
Profit after tax attributable to securityholders	822.9	549.0	50%

1 Revaluations for certain property investments were excluded from operating profit in June 2013. All June 2014 revaluations have been included in operating profit.

- **EBITDA** increase of A\$451.4 million is driven by the sale of Bluewater and an increased contribution from Investment Management in Australia and Asia;
- **Net finance cost** increase is due to increased average debt balances throughout the year used to fund development production; and
- **Income tax expense** increase is due to higher earnings, offset by a reduction in tax deductions associated with the Retirement business and lower research & development tax credits in the current year.

Financial Position

	June 2014 A\$m	June 2013 A\$m	Percentage Movement
Cash and cash equivalents	1,715.8	1,609.5	7%
Inventories	3,131.5	2,943.7	6%
Equity accounted investments	578.0	486.8	19%
Investment properties	4,832.0	4,052.3	19%
Other financial assets	1,022.5	550.9	86%
Other assets	4,472.0	4,657.7	(4%)
Total assets	15,751.8	14,300.9	10%
Non current borrowings and financing arrangements	2,347.0	1,976.2	(19%)
Other financial liabilities	99.6	270.0	63%
Other liabilities	8,436.4	7,787.9	(8%)
Total liabilities	10,883.0	10,034.1	(8%)
Net assets	4,868.8	4,266.8	14%

- A strong liquidity position of over A\$3.0 billion, with **cash and cash equivalents** of A\$1,715.8 million and **undrawn committed bank facilities** of A\$1,309.6 million;
- **Inventories** increased by A\$187.8 million to A\$3,131.5 million, largely due to an increase in work in progress in relation to Barangaroo South of A\$264.8 million and Elephant & Castle of A\$160.2 million. Construction work in progress also increased by \$116.6 million. These increases were largely offset by the sale of the Group's 30% investment in Bluewater, which was held at cost of A\$444.2 million at June 2013;
- **Equity accounted investments** increased by A\$91.2 million to A\$578.0 million, largely attributable to an increase in joint venture investments, with the award and financial close of Darling Harbour Live and increased investment in ARIF 2 during the year;
- **Investment properties** increased by A\$779.7 million to A\$4,832.0 million, primarily due to the gross investment value attached to the acquisition of eight retirement villages (overall impact on the balance sheet is netted against the increase in resident liabilities shown in 'other liabilities');
- **Other financial assets** increased by A\$471.6 million to A\$1,022.5 million, primarily due to further investments in APPF Commercial and APPF Industrial;
- **Non current borrowings** increased by A\$370.8 million, mainly due to the issuance of Australian Medium Term Notes and drawing of the Syndicated Multi-Option facility;
- **Other financial liabilities** decreased during the year following the repayment of the Bluewater finance lease of A\$134.7 million. The remaining financial liabilities primarily relate to finance leases in the Australian Construction business; and
- **Other liabilities** increased by A\$648.5 million to A\$8,436.4 million, primarily due to an increase in Retirement resident liabilities arising from the acquisition of eight retirement villages.

Directors' Report continued

2. Operating and Financial Review continued

b. Review of Group Performance continued

Cash Flow

	June 2014 A\$m	June 2013 A\$m	Percentage Movement
Cash flows from operating activities	822.4	80.9	917%
Cash flows from investing activities	(614.5)	153.8	(500%)
Cash flows from financing activities	(110.4)	291.2	(138%)
Effect of foreign exchange rate movements on cash and cash equivalents	8.8	31.2	(72%)
Total cash flows	106.3	557.1	(81%)

- **Operating** cash inflows of A\$822.4 million are largely due to the sale of Bluewater, partially offset by net investment of production capital into Development projects;
- **Investing** cash outflows of A\$614.5 million include investments in APPF Commercial and APPF Industrial of A\$464.1 million and acquisition of retirement villages of A\$93.8 million. The prior year included the proceeds from the sale of the Group's interest in Greenwich Peninsula Regeneration Limited;
- **Financing** cash outflows of A\$110.4 million primarily relate to the repayment of the Bluewater finance lease.

Group Funding

		June 2014	June 2013	Percentage Movement
Net debt ¹	A\$m	722.6	620.8	(16%)
Gross borrowings to total tangible assets ²	%	16.9	17.1	1%
Net debt to total tangible assets, less cash ³	%	5.7	5.4	6%
Interest coverage ⁴	times	8.1	6.4	27%
Average cost of debt including margins ⁵	%	5.4	5.9	8%
Average debt duration	years	4.7	4.3	9%
Debt mix fixed: floating	ratio	76:24	77:23	
Undrawn facilities ⁶	A\$m	1,309.6	1,099.4	19%

1 Borrowings, including certain other financial liabilities, less cash.

2 Borrowings, including certain other financial liabilities, divided by total tangible assets.

3 Net debt divided by total tangible assets, less cash.

4 EBITDA plus interest income, divided by interest finance costs, including capitalised finance costs.

5 The weighted average cost of debt for June 2013 has been re-stated to 5.9% due to the application of the new daily average interest rate model.

6 Undrawn facilities balance is based on gross facility, drawn at face value.

- The Group completed a A\$3.25 billion syndicated multi-option banking facility in the year. The facility refinances existing facilities and is comprised of a A\$1.5 billion revolving loan facility and a A\$1.75 billion bank guarantee facility; and
- The refinancing was a contributing factor towards a reduction in the Group's average cost of debt by 50 bps to 5.4% and extended the average tenor from 4.3 years to 4.7 years.

On Balance Sheet Debt

	Facility (Local Currency)	Facility A\$ ¹	Drawn June 2014 ¹	Available	Expiry
Syndicated multi-option facility ²	A\$1,500m	A\$1,498.5m	A\$873.5m	A\$625.0m	Various ³
UK bond issue	£300m	A\$539.6m	A\$539.6m	A\$0.0m	Oct 21
Club revolving credit facility	£330m	A\$600.0m	A\$0.0m	A\$600.0m	Various ⁴
US Private Placement	US\$200m	A\$214.9m	A\$214.9m	A\$0.0m	Various ⁵
Singapore bond	S\$275m	A\$234.0m	A\$234.0m	A\$0.0m	Jul 17
Australian medium term notes	A\$475m	A\$475.5m	A\$475.5m	A\$0.0m	Various ⁶

1 Gross facility adjusted for unamortised transaction costs as recorded in the financial statements.

2 The syndicated multi-option facility refinanced the A\$975 million syndicated credit facility and A\$225 million bilateral credit facility.

3 A\$600 million expires in December 2017 and A\$900 million expires in December 2018.

4 £165 million expires in December 2016 and £165 million expires in December 2017.

5 US\$175 million expires in October 2015 and US\$25 million expires in October 2017.

6 A\$250 million expires in November 2018 and A\$225 million expires in May 2020.

Directors' Report continued

2. Operating and Financial Review continued

b. Review of Group Performance continued

Strategy Performance

Over the last five years, Lend Lease has delivered on its strategy to become a leading international property and infrastructure group.

	2009 – 2013 Targets	2014 Current Status
Safety	- Introduced Global Minimum Requirements - Only operate in regions / areas where we can ensure safety	- Zero fatalities - LTIFR rate down 17.4% in the last year and down 39% in the last five years
Returns	Enhance returns for securityholders	- Four year TSR of 99% to 30 June 2014 - Distribution – four year CAGR of 22%
Profitability	Increase profitability – sustainability and diversification of income	- ROE – up 390 bps over four years - NPAT – four Year CAGR of 24% and an increase in passive income streams via LLT
Pipeline	- Extend development pipeline across integrated mixed use projects - Broaden construction capabilities	- Urban regeneration – 65% of pipeline - Positioned to leverage \$50+ billion of Australian infrastructure spend
Focus	- Refocus geographic footprint - Operational Excellence and delivery	Focus on core growth initiatives including Urban Regeneration, Healthcare & Infrastructure

Outlook and Prospects

Lend Lease has continued profit growth in a challenging market. Our pipeline of opportunities provides earnings visibility and a platform for a strong growth trajectory over the next three years.

Our global **Development** business, with an estimated pipeline end value of A\$37.7 billion, underpins our strategic direction of becoming the leading international property and infrastructure group.

- **Urban Regeneration:** projects such as Barangaroo South and Darling Harbour Live in Sydney, Victoria Harbour in Melbourne, Waterbank in Perth and Elephant & Castle in London position the Group well with good visibility of earnings; and
- **Residential:** macro conditions remain positive for residential markets supporting growth in Australia and UK.

Construction backlog revenue of A\$16.2 billion remains robust.

- To further strengthen and grow our construction and infrastructure capabilities, Lend Lease successfully transitioned the four separate construction operations in Australia into three sector based businesses focused on **Building, Engineering and Services** – creating a unified team, working to a common vision and set of core values. This structure delivers a more competitive and effective operating business. It strengthens our integrated model, leverages our core capabilities, skills and experience and differentiates our position in the global property and infrastructure market; and
- The business is the **preferred bidder** on another A\$1.8 billion of new work including NorthConnex Motorway (M1 to M2) in Sydney and fit outs from KPMG and Westpac at Barangaroo South. This work, along with the components of integrated projects yet to come to market is yet to be included in the backlog revenue and further supports the visibility of near to medium term earnings.

International markets and delivery of our strategy for geographic diversity continues.

- Progressed on disciplined approach to opportunities in **Asia** growth markets including an agreement to finalise a joint venture with 1MDB at TRX in Kuala Lumpur which once closed, has the potential to add considerably to development pipeline;
- The expansion of our **London residential** pipeline is allowing us to leverage strong residential trends; and
- In the **Americas** Lend Lease is one of the leading construction company with opportunities to expand into development-led projects.

The strength of our **balance sheet** and access to third party capital means Lend Lease have the financial capacity to fund our pipeline and invest in other opportunities, in line with our strategy. Balancing a target return on equity over the medium term of 15 per cent, alongside earnings growth, is a core discipline in our allocation of capital.

Risks

Despite challenging macro-economic conditions, we believe Lend Lease is well placed for 2014 and beyond. The Group's result for future financial years remains subject to a number of risk factors including: a weakening construction market, property market risks and property market values, exchange rate fluctuations, development activity risk and investment and asset management activity risk. However, the Group has robust risk management practices in place to be able to deliver sustained long term growth in line with our strategy and manage and mitigate risks that may have an impact on future financial years.

Directors' Report continued

2. Operating and Financial Review continued

c. Review of Regional Performance

Australia

	June 2014 A\$m	Revenue June 2013 A\$m	Percentage Movement	June 2014 A\$m	EBITDA June 2013 A\$m	Percentage Movement	Profit/(Loss) After Tax June 2014 A\$m	June 2013 A\$m	Percentage Movement
Development	988.5	1,142.6	(13%)	260.3	276.4	(6%)	225.3	274.4	(18%)
Infrastructure Development	57.2	87.4	(35%)	10.5	58.9	(82%)	6.4	41.1	(84%)
Construction	6,459.2	7,359.8	(12%)	188.6	226.0	(17%)	104.3	152.7	(32%)
Investment Management	130.3	98.6	32%	131.0	53.4	145%	110.0	38.4	186%
Total	7,635.2	8,688.4	(12%)	590.4	614.7	(4%)	446.0	506.6	(12%)

In Australia, key movements in profit after tax included:

- **Development** profit after tax decreased by A\$49.1 million to A\$225.3 million. The business experienced improved residential conditions with a 32% increase in settlements. This was offset by impairment provisions of A\$39.9 million after tax to exit and restructure three community projects and reduced commercial profits compared to the prior year, which included earnings relating to the first two commercial towers at Barangaroo South;
- **Infrastructure Development** profit after tax decreased by A\$34.7 million to A\$6.4 million. The current year is comprised principally of fees received following the financial close on the Darling Harbour Live project and includes A\$8.7 million after tax of bid costs incurred in pursuing further PPP opportunities. The prior year included profit from fees received following the financial close of three projects, Sunshine Coast University Hospital, Eastern Goldfields Regional Prison and New Bendigo Hospital;
- **Construction** profit after tax decreased by A\$48.4 million to A\$104.3 million primarily due to lower revenue booked during the financial year, impact of one-off restructure costs of A\$27.0 million after tax associated with the transition to the new business structure announced in August 2013, bid costs incurred and expensed during the year in pursuing major projects of A\$18.3 million after tax and A\$6.2 million after tax cost from the net impact of the fire at Barangaroo South; and
- **Investment Management** profit after tax increased by A\$71.6 million to A\$110.0 million due to increased investment income from co-investments in APPF Commercial and APPF Industrial and profit on sale of the Group's 10% holding in Lend Lease International Towers Sydney Trust to APG.

Key projects secured and launched in Australia:

- **New projects secured** Development Agreement for Batman's Hill, a Melbourne redevelopment adjacent to Victoria Harbour, with a development end value of approximately A\$1.5 billion; and
- **New projects launched** 13 apartment buildings across Barangaroo South and Darling Harbour Live in Sydney, Victoria Harbour and Richmond in Melbourne and RNA in Brisbane. In addition the Harpley residential community project in Melbourne has been launched after agreeing infrastructure contributions with council. The 3,990 lot, A\$1.0 billion master-planned community is expected to start trading in the financial year ending June 2015.

In addition, the Group achieved a number of key milestones on the **Barangaroo South** development during the year:

- **Commercial** in total, the three commercial towers are now 61% leased at Barangaroo South. 77% of the commercial floor space in the first two commercial towers has been leased, following the signing of an Agreement for Lease with Gilbert + Tobin. The third commercial tower is also 34% leased at the end of the year, with PwC entering into an Agreement for Lease for 26,500 sqm (12 floors) of commercial floor space and HSBC signing a Heads of Terms for 8,000 sqm (3.5 floors) of space; and
- **Residential** in July 2013, planning approval was received for the first two residential apartment buildings, Anadara and Alexander, totalling 159 apartments. These residential buildings which were launched on 31 August 2013 with 100% pre sales achieved on launch, are due to complete in the financial year ending June 2016.

Directors' Report continued

2. Operating and Financial Review continued

c. Review of Regional Performance continued

Australia continued

Development

Residential includes the development of residential land lots and built-form product (including houses, terraces and apartments).

		Residential Land Lots			Residential Built-Form			June	Total	Percentage
		June 2014	June 2013	Percentage Movement	June 2014	June 2013	Percentage Movement	2014	June 2013	Movement
Settlements¹										
Number of units	no.	3,033	2,295	32%	215	173	24%	3,248	2,468	32%
Gross sales value	A\$m	668.3	457.5	46%	200.9	124.8	61%	869.2	582.3	49%
Pre sales^{1,2}										
Number of units	no.	1,842	1,312	40%	1,283	505	154%	3,125	1,817	72%
Gross sales value	A\$m	405.2	251.3	61%	1,127.5	364.4	209%	1,532.7	615.7	149%
Backlog³										
Zoned residential units	no.	53,750	55,545	(3%)	13,810	13,620	1%	67,560	69,165	(2%)
Unzoned residential units	no.					466	(100%)		466	(100%)

1 Includes 100% of joint venture projects and therefore will not necessarily correlate with the Group's profit after tax.

2 Pre sales do not form part of profit after tax in the current year and are expected to be recognised in future years. Pre sales land lots represent contracts entered into prior to 30 June 2014 that have not met the revenue recognition criteria. Pre sales built-form represents contracts entered into prior to 30 June 2014 for buildings that have not achieved completion. Joint venture sales are shown at 100% of sales value.

3 Backlog includes the total number of units in both Group-owned and joint venture projects. The actual number of units for any particular project can vary as planning applications are approved.

Key trading events in the **Residential** sector during the year include:

Residential land lots:

- **Settlements** increased by 32%, mainly due to Jordan Springs and Ropes Crossing in New South Wales, Alkimos in Western Australia and Yarrabilba and Springfield Lakes in Queensland;
- **Pre sales** increased by 40% from the prior year to 1,842 units demonstrating strong demand in New South Wales, Western Australia and Queensland leading into the 2015 financial year;
- **Gross sales** value of settlements and pre sales has increased by more than trading volumes due to a higher component of land parcels being sold in the period; and
- The Group signed a Deed of Amendment for Springfield Lakes, an existing project, which contributed an additional 2,345 residential land lots to **backlog**.

Residential built-form units:

- **Settlement** increased by 24% mostly due to completions of apartment buildings at Richmond and Victoria Harbour in Melbourne; higher valued premium apartments at St Patricks Estate in Sydney and Convesso at Victoria Harbour increased the gross sales value by 61% to A\$200.9 million;
- **Pre sales** increased by 154% to 1,283 primarily driven by the launch of: two apartment buildings at Barangaroo South (100% pre sold) and three apartment buildings at Darling Harbour Live (42% pre sold at 30 June, the remaining units pre sold subsequent to year end) in Sydney; Concavo (91% pre sold) and 888 Collins Street (59% pre sold) at Victoria Harbour in Melbourne; and The Green at RNA, Brisbane (92% pre sold);
- Gross sales value of pre sales increased by 209% to A\$1,127.5 million primarily due to the launch of premium units in two apartment buildings at Barangaroo South and three apartment buildings at Darling Harbour Live; and
- The Group executed a Development Agreement for the Batman's Hill, Victoria redevelopment with an end development value of approximately A\$1.5 billion. Of this, A\$0.5 billion (or 705 units) relates to residential.

Commercial includes the development of product across sectors such as mixed use, retail, office, hotels, light industrial and social infrastructure.

		June 2014	June 2013	Percentage Movement
Settlements gross sales value ¹	A\$m	99.3	627.9	(84%)
Pre sales gross sales value ¹	A\$m	92.4	128.6 ²	(28%)
Backlog	sqm/000s	5,466	5,552	(2%)

1 The number of units settled and pre sales number of units are not relevant measures for the commercial segment.

2 June 2013 Commercial pre sales have been restated to include the full benefit of the Barangaroo South contracts.

Key trading events in the **Commercial** sector during the year include:

- **Leasing** of 44,100 sqm at Barangaroo South to PwC, HSBC and Gilbert + Tobin, taking the commercial leased space to approximately 162,300 sqm and 61% across the three towers;
- Commencement of construction on 'K1', consisting of 16,500 sqm NLA, the first commercial building at the RNA which currently has tenancy pre-commitments of 42%;
- Divestment of Merchant Street retail at Victoria Harbour Melbourne; and
- The Batman's Hill redevelopment represents approximately A\$1.0 billion of the development pipeline or 117,000 sqm of the commercial backlog.

Directors' Report continued

2. Operating and Financial Review continued

c. Review of Regional Performance continued

Australia continued

Development continued

Retirement includes the development, management and ownership of retirement villages.

		June 2014	June 2013	Percentage Movement
Number of units settled	no.	1,179	1,000	18%
Gross sales value of units settled	A\$m	425.1	346.2	23%
Number of units reserved ¹	no.	317	306	4%
Number of retirement villages ²	no.	70	71	(1%)
Number of retirement units ²	no.	12,824	12,417	3%
Number of retirement units developed	no.	148	183	(19%)
Backlog units – zoned	no.	945	1,247	(24%)

1 Reserved units are where a refundable deposit has been taken.

2 Includes 100% of Group-owned and managed properties.

Key trading events in the **Retirement** sector during the year include:

- **Settlements** of 1,179 units, an increase of 18%, largely due to improved trading in New South Wales, Queensland and Victoria;
- **Average price** per unit settled was A\$360,591 an increase of 4.2% from the prior period driven by stronger prevailing market conditions within New South Wales and Victoria, combined with increased growth within the New Zealand business;
- 317 units were **reserved** at 30 June 2014;
- 148 retirement units were also developed through the year, which included 62 units in Victoria (Woodlands Park, The Links at Waterford and Evelyn Ridge), 34 units within the Australian Capital Territory (Isabella Gardens), 30 units in New South Wales (Rochford Place) and 22 units within Western Australia (Parkland Villas, Ellenbrook); and
- Valuations of the retirement portfolio are based on discount rates between 13-17% and growth rates of between 2-4%. This period, the average discount rate for operating retirement villages was 13.3% and the average growth rate was 3.8%.

Infrastructure Development

		June 2014	June 2013	Percentage Movement
Number of projects ¹	no.	5	5	
Estimated capital spend ²	A\$m	4,100.0	4,100.0	
Invested equity	A\$m	79.3	44.1	80%
Remaining committed equity	A\$m	191.4	106.7	79%

1 Number of projects includes projects where the Group is preferred bidder and combines extensions of existing projects.

2 Estimated capital spend figures based on contract value.

Key trading events in the **Infrastructure Development** business during the year include:

- **Financial close** with Infrastructure NSW and the Sydney Harbour Foreshore Authority to deliver the A\$1.1 billion PPP component of the NSW Government's Darling Harbour Live project to revitalise 20 hectares of Darling Harbour. The Construction business will perform the design and construction and the Infrastructure Development business is acting as PPP development manager and financial adviser to the consortium. The Group will invest 50% of the equity in the project vehicle progressively over the construction period;
- The Infrastructure Development business was also part of the GEO consortium which was announced by the Victorian Government as the preferred proponent for the Ravenhall Prison PPP subsequent to balance date. The Group's role in the consortium is as a financial advisor to the deal; and
- The investments in PPP's are expected to yield returns from the financial year ending June 2016.

Directors' Report continued

2. Operating and Financial Review continued

c. Review of Regional Performance continued

Australia continued

Construction

		June 2014	June 2013	Percentage Movement
Revenue	A\$m	6,459.2	7,359.8	(12%)
Gross profit margin	A\$m	429.9	451.3	(5%)
New work secured revenue	A\$m	6,559.6	7,654.6	(14%)
Backlog revenue	A\$m	9,555.2	9,560.9	0%

Key trading events in the **Construction** business during the year include:

- The restructure to Building, Engineering and Services businesses, creating more effective and competitive operations and enabling greater leverage of skills and expertise, and improved operational systems and efficiencies;
- Gross Profit Margin (GPM)** has decreased by A\$21.4 million on the prior year primarily due to lower revenue; and
- Earnings** have been impacted by a number of projects being in the early stages of construction which will not contribute to earnings until future periods, one-off restructure costs of A\$27.0 million after tax associated with the transition to the new business structure, A\$18.3 million after tax of bid costs incurred pursuing major projects and A\$6.2 million after tax from the impact of the fire at Barangaroo South.
- New work secured** during the year was A\$6.6 billion. Key projects secured were:
 - Building:** A\$3.8 billion; the design and construction for the redevelopment of the Sydney Convention Centre PPP at Darling Harbour Live, Barangaroo South commercial and residential projects and the Department of Defence Project AIR 9000, involving the construction of squadron, training, maintenance and storage facilities for new maritime combat helicopters in New South Wales. The business was also involved in the role of managing contractor of a new 230 bed hospital at the Monash Children's Hospital, the design and construction of new waterfront apartments along Victoria Harbour at Concavo in Victoria and the design and construction of a new health science facility for the University of Adelaide in South Australia;
 - Engineering:** A\$1.6 billion; Pacific Highway upgrade from Oxley Highway to Kundabung in NSW, Bruce Highway Cooroy Southern Interchange to Cudgerie Drive, Bruce Highway Upgrade from Vantassel to Cluden in Queensland and Western Highway Duplication, Beaufort to Buangor (2A) in Victoria. In addition, in March 2014 the engineering business was selected as preferred tenderer in respect of the contract to design and construct the A\$2.7 billion NorthConnex Motorway (M1 to M2) in Sydney. Lend Lease has partnered with leading French construction entity Bouygues to deliver the project which is expected to add to backlog in future years;
 - Services:** A\$1.2 billion; BHP mechanical, electrical & scaffolding services in Newman, South East Queensland metropolitan road network maintenance, Roads and Maritime Services intelligent transport systems maintenance and substation and electrical reticulation work for Anglo American on the Grosvenor project.
- Backlog revenue** remains strong at A\$9.6 billion, including: **Building:** A\$6.5 billion; **Engineering:** A\$2.1 billion; **Services:** A\$1.0 billion.

Investment Management

		June 2014	June 2013	Percentage Movement
Funds under management (FUM) ¹	A\$b	10.9	10.3	6%
Assets under management (AUM) ¹	A\$b	6.0	5.3	13%
Investments ¹	A\$m	821.1	335.8	145%

¹ Represents the Group's assessment of the market value.

Key trading events in the **Investment Management** business during the year include:

- FUM** net increase of A\$0.6 billion is attributable to an increase in the investment value of Lend Lease International Towers Sydney Trust, along with APPF Commercial and its acquisition of 485 La Trobe Street in Melbourne;
- The growth in funds under management and performance fees achieved on investment mandates have delivered a strong performance in the period;
- AUM** net increase of A\$0.7 billion is attributable to the completion of the Craigieburn Central shopping centre and the subsequent commencement of trading. Along with the progress of the redevelopment of Lakeside Joondalup, this has resulted in a solid performance from the retail asset management business;
- The Group's **ownership interest** increased in the year, with the additional investments in **APPF Commercial** (A\$225.0 million) and **APPF Industrial** (A\$239.1 million) and the impact on the Group's investment holding in Craigieburn Central, following completion of the development this year;
- Ownership investments are yielding approximately 6.3% return p.a.

Directors' Report continued

2. Operating and Financial Review continued

c. Review of Regional Performance continued

Asia

	June 2014 A\$m	Revenue June 2013 A\$m	Percentage Movement	June 2014 A\$m	EBITDA June 2013 A\$m	Percentage Movement	Profit/(Loss) After Tax June 2014 A\$m	June 2013 A\$m	Percentage Movement
Development	12.5	7.3	71%	(4.9)	59.3	(108%)	(5.3)	74.2	(107%)
Construction	497.9	611.0	(19%)	18.7	56.3	(67%)	13.2	28.6	(54%)
Investment Management	90.8	22.2	309%	80.3	12.4	548%	65.8	9.8	571%
Total	601.2	640.5	(6%)	94.1	128.0	(26%)	73.7	112.6	(35%)

In **Asia**, key movements in profit after tax included:

- **Development** generated a loss due to the investment in origination costs during the year on identified pipeline opportunities;
- **Construction** profit after tax decreased by A\$15.4 million to A\$13.2 million, mainly due to lower contribution from the telecommunication rollouts in Japan and the completion of the retail component of Jem in the prior year;
- **Investment Management** profit after tax increased by A\$56.0 million to A\$65.8 million, due to performance fees following the stabilisation of Jem and Setia City Mall.

Development

The Development business is focused on replenishing the pipeline as we look to secure opportunities across China, Japan, Malaysia and Singapore, which includes the pursuit of large retail mixed-use development projects, green refurbishment and senior living opportunities.

		June 2014	June 2013	Percentage Movement
Number of development projects	no.		1	(100%)
Backlog – commercial and retail	sqm/000s		32	(100%)

Key trading events in the **Development** business in the year:

- Completion and handover of the office component of the mixed-used development project, Jem, which is fully leased to the Singapore Ministry of National Development;
- Signing of a binding agreement to work exclusively with 1Malaysia Development Berhad (1MDB) on a joint venture for the development of the Lifestyle Quarter for the TRX urban regeneration project in Kuala Lumpur, Malaysia. The estimated end value of A\$2.6 billion attached to this project has not been included in backlog.

Construction

		June 2014	June 2013	Percentage Movement
Revenue	A\$m	497.9	611.0	(19%)
Gross profit margin	A\$m	56.3	102.1	(45%)
New work secured revenue	A\$m	159.4	414.2	(62%)
Backlog revenue	A\$m	173.3	475.7	(64%)

Key trading events in the **Construction** business during the year include:

- **Gross Profit Margin (GPM)** decreased due to lower comparative contribution from the higher margin telecommunications projects in Japan this year;
- **New work secured revenue** of A\$159.4 million includes further telecommunication rollouts in Japan and a large pharmaceutical plant in Singapore.

Investment Management

		June 2014	June 2013	Percentage Movement
Funds under management (FUM) ¹	A\$b	3.6	3.3	9%
Assets under management (AUM) ¹	A\$b	3.8	3.5	9%
Investments ¹	A\$m	255.3	228.1	12%

¹ Represents the Group's assessment of the market value.

Key trading events in the **Investment Management** business during the year include:

- **FUM** and **AUM** increase primarily relates to an increase in the fair market values of the underlying assets and favourable foreign exchange movements;
- **FUM** performance was broadly in line with target returns;
- **AUM** performance was enhanced by additional capital expenditure on Parkway Parade and 313@somerset shopping centres in Singapore;
- **Investments** increased by A\$27.2 million, primarily due to Lend Lease increasing its stake in ARIF 2 from 10.1% to 35.9%.

Directors' Report continued

2. Operating and Financial Review continued

c. Review of Regional Performance continued

Europe

	June 2014 A\$m	Revenue June 2013 A\$m	Percentage Movement	June 2014 A\$m	EBITDA June 2013 A\$m	Percentage Movement	Profit/(Loss) After Tax June 2014 A\$m	June 2013 A\$m	Percentage Movement
Development	1,360.0	16.2	8,295%	612.1	24.5	2,398%	458.7	56.4	713%
Infrastructure Development	152.7	180.4	(15%)	(31.9)	34.1	(194%)	(15.0)	34.4	(144%)
Construction	1,079.7	881.9	22%	(25.1)	(19.9)	(26%)	(24.0)	(19.1)	(26%)
Investment Management	73.5	64.9	13%	36.5	35.3	3%	27.2	23.7	15%
Total	2,665.9	1,143.4	133%	591.6	74.0	699%	446.9	95.4	368%

In **Europe**, key movements in profit after tax included:

- **Development** profit after tax increased by A\$402.3 million to A\$458.7 million. The current year includes the sale of the Group's interest in the Bluewater Shopping Centre which generated A\$485.0 million in profit after tax. This was offset by a provision of A\$29.5 million after tax taken up against the proposed divestment of the Crosby portfolio in the UK;
- **Infrastructure Development** profit after tax decreased by A\$49.4 million to a loss after tax of A\$15.0 million. The Group restructured its Joint Venture arrangements on the Global Renewables Project in Lancashire in the period and a provision of A\$16.0 million was taken up on the project. Subsequent to year end the Group exited this project. In addition the prior year included proceeds from the sale of infrastructure assets.
- **Construction** profit after tax decreased by A\$4.9 million, primarily impacted by challenging market conditions in recent years; and
- **Investment Management** profit after tax increased by A\$3.5 million to A\$27.2 million due to an increase in contribution by the UK Infrastructure Fund and an increased performance fee from the Lend Lease Retail Partnership. This also includes Bluewater operating income, which will no longer be earned following the sale of the asset.

Development

Residential

		June 2014	June 2013	Percentage Movement
Settlements¹				
Number of units settled ²	no.	177	54	228%
Gross sales value of units settled ^{2,3}	A\$m	76.7	15.6	392%
Pre sales^{1,4}				
Number of pre sales	no.	1,095	326	236%
Gross sales value of pre sales	A\$m	871.3	196.0	345%
Backlog⁵				
Residential zoned units	no.	5,220	5,394	(3%)
Residential unzoned units	no.	79	533	(85%)
Residential Land ⁶	sqm/000s	63		100%

1 Includes 100% of joint venture projects and therefore will not necessarily correlate with the Group's profit after tax.

2 June 2013 excludes Greenwich Peninsula Regeneration Limited and subsequent settlement of 9,152 units.

3 Gross sales value of units settled reflects residential revenue from projects.

4 Pre sales represent contracts entered into prior to 30 June 2014 that have not settled and therefore do not form part of profit after tax in the current period. These sales are expected to settle in future years. Joint venture sales are shown at 100% of sales value.

5 Backlog includes the total number of units in both Group-owned and joint venture projects.

6 The Crosby apartment portfolio has been reclassified from residential units to residential land in line with the Group's intention to restructure and divest the portfolio.

Key trading events in the **Residential** sector during the year include:

- **New projects secured** included Deptford and Chiswick, two new residential projects in London which added in excess of 1,000 units to Closing Backlog. Detailed planning permission achieved on residential units at Glasshouse Gardens, The International Quarter and Cobalt Place, Wandsworth;
- **Settlements** in the current year relate to the completions at the Green Quarter development in Manchester which was fully sold by the end of the financial year and the sale of land at St Clements Valley, which increased the gross sales value in the period; and
- **Pre sales** achieved on One the Elephant (89% pre sold) and Trafalgar Place (93% pre sold) at Elephant and Castle, Cobalt Place (78% pre sold) at Wandsworth and the residential units at Glasshouse Gardens (79% pre sold) at The International Quarter, were the major contributors to the A\$871.3 million gross value.

Directors' Report continued

2. Operating and Financial Review continued

c. Review of Regional Performance continued

Europe continued

Development continued

Commercial

		June 2014	June 2013	Percentage Movement
Sales / settlements gross sales value ¹	A\$m	78.1		100%
Backlog Commercial ¹	sqm/000s	402	389	3%

¹ These values include 100% of joint venture projects and therefore will not necessarily fully correlate to the Group's profit after tax.

Key trading events in the **Commercial** sector during the year include:

- **Land sales and settlements** during the year included The International Quarter and the sale of 6 Mitre Passage, Greenwich;
- **Commercial backlog** increase driven by securing 15,000 sqm of commercial space at Deptford and 7,508 sqm at Hungate offset by the sale of 6 Mitre Passage, Greenwich which released 10,068 sqm; and
- Negotiating a heads of terms to work together with a major tenant, the Financial Conduct Authority (FCA) for the first commercial building at The International Quarter and in negotiation with a second major occupier.

Infrastructure Development

		June 2014	June 2013	Percentage Movement
Number of projects	no.	25	25	
Invested equity ¹	A\$m	11.5	52.3	(78%)
Committed equity	A\$m	19.2	17.7	8%

¹ Invested equity refers to the equity contributed for each project, with the exception of the Global Renewables project which represents the written down value of the asset. The June 2013 balance has been restated to align with June 2014.

Key trading events in the **Infrastructure Development** business during the year include:

- Decrease in invested equity primarily due to the restructure of the Groups Joint Venture arrangements on the Global Renewables Project in Lancashire and provisions taken in the period. Subsequent to year end the Group exited this project; and
- Subsequent to the year end, the facilities management business was sold in July 2014 for consideration of £33.0 million (A\$60.0 million).

Construction

		June 2014	June 2013	Percentage Movement
Revenue	A\$m	1,079.7	881.9	22%
Gross profit margin	A\$m	62.2	69.2	(10%)
New work secured revenue	A\$m	678.3	1,132.2	(40%)
Backlog revenue	A\$m	1,073.1	1,260.3	(15%)

Key trading events in the **Construction** business during the year include:

- **Gross Profit Margin (GPM)** was impacted by challenging market conditions across the UK and Italy, disposal of the Spanish construction business and the cost of restructuring operations in the UK;
- **New work secured revenue** of A\$678.3 million includes the redevelopment of Beacon Barracks for the Ministry of Defence, a new commercial office for BP International and Her Majesty's Prison – The Mount. The prior year new work secured revenue included the award of Kingsgate House, the first two residential developments at Elephant & Castle and Cramlington Hospital; and
- **Backlog revenue** has decreased to A\$1.1 billion from the prior year and includes the following projects: Kingsgate House, Beacon Barracks, Ministry of Defence Single Living Accommodation Modernisation Phase 2 and the first two residential developments at Elephant & Castle.

Investment Management

		June 2014	June 2013	Percentage Movement
Funds under management (FUM) ¹	A\$b	1.8	1.4	29%
Assets under management (AUM) ¹	A\$b	0.9	3.6	(75%)
Investments ¹	A\$m	84.0	965.5	(91%)

¹ Represents the Group's assessment of the market value.

Key trading events in the **Investment Management** business during the year include:

- **FUM** increased primarily due to performance of the managed Lend Lease Retail Partnership and UK Infrastructure Fund and foreign exchange increases;
- **AUM** decreased due to the sale of the Bluewater asset management, offset by the acquisition of Queensgate with stable asset values on Touchwood, Solihull;
- Golden Square shopping centre in Warrington was sold for A\$252.0 million, this was written down to nil carrying value in prior periods and as a result has had minimal impact to earnings in the period; and
- **Bluewater** contributed gross operating income of A\$46.4 million in the period up to the sale (June 2013: A\$43.3 million).

Directors' Report continued

2. Operating and Financial Review continued

c. Review of Regional Performance continued

Americas

	June 2014 A\$m	Revenue June 2013 A\$m	Percentage Movement	June 2014 A\$m	EBITDA June 2013 A\$m	Percentage Movement	Profit/(Loss) After Tax June 2014 A\$m	June 2013 A\$m	Percentage Movement
Development	23.5	33.4	(30%)	(5.0)	(5.9)	15%	3.2	(1.8)	278%
Infrastructure Development	49.3	57.4	(14%)	44.0	48.9	(10%)	24.8	29.0	(14%)
Construction	2,979.2	2,614.2	14%	89.3	49.6	80%	50.9	26.5	92%
Total	3,052.0	2,705.0	13%	128.3	92.6	39%	78.9	53.7	47%

In the **Americas**, key movements in profit after tax included:

- **Development** profit after tax increased A\$5.0 million to A\$3.2 million primarily due to the profit achieved on the sale of the Winston-Salem Veterans Affairs Healthcare Center project in North Carolina;
- **Infrastructure Development** profit after tax decreased by A\$4.2 million to A\$24.8 million. Prior year results included the impact of the closing of Privatized Army Lodging (PAL) Group C in May 2013. Performance of ongoing operations continues to be strong; and
- **Construction** profit after tax increased by A\$24.4 million to A\$50.9 million due to strong performance in the Military Housing Privatization Initiative projects and our core Construction markets, including New York and Chicago.

Development

Healthcare

		June 2014	June 2013	Percentage Movement
Number of projects ¹	no.	6	7	(14%)
Commercial backlog	sqm/000s	71	78	(9%)

¹ Number of projects includes extensions of existing projects and projects where the Group is the preferred bidder.

Key trading events in the **Development** business during the year include:

- **Preferred bidder** on two projects including Medical Office Building II at the USMD Hospital, Arlington, Texas and Providence Little Company of Mary Medical Centre, Torrance, California;
- Two Healthcare projects currently under **construction** following the commencement of the Winston-Salem Veterans Affairs Healthcare Center;
- Bon Secours St Francis Medical Pavilion and Covington Medical Arts Pavilion reaching **operational** status; and
- The award and subsequent **sale** of the Group's ownership interest in the Winston-Salem Veterans Affairs Healthcare Center project in North Carolina to a third party. The Group remains as the construction and development manager.

Infrastructure Development

		June 2014	June 2013	Percentage Movement
Backlog revenue ¹	A\$m	415.7	367.7	13%
Backlog (number of units under management)	no.	54,655	52,900	3%
New work secured revenue	A\$m	44.9	73.8	(39%)
Invested equity	A\$m	95.2	69.7	37%
Committed equity	A\$m	5.4	30.9	(83%)

¹ Backlog revenue disclosed includes 10 years of backlog from facilities management, even though the contracts run for up to 50 years. Although backlog is realised over several years, the average foreign exchange rate for the current year has been applied to the closing backlog balance in its entirety as the average rates for later years cannot be predicted. In local currency, the backlog revenue is US\$378.3 million (June 2013: US\$378.7 million).

Key trading events in the **Infrastructure Development** business during the year include:

- **Financial close** of the Fort Hood Stage 3 (Chaffee Village 1) project; and
- The majority of military housing projects continue to reach stabilisation of operations as the initial development periods come to completion. Opportunities remain for further development over the remaining term of the ground leases.

Directors' Report continued

2. Operating and Financial Review continued

c. Review of Regional Performance continued

Americas continued

Construction

		June 2014	June 2013	Percentage Movement
Revenue	A\$m	2,979.2	2,614.2	14%
Gross profit margin	A\$m	168.8	139.3	21%
New work secured revenue	A\$m	2,751.0	3,514.1	(22%)
Backlog revenue	A\$m	5,363.1	4,937.1	9%

Key trading events in the **Construction** business during the year include:

- **Gross Profit Margin (GPM)** increase driven by improved market conditions in core markets in the US, coupled with strong performance in the Military Housing Privatisation Initiatives projects;
- **New work secured** of A\$2,751.0 million includes the following key projects: a 392 apartment development at 22 Water Street (located in Boston), the Brodsky City Point Tower 2 (a 33 storey reinforced concrete residential building located in New York) and the Fort Hood Stage 3 (Chaffee Village 1) military housing project in Texas; and
- **Backlog revenue** remains strong at A\$5.4 billion. Key projects in backlog include a 57 storey, mixed use tower at 252 East 57th Street, an 89 storey condominium and retail project at 432 Park Avenue (both located in New York), the LUMINA residential building in San Francisco and approximately A\$1.0 billion of construction related to military housing projects.

Corporate

Group Services loss after tax reduced by A\$24.4 million to A\$126.1 million from the prior year.

Group Treasury costs increased by A\$29.1 million to \$96.5 million due to increase in average debt balance this year.

	Profit/(Loss) Before Tax			Profit/(Loss) After Tax		
	June 2014 A\$m	June 2013 A\$m	Movement Percentage	June 2014 A\$m	June 2013 A\$m	Percentage Movement
Interest revenue	17.2	28.3	(39%)	13.4	22.3	(40%)
Interest expense and other costs	(146.1)	(117.7)	(24%)	(104.9)	(84.0)	(25%)
Net hedge cost	(7.1)	(8.2)	13%	(5.0)	(5.7)	12%
Total Group Treasury	(136.0)	(97.6)	(39%)	(96.5)	(67.4)	(43%)

Group Treasury is responsible for managing the Group's liquidity, foreign exchange exposures, interest rate risk and debt.

Key trading elements of the Group Treasury contribution during the year include:

- Reduction in **interest revenue** of A\$8.9 million after tax is due to lower average interest rates compared to the prior year. The interest rate on invested cash averaged 2.8% per annum for the period (June 2013: 3.5%);
- Increase in **interest expense** of A\$20.9 million after tax is primarily due to increased debt facility drawdowns during the year. The Group's weighted average cost of debt at 30 June 2014 is 5.4% (June 2013: 5.9%);
- Net hedge cost from cash flow and interest rate hedges is largely in line with the prior year; and
- The Group announced the completion of a A\$3.25 billion syndicated multi-option banking facility. The facility refinances existing facilities and is comprised of a A\$1.5 billion revolving loan facility and a A\$1.75 billion bank guarantee facility.

Directors' Report continued

2. Operating and Financial Review continued

d. Appendix

Appendix 1

Results by Region Detail

	Revenue ^{1,2}		EBITDA ^{1,2}		Profit/(Loss) Before Tax ^{1,2,3}		Profit/(Loss) After Tax ^{1,2,4}	
	June 2014 A\$m	June 2013 A\$m	June 2014 A\$m	June 2013 A\$m	June 2014 A\$m	June 2013 A\$m	June 2014 A\$m	June 2013 A\$m
Australia								
Development	988.5	1,142.6	260.3	276.4	257.3	266.8	225.3	274.4
Infrastructure Development	57.2	87.4	10.5	58.9	10.1	58.9	6.4	41.1
Construction	6,459.2	7,359.8	188.6	226.0	142.5	173.3	104.3	152.7
Investment Management	130.3	98.6	131.0	53.4	129.0	53.3	110.0	38.4
Total Australia	7,635.2	8,688.4	590.4	614.7	538.9	552.3	446.0	506.6
Asia								
Development	12.5	7.3	(4.9)	59.3	(5.0)	59.3	(5.3)	74.2
Construction	497.9	611.0	18.7	56.3	16.4	54.1	13.2	28.6
Investment Management	90.8	22.2	80.3	12.4	80.3	12.4	65.8	9.8
Total Asia	601.2	640.5	94.1	128.0	91.7	125.8	73.7	112.6
Europe								
Development	1,360.0	16.2	612.1	24.5	611.1	24.8	458.7	56.4
Infrastructure Development	152.7	180.4	(31.9)	34.1	(20.6)	43.1	(15.0)	34.4
Construction	1,079.7	881.9	(25.1)	(19.9)	(29.4)	(23.4)	(24.0)	(19.1)
Investment Management	73.5	64.9	36.5	35.3	35.6	34.6	27.2	23.7
Total Europe	2,665.9	1,143.4	591.6	74.0	596.7	79.1	446.9	95.4
Americas								
Development	23.5	33.4	(5.0)	(5.9)	(5.0)	(6.0)	3.2	(1.8)
Infrastructure Development	49.3	57.4	44.0	48.9	45.4	51.1	24.8	29.0
Construction	2,979.2	2,614.2	89.3	49.6	84.5	47.4	50.9	26.5
Total Americas	3,052.0	2,705.0	128.3	92.6	124.9	92.5	78.9	53.7
Total operating businesses	13,954.3	13,177.3	1,404.4	909.3	1,352.2	849.7	1,045.5	768.3
Corporate								
Group Services	1.6	1.0	(200.7)	(166.3)	(217.6)	(178.8)	(126.1)	(150.5)
Group Treasury	17.2	28.3	(10.9)	(1.6)	(136.0)	(97.6)	(96.5)	(67.4)
Total corporate	18.8	29.3	(211.6)	(167.9)	(353.6)	(276.4)	(222.6)	(217.9)
Total operating	13,973.1	13,206.6	1,192.8	741.4	998.6	573.3	822.9	550.4
Property investment revaluations ⁵				(2.0)		(2.0)		(1.4)
Total statutory	13,973.1	13,206.6	1,192.8	739.4	998.6	571.3	822.9	549.0

1 The foreign exchange rates applied to the Income Statement for the year to 30 June 2014 are A\$1 = £0.56 (June 2013: A\$1 = £0.66), A\$1 = US\$0.91 (June 2013: A\$1 = US\$1.03) and A\$1 = S\$1.16 (June 2013: A\$1 = S\$1.27).

2 June 2013 has been adjusted to reflect the impact of the first-time adoption of the revised AASB 119 *Employee Benefits* standard and the new AASB 11 *Joint Arrangements* standard (refer to Note 1.3 'Impact of New and Revised Accounting Standards' in the Group's Annual Consolidated Financial Statements for further details).

3 Profit/(loss) before tax is before adjusting for the amount attributable to external non controlling interests.

4 Profit/(loss) after tax is after adjusting for the profit after tax attributable to external non controlling interests of A\$0.4 million (June 2013: A\$0.9 million).

5 Revaluations for certain property investments were excluded from operating profit in June 2013. All June 2014 revaluations have been included in operating profit.

Directors' Report continued

2. Operating and Financial Review continued

d. Appendix continued

Appendix 2

Results by Line of Business Detail

	Revenue ^{1,2}		EBITDA ^{1,2}		Profit/(Loss) Before Tax ^{1,2,3}		Profit/(Loss) After Tax ^{1,2,4}	
	June 2014	June 2013	June 2014	June 2013	June 2014	June 2013	June 2014	June 2013
	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
Development								
Australia	988.5	1,142.6	260.3	276.4	257.3	266.8	225.3	274.4
Asia	12.5	7.3	(4.9)	59.3	(5.0)	59.3	(5.3)	74.2
Europe	1,360.0	16.2	612.1	24.5	611.1	24.8	458.7	56.4
Americas	23.5	33.4	(5.0)	(5.9)	(5.0)	(6.0)	3.2	(1.8)
Total Development	2,384.5	1,199.5	862.5	354.3	858.4	344.9	681.9	403.2
Infrastructure Development								
Australia	57.2	87.4	10.5	58.9	10.1	58.9	6.4	41.1
Europe	152.7	180.4	(31.9)	34.1	(20.6)	43.1	(15.0)	34.4
Americas	49.3	57.4	44.0	48.9	45.4	51.1	24.8	29.0
Total Infrastructure Development	259.2	325.2	22.6	141.9	34.9	153.1	16.2	104.5
Construction								
Australia	6,459.2	7,359.8	188.6	226.0	142.5	173.3	104.3	152.7
Asia	497.9	611.0	18.7	56.3	16.4	54.1	13.2	28.6
Europe	1,079.7	881.9	(25.1)	(19.9)	(29.4)	(23.4)	(24.0)	(19.1)
Americas	2,979.2	2,614.2	89.3	49.6	84.5	47.4	50.9	26.5
Total Construction	11,016.0	11,466.9	271.5	312.0	214.0	251.4	144.4	188.7
Investment Management								
Australia	130.3	98.6	131.0	53.4	129.0	53.3	110.0	38.4
Asia	90.8	22.2	80.3	12.4	80.3	12.4	65.8	9.8
Europe	73.5	64.9	36.5	35.3	35.6	34.6	27.2	23.7
Total Investment Management	294.6	185.7	247.8	101.1	244.9	100.3	203.0	71.9
Total operating businesses	13,954.3	13,177.3	1,404.4	909.3	1,352.2	849.7	1,045.5	768.3
Corporate								
Group Services	1.6	1.0	(200.7)	(166.3)	(217.6)	(178.8)	(126.1)	(150.5)
Group Treasury	17.2	28.3	(10.9)	(1.6)	(136.0)	(97.6)	(96.5)	(67.4)
Total corporate	18.8	29.3	(211.6)	(167.9)	(353.6)	(276.4)	(222.6)	(217.9)
Total operating	13,973.1	13,206.6	1,192.8	741.4	998.6	573.3	822.9	550.4
Property investment revaluations ⁵				(2.0)		(2.0)		(1.4)
Total statutory	13,973.1	13,206.6	1,192.8	739.4	998.6	571.3	822.9	549.0

1 The foreign exchange rates applied to the Income Statement for the year to 30 June 2014 are A\$1 = £0.56 (June 2013: A\$1 = £0.66), A\$1 = US\$0.91 (June 2013: A\$1 = US\$1.03) and A\$1 = S\$1.16 (June 2013: A\$1 = S\$1.27).

2 June 2013 has been adjusted to reflect the impact of the first-time adoption of the revised AASB 119 *Employee Benefits* standard and the new AASB 11 *Joint Arrangements* standard (refer to Note 1.3 'Impact of New and Revised Accounting Standards' in the Group's Annual Consolidated Financial Statements for further details).

3 Profit/(loss) before tax is before adjusting for the amount attributable to external non controlling interests.

4 Profit/(loss) after tax is after adjusting for the profit after tax attributable to external non controlling interests of A\$0.4 million (June 2013: A\$0.9 million).

5 Revaluations for certain property investments were excluded from operating profit in June 2013. All June 2014 revaluations have been included in operating profit.

Directors' Report continued

2. Operating and Financial Review continued

d. Appendix continued

Appendix 3

Results by Region Detail in Local Currency

	Revenue ^{1,2}		EBITDA ^{1,2}		Profit/(Loss) Before Tax ^{1,2,3}		Profit/(Loss) After Tax ^{1,2,4}	
	June 2014	June 2013	June 2014	June 2013	June 2014	June 2013	June 2014	June 2013
	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
Australia								
Development	988.5	1,142.6	260.3	276.4	257.3	266.8	225.3	274.4
Infrastructure Development	57.2	87.4	10.5	58.9	10.1	58.9	6.4	41.1
Construction	6,459.2	7,359.8	188.6	226.0	142.5	173.3	104.3	152.7
Investment Management	130.3	98.6	131.0	53.4	129.0	53.3	110.0	38.4
Group Services	1.6	1.0	(200.7)	(166.3)	(217.6)	(178.8)	(126.1)	(150.5)
Group Treasury	15.1	25.0	(9.9)	(2.2)	(86.1)	(46.8)	(59.0)	(30.4)
Total Australia	7,651.9	8,714.4	379.8	446.2	235.2	326.7	260.9	325.7
	Revenue		EBITDA		Profit/(Loss) Before Tax ³		Profit/(Loss) After Tax ⁴	
	June 2014	June 2013	June 2014	June 2013	June 2014	June 2013	June 2014	June 2013
	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
Asia								
Development	12.5	7.3	(4.9)	59.3	(5.0)	59.3	(5.3)	74.2
Construction	497.9	611.0	18.7	56.3	16.4	54.1	13.2	28.6
Investment Management	90.8	22.2	80.3	12.4	80.3	12.4	65.8	9.8
Group Treasury	0.2	0.3	0.0	0.0	0.2	0.3	0.2	0.3
Total Asia	601.4	640.8	94.1	128.0	91.9	126.1	73.9	112.9
	Revenue		EBITDA		Profit/(Loss) Before Tax ³		Profit/(Loss) After Tax ⁴	
	June 2014	June 2013	June 2014	June 2013	June 2014	June 2013	June 2014	June 2013
	£m	£m	£m	£m	£m	£m	£m	£m
Europe								
Development	761.6	10.7	342.8	16.2	342.2	16.4	256.9	37.2
Infrastructure Development	85.5	119.1	(17.9)	22.5	(11.5)	28.4	(8.4)	22.7
Construction	604.6	582.1	(14.1)	(13.1)	(16.5)	(15.4)	(13.4)	(12.6)
Investment Management	41.2	42.8	20.4	23.3	19.9	22.8	15.2	15.6
Group Treasury	1.1	0.7	(0.3)	(0.1)	(20.5)	(26.5)	(16.0)	(20.3)
Total Great British pounds	1,494.0	755.4	330.9	48.8	313.6	25.7	234.3	42.6
Total Australian dollars⁵	2,667.9	1,144.5	590.9	74.0	560.0	39.0	418.4	64.6
	Revenue		EBITDA		Profit/(Loss) Before Tax ³		Profit/(Loss) After Tax ⁴	
	June 2014	June 2013	June 2014	June 2013	June 2014	June 2013	June 2014	June 2013
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Americas								
Development	21.4	34.4	(4.6)	(6.1)	(4.6)	(6.2)	2.9	(1.9)
Infrastructure Development	44.9	59.1	40.0	50.4	41.1	52.6	22.6	29.9
Construction	2,711.1	2,692.6	81.3	51.1	76.9	48.8	46.3	27.3
Group Treasury	(0.1)	2.0	(0.3)	0.6	(12.4)	(11.3)	(8.3)	(6.7)
Total US dollars	2,777.3	2,788.1	116.4	96.0	101.0	83.9	63.5	48.6
Total Australian dollars⁵	3,052.0	2,706.9	127.9	93.2	111.0	81.5	69.8	47.2

1 Local currency results exclude foreign exchange movements other than Great British pounds and US dollars.

2 June 2013 has been adjusted to reflect the impact of the first-time adoption of the revised AASB 119 *Employee Benefits* standard and the new AASB 11 *Joint Arrangements* standard (refer to Note 1.3 'Impact of New and Revised Accounting Standards' in the Group's Annual Consolidated Financial Statements for further details).

3 Profit/(loss) before tax is before adjusting for the amount attributable to external non controlling interests.

4 Profit/(loss) after tax is after adjusting for the profit after tax attributable to external non controlling interests of A\$0.4 million (June 2013: A\$0.9 million).

5 The foreign exchange rates applied to the Income Statement for the year to 30 June 2014 are A\$1 = £0.56 (June 2013: A\$1 = £0.66), A\$1 = US\$0.91 (June 2013: A\$1 = US\$1.03) and A\$1 = S\$1.16 (June 2013: A\$1 = S\$1.27).

Directors' Report continued

3. Remuneration Report

Message from the Board

Welcome to the 2014 Remuneration Report where we explain how performance has been linked to reward outcomes at Lend Lease this year.

A strong financial performance

Lend Lease has delivered a strong financial performance in 2014 as we continued to execute on the 'Lead' phase of our 'Restore, Build, Lead' strategy to achieve long term sustainable growth for the Group. Revenue was A\$13.9 billion up 6% from 2013, profit after tax increased to A\$822.9 million up 50% from 2013, operating cash flow was A\$822.4 million up 917% and Return on Equity was 18.2% up 34%. During the year, management were successful in concluding the sale of the Bluewater development in the United Kingdom, exceeding the December 2013 market valuation by approximately A\$200 million. The Board has carefully considered the extent to which it would be appropriate to reward the current management team for the profits attributed to the Bluewater sale and, as a result, has increased the STI pool by a modest amount (as disclosed on page 35).

In addition the Development pipeline is now worth A\$38 billion up 1% from 2013, Construction backlog revenue remained high at A\$16 billion and Funds under Management increased by 9% to A\$16 billion.

We believe that our approach to executive reward has been a key factor in driving our success. In order to have the right people to lead the Group over the long term, Lend Lease has developed and embedded a competitive Executive Reward Strategy to deliver long-term outperformance. For securityholders, we delivered superior returns with a Total Shareholder Return of 62% and a Return on Equity of 18.2%, each supported by the design of incentives for the CEO and Senior Executives.

We are pleased to report that we received 98.7% of votes cast in favour of our Remuneration Report at the 2013 Annual General Meeting (AGM). This was achieved after a comprehensive review of our approach to executive reward following some strong investor feedback in the prior period.

Key changes applicable to 2014 that were communicated in last year's Remuneration Report

The review of the Executive Reward Strategy conducted in 2013 resulted in the following changes, all of which were communicated in our 2013 Remuneration Report:

- Agreeing a new contract with the CEO, including a reduction in the CEO's total target remuneration package (effective 1 September 2013);
- Changing the targeted remuneration mix for executives to place greater emphasis on Long Term Incentives (LTIs);
- Introducing a second hurdle, Return on Equity (ROE), for LTIs;
- Deferring a greater proportion of 'above target' Short Term Incentive (STI) awards for the CEO and Senior Executives; and
- Strengthening malus provisions for the CEO and Senior Executives that may be applied to both Deferred STI and LTI awards.

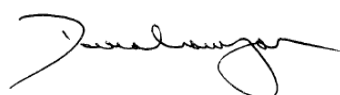
No other significant changes in 2014

There were no other significant changes introduced in 2014 other than those noted above.

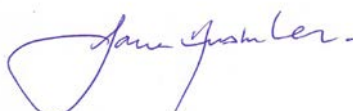
The year ahead

The Board has not made any further significant changes to our Executive Reward Strategy for the year ahead. We believe the Executive Reward Strategy updated in 2013 remains well suited to Lend Lease's business and appropriately considers the Group's activities, strategy, market practice, and securityholder perspectives while providing remuneration that motivates and retains key executive talent.

We look forward to your comments on both our remuneration arrangements and the Remuneration Report.



David Crawford, AO



Jane Hemstritch

Directors' Report continued

3. Remuneration Report continued

This Remuneration Report explains how our reward strategy supports the achievement of Lend Lease's strategy and reports on the remuneration for Lend Lease's Key Management Personnel (KMP).

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This report forms part of the Directors' Report and has been audited in accordance with the Corporations Act 2001.

Directors' Report continued

3. Remuneration Report continued

Executives and Non Executive Directors Covered by this Report

The following Executives and Non Executive Directors were considered Key Management Personnel for the year ended 30 June 2014 and are covered by this report.

CEO and Senior Executives

Current Executives

Stephen McCann	Group Chief Executive Officer and Managing Director (CEO)
Tarun Gupta	Chief Executive Officer, Property - Australia
Daniel Labbad	Group Chief Operating Officer (Group COO) and Chief Executive Officer, Europe, Middle East and Africa (Daniel was appointed to the Group COO role on 2 July 2012. Daniel previously held the office of Chief Executive Officer, Europe, Middle East and Africa until he ceased in this role 30 September 2012 before being reappointed (jointly as Group COO) to this role 20 November 2013)
Rod Leaver	Chief Executive Officer, Asia
Anthony Lombardo	Group Chief Financial Officer
Robert McNamara	Chief Executive Officer, Americas
David Saxelby	Chief Executive Officer, Construction and Infrastructure - Australia

Former Executives

Simon Hipperson	Chief Executive Officer, Europe, Middle East and Africa (appointed to this role 1 October 2012 and ceased 20 November 2013)
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Note: the term Senior Executives when used throughout this report refers to all the Executives listed above, unless specifically stated otherwise.

Non Executive Directors

Current Non Executive Directors

David Crawford	Independent Chairman
Colin Carter	Independent Non Executive Director
Phillip Colebatch	Independent Non Executive Director
Peter Goldmark	Independent Non Executive Director
Jane Hemstritch	Independent Non Executive Director
David Ryan	Independent Non Executive Director
Michael Ullmer	Independent Non Executive Director
Nicola Wakefield Evans	Independent Non Executive Director (appointed 1 September 2013)

Former Non Executive Directors

Gordon Edington	Independent Non Executive Director (ceased this role 15 November 2013)
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Directors' Report continued

3. Remuneration Report continued

SECTION 1: Remuneration Overview

Outline for Section 1 of the Remuneration Report

Section 1 provides a high-level overview of our Executive Reward Strategy and summarises the remuneration paid this year to the CEO and Senior Executives. In this section you will find:

- The link between Lend Lease's strategy and Executive Reward Strategy
- Approach to executive reward – a summary
- Group performance and highlights
- CEO scorecard and performance
- Remuneration tables (Awarded Remuneration, Actual Remuneration, and Statutory tables)

Further detail is provided in Section 2 commencing page 43.

a. Remuneration Overview

The link between Lend Lease's Strategy and Executive Reward Strategy

Our Executive Reward Strategy, which consists of a framework and policy that governs how the key senior employees in the organisation are remunerated, supports the achievement of Lend Lease's strategy

Our Executive Reward Strategy considers the interests of both internal and external stakeholders and aims to drive strong individual and team performance. The reward strategy is implemented through four guiding principles: Simplicity, Responsiveness, Balance, and Governance and Risk Management. We seek long term outperformance through the execution of business strategy while managing business risk.

A key element of our Executive Reward Strategy is forging clear alignment between Senior Executives and securityholders. We believe that the medium-to-long term emphasis of remuneration at Lend Lease appropriately recognises the investment cycle of a group such as ours. This is delivered through:

- a significant portion of remuneration being 'at risk', and tied to clear metrics;
- extensive use of deferred and long term incentives (with vesting over a period of up to 4 years); and
- mandatory securityholdings by Senior Executives in Lend Lease securities (enforced through disposal restrictions on vested equity until the minimum levels are achieved).

Over the last five years, Lend Lease has delivered on its strategy to become a leading international property and infrastructure group. Initially via a long term strategy of 'Restore, Build, Lead' the Group has successfully repositioned its footprint in core markets and across core capabilities including the development, construction and investment management sectors. The Group is now executing on the 'Lead' part of this strategy and the Group's Executive Reward design reflects this.

Lend Lease's footprint and capabilities, which includes its pipeline of development projects (~\$38 billion); construction backlog (~\$16 billion) and funds under management (~\$16 billion), is now clearly focused on leveraging the long term global trends that will drive our business. Key areas identified by the Board as key elements of the next phase of growth include urban regeneration, infrastructure, sustainability, growth in funds management, and services targeted to the ageing population.

We require our employees to take a longer term view around origination of development and construction pipeline, as well as a clear view on property cycles - when to develop and when to sell product. Our remuneration structure, and in particular the KPIs of the CEO and Senior Executives, are therefore designed to drive and reward both shorter term and longer term decisions in the business.

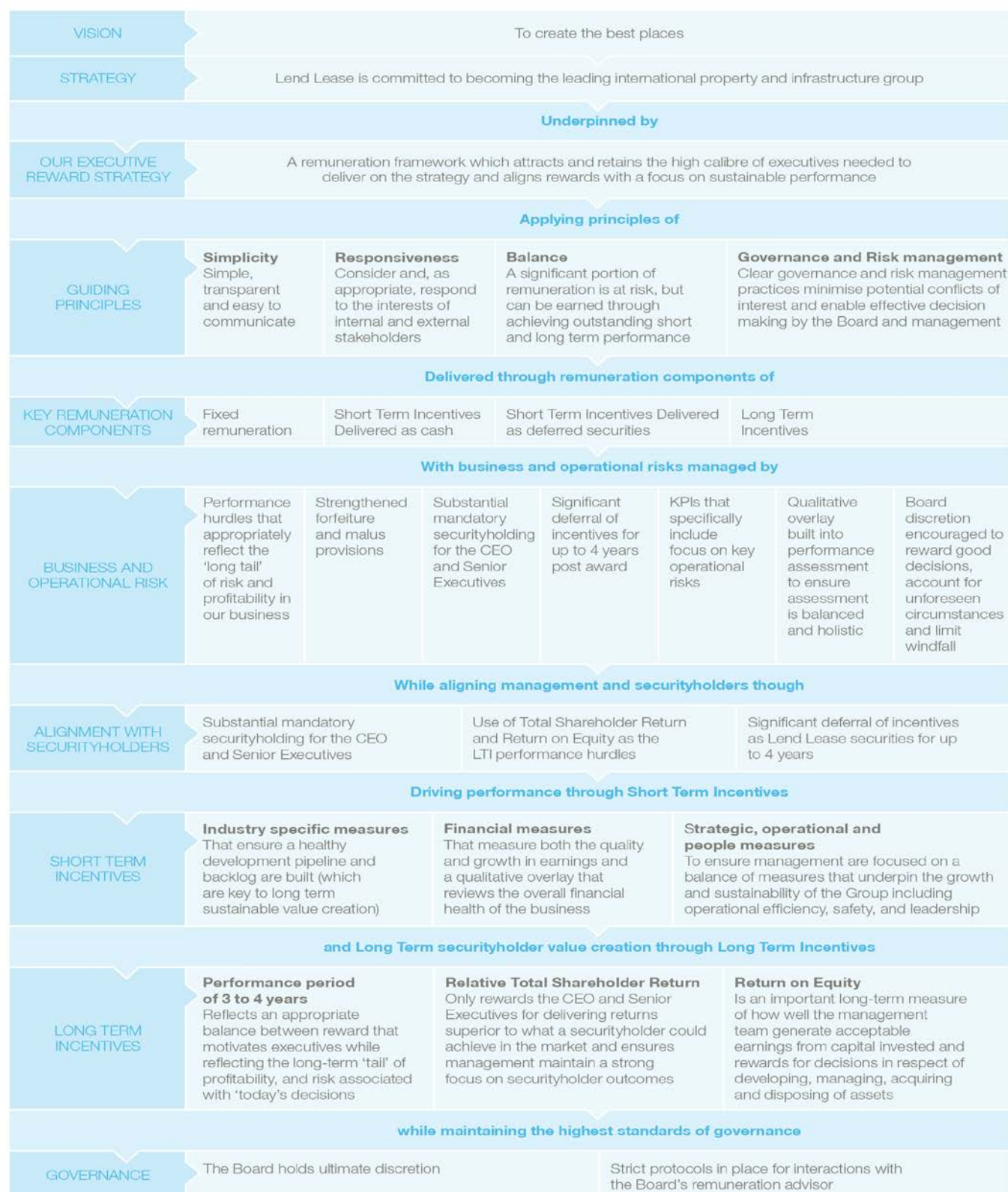
Directors' Report continued

3. Remuneration Report continued

a. Remuneration Overview continued

Lend Lease's Executive Reward Strategy on a page

The following provides a high level overview on the key aspects of Lend Lease's Executive Reward Strategy, Reward Guiding Principles and Remuneration Components.



Directors' Report continued

3. Remuneration Report continued

a. Remuneration Overview continued

Key Remuneration Components

The following table sets out a summary of each component of the remuneration package for all Senior Executives, including its purpose, how it operates in practice and key changes from last year. More detail is provided in Section 2 of the Remuneration Report, commencing page 43.

Component of remuneration	Purpose and link to Lend Lease strategy	How it operates
Fixed Remuneration Total Package Value (TPV) or Base Salary (for Senior Executives)	To provide TPV / Base Salary and benefits which are competitive with similar roles in organisations with similar scale and complexity.	Fixed pay is comprised of base salary, superannuation or retirement provisions and other benefits and allowances. It is reviewed annually with changes effective 1 September. Fixed remuneration is generally targeted between the market median and, in some cases, especially for the more global roles, the 75th percentile. The positioning depends upon the specific nature of the role, the individual's experience and performance and the overall remuneration mix for each individual.
Short Term Incentive (STI)	STI awards are only provided where executives perform well against their individual scorecard of Key Performance Indicators (KPIs) and leadership capabilities. The KPIs include financial, strategic and operational goals. The Lend Lease leadership capabilities include safety, sustainability, diversity, values and behaviours. Combined, the STI rewards for both 'what' is achieved as well as 'how' it is achieved.	Actual STI awards are based on a funding model which takes into account Group performance (and Regional performance in the case of regional executives) as well as individual performance measured against the scorecards. The CEO scorecard for 2014 is set out on pages 36 and 37.
Deferred STI	A significant portion of a Senior Executive's STI is delivered as deferred securities. This encourages Senior Executives to deliver sustainable performance and aligns the interests of executives and securityholders.	At least 50% of the actual STI award is deferred. Deferred STI is delivered as securities. For the all Senior Executives, Deferred STI vests in equal halves over a one and two year period.
Long Term Incentive (LTI)	LTI awards are designed to reward Senior Executives for delivering on Lend Lease's long term strategy and for delivering sustained long-term securityholder value. LTI awards align the interests of Senior Executives and securityholders because of the Senior Executive's exposure to the Lend Lease security price and through performance measures strongly tied to securityholder value.	An annual LTI grant of Performance Rights is made to Senior Executives. The award is determined with reference to the target remuneration mix for the role and the fair value of the LTI taking into account the Lend Lease security price and the performance conditions on the award.
Mandatory Securityholding	The Mandatory Securityholding requires the CEO and Senior Executives to hold a minimum amount of Lend Lease securities so that they have a significant personal investment in Lend Lease. Along with the Deferred STI and LTI, the mandatory securityholding provides additional alignment with securityholders and encourages the CEO and Senior Executives to consider long-term securityholder value when making decisions.	Since 2013, the CEO and Senior Executives are required to accumulate and maintain a holding of Lend Lease securities. 50% of vested Deferred STI and LTI awards granted will be retained until the requirement is achieved.

Directors' Report continued

3. Remuneration Report continued

a. Remuneration Overview continued

Key Remuneration Components continued

Component	Target and maximum opportunity	Description of performance metrics	Changes since 2013
Fixed Remuneration Total Package Value (TPV) or Base Salary (for Senior Executives outside Australia)	Fixed remuneration is approximately 37% of the target remuneration mix for the CEO and approximately 45% - 55% of the target remuneration for other Senior Executives (with an emphasis on more remuneration 'at risk' for the revenue generating roles).	When setting fixed remuneration and considering external benchmarks the Committee takes into account: - Job accountabilities, scale and complexity; - Individual experience; - Group and individual performance; - Succession planning; - Risk profile of the role; and, - Internal relativities.	There was no change to the CEO's fixed remuneration. For other Senior Executives, there were modest fixed remuneration increases awarded effective 1 September 2013 following extensive benchmarking by external consultants.
Short Term Incentive (STI)	Each individual is set a target STI based on the target remuneration mix outlined on page 46. The target STI is determined following extensive benchmarking by external consultants and taking into account similar factors to those identified above in setting Fixed remuneration. The minimum possible STI outcome is zero and the maximum possible STI outcome is 150% of the target STI opportunity.	Group (and regional) financial performance determine the pool to fund STI awards. Individual awards are based on individual performance against their scorecard (which includes financial and non-financial KPIs and the leadership capabilities). The funding model ensures a robust link between individual outcomes and Group performance to encourage all executives to think about both Group and individual goals.	The CEO's target and maximum STI were reduced for 2014, leading to a reduction in total target remuneration. Some Senior Executives did receive a reduction to their STI targets for 2014 as part of the move to have LTI form a greater proportion of the remuneration mix.
Deferred STI	There is no 'target' Deferred STI opportunity. The amount delivered as Deferred STI is wholly dependent on the amount of STI earned. 50% is deferred for awards up to and including 'target'. For the portion of any STI award 'above target' 2/3 will be deferred.	The Senior Executive forfeits their Deferred STI if they leave (or give notice) before the securities vest. Further, malus provisions apply such that the Senior Executive will forfeit their Deferred STI in circumstances including misconduct or material financial misstatement (as described in detail on page 49).	For the 2014 year onwards, any 'above target' STI awards (for the CEO and Senior Executives) have an increased proportion deferred.
Long Term Incentive (LTI)	The LTI granted to each Senior Executive is based on the target remuneration mix outlined on page 46. This amount is determined following extensive benchmarking by external consultants and taking into account similar factors to those identified above in setting Fixed remuneration. The targeted portion of remuneration delivered through LTI is 33% in the case of the CEO and 20% for all other Senior Executives.	This year's LTI will vest half against a relative Total Shareholder Return (TSR) hurdle and half against a Return on Equity (ROE) hurdle. Half of the LTI for each performance measure is tested after 3 years and half after 4. Relative TSR is measured against the S&P/ ASX 100 companies. ROE is measured against an absolute measure with progressive vesting between 11 and 15%.	The ROE hurdle was introduced in 2014 as set out in the 2013 Remuneration Report. The portion of the CEO's package delivered as LTI increased in 2014 (to reweight the remuneration mix towards longer term measures). Generally speaking, the Board intends to deliver market adjustments to executive remuneration predominately through increased LTI participation until the Board achieves its targeted remuneration mix. Refer to the discussion on page 50 for more information about the reason why these measures were chosen.
Mandatory Securityholding	The CEO and Senior Executives respectively are required to hold 150% and 100% of their Fixed remuneration in securities. This holding is required to be achieved within six years of the Senior Executive joining (or within six years of the policy commencing in 2013).	There are no further performance hurdles placed on the shares. The Board monitors the securityholdings to ensure the minimum securityholding is enforced.	No change.

Directors' Report continued

3. Remuneration Report continued

a. Remuneration Overview continued

Group Performance

Lend Lease is an international property and infrastructure group with operations in Australia, Asia, Europe and the Americas. Our people are the core of our business who live the Lend Lease values. Our vision is to create the best places which leave a positive legacy and we do that by using the safest delivery methods and deliver solutions which provide sustainable outcomes.

The principal activities of the group are:



2014 Highlights

The Group has delivered against its key safety and sustainability objectives and has made progress on implementing its strategy during the year with the benefit of earnings from key achievements, which include:

- Zero fatalities – our second fatality free year on record;
- 77% of our operations around the world did not experience a Critical Incident this year (Critical Incidents are those where an actual severe injury, property or environment damage outcome has occurred or, an incident with the potential to have resulted in severe injury, property or environment damage outcomes due to EH&S control failures);
- 100% of our major urban development projects (over A\$23 billion) have achieved or are targeting green certification;
- Revenue of A\$13.9 billion – 6% growth from 2013;
- Profit after Tax of \$822.9 million – growth of 50% from 2013; and
- Return on Equity of 18.2%. 34% growth from 2013 and outperforming 15% target.

Key highlights by business line include:

Development

With continued investment into production, the Development segment performed strongly delivering profit after tax of A\$681.9 million, a 69% increase from the prior year. Key achievements included:

- Sale** of Bluewater and interest in the Winston-Salem Veterans Affairs Centre in North Carolina, US;
- New work secured** included Batman's Hill in Melbourne, Australia and Deptford and Chiswick in London, UK;
- Preferred bidder** on Darling Harbour Live in Sydney, Australia and in Malaysia on Tun Razak Exchange (A\$2.6 billion);
- Planning permission** achieved on residential units in the UK at The International Quarter and Wandsworth;
- Commercial leasing** included new tenancies with PricewaterhouseCoopers Australia (PwC), HSBC Bank Australia (HSBC) and Gilbert + Tobin at Barangaroo South taking leasing across the three towers to 61%;
- Products launched** included 19 apartment buildings, two commercial towers and a communities project;
- Residential settlements** increased by 36% to 3,425 units reflecting improved trading conditions in Australia and the UK; and
- Residential pre sales** were up 166%, driven by key launches at Barangaroo South, Darling Harbour Live and Victoria Harbour and in Australia and at Elephant and Castle, Wandsworth and The International Quarter in the UK.

Infrastructure Development

The Infrastructure Development segment delivered profit after tax of A\$16.2 million an 84% decrease from the prior year due to a reduced number of projects reaching financial close. The business is well positioned in both the Australian and American markets to contribute strongly to future earnings. Key achievements included:

- Financial close** on the redevelopment of the Sydney Convention Centre at Darling Harbour Live in Australia and an additional stage of the Fort Hood project in the Americas; and
- Preferred bidder** subsequent to year end on Ravenhall Prison PPP in Australia, where Lend Lease performed an advisory role.

Directors' Report continued

3. Remuneration Report continued

a. Remuneration Overview continued

2014 Highlights continued

Construction

The Construction segment delivered profit after tax of A\$144.4 million a 23% decrease from the prior year. The decreased earnings in the business has been due to lower revenue, the impact of restructure costs and challenging market conditions in certain sectors in the year, however, the significant backlog will underpin earnings in future periods. Key achievements included:

- **Restructure** of the Australian business into Building, Engineering and Services (A\$27.0 million after tax), and divestment of Spain;
- **New work secured** of A\$10.2 billion across: Australia (A\$6.6 billion), Asia (A\$0.2 billion), Europe (A\$0.7 billion) and the Americas (A\$2.7 billion);
- **Closing backlog revenue** remained stable at A\$16.2 billion and is comprised of Building (A\$13.1 billion), Engineering (A\$2.1 billion) and Services (A\$1.0 billion); and
- **Preferred bidder** on A\$1.8 billion of new work, including the NorthConnex Motorway (M1 to M2) in Sydney and fitouts for KPMG and Westpac at Barangaroo South.

Investment Management

The Investment Management business has been a significant contributor to the current year delivering profit after tax of A\$203.0 million, a 182% increase from the prior year. Key achievements included:

- **Funds under management** increased due to investment in the Lend Lease International Towers Sydney Trust, increase in the APPF Commercial acquisition of 485 La Trobe Street in Melbourne and foreign exchange movement;
- **Assets under management** decreased due to the divestment of Bluewater offset by the completion of Craigieburn Central shopping centre in Australia, acquisition of Queensgate in the UK and improved valuation on Jem and foreign exchange movement; and
- **Investments** decreased due to divestment of Bluewater¹ offset by additional investments in APPF Commercial and APPF Industrial.

1 Bluewater was held as inventory and has been booked as Development profit in the period.

Business performance has consistently improved

The table below outlines some key indicators of Group performance over the past five years for the year ended 30 June.

		2014	2013	2012	2011	2010
Statutory profit/(loss) after tax	A\$m	823	549 ¹	501	493	346
Operating profit after tax	A\$m	823	550 ¹	507	485	324
EPSS on profit after tax ²	Cents	150.8	101.2 ¹	92.7	91.7	72.9
Total dividends/distributions ³	A\$m	409.8	241.5	217.5	198.7	160.6
Increase/(decrease) in closing price ⁴	A\$	4.76	1.15	(1.77)	1.64	0.32
Annual Total Securityholder Return ⁵	%	62	22	(16)	27	13
Return on Equity ⁶	%	18.2	13.6 ¹	13.4	14.3	12.7

1 2013 has been adjusted to reflect the impact of first time adoption of the revised AASB 119 *Employee Benefits* standard and the new AASB 11 *Joint Arrangements* standard (refer to Note 1 'Significant Accounting Policies' of the Annual Consolidated Financial Statements).

2 EPSS (Earnings per Stapled Security) is calculated using the weighted average number of securities on issue excluding treasury securities.

3 The June 2014 dividends of A\$242.3 million were declared subsequent to the reporting date.

4 Represents the movement in the security price over the year calculated using the closing security price at 30 June.

5 Represents the movements in the Group's security price, distribution yield and any return on capital over the financial year.

6 ROE is calculated as the annual statutory profit after tax divided by the arithmetic average of beginning, half year and year end securityholders' equity.

Performance and STI Pool

Incentives are funded by an incentive pool which represents a maximum that can be spent on incentives. Using an incentive pool ensures that there is a fair sharing of profits between securityholders and employees by capping the amount of profits that can be paid to employees. It also promotes a strong link between Group performance and STI outcomes because STI outcomes are moderated up or down by the available pool (and hence by Group performance).

Group PAT is one input into the overall determination of the STI pool. An assessment of overall profit, quality and sustainability of earnings and other financial and non financial factors are also considered. Group PAT was above target for 2014. Following an overall assessment of performance, the Board approved an STI pool that represented a lower percentage of profits than targeted, but the Group's outperformance on profit has delivered a slightly larger pool (in absolute terms) than targeted for 2014.

As securityholders will be aware, management were successful in concluding the sale of the Bluewater development in the United Kingdom in 2014. The sale proceeds exceeded the 31 December 2013 market valuation by approximately A\$200 million. The impact of the sale was to deliver a profit after tax significantly higher than was originally targeted for FY14. The current management team undertook a number of activities to maximise the sale proceeds including improving the tenancy mix, obtaining planning approval for the expansion of the centre, successfully resolving litigation proceedings, maximising management fee revenues, identifying the optimal point in cycle to divest the asset and running an effective sale process. The Board has carefully considered the extent to which it would be appropriate to reward the current management team for the profits attributed to the Bluewater sale and, as a result, has increased the STI pool by A\$13.9 million.

Directors' Report continued

3. Remuneration Report continued

a. Remuneration Overview continued

CEO Scorecard and Performance

STI outcomes are based on both the individual's performance against their personal KPIs and based on the performance of the Group (and Region for regional executives). The personal KPIs for each Senior Executive are contained in a scorecard. The Board has a rigorous process for the setting of scorecards at the start of the year and the evaluation of scorecards at the end of the year.

Scorecards for the CEO and Senior Executives generally reflect short and medium goals and long-term strategic initiatives. They tend to be categorised as financial and non financial (with a weighting on each) and include the financial performance, health & safety, delivery of key projects, sale of key assets, embedding operational excellence and investing in people.

The Board has assessed the CEO's 2014 scorecard and made an overall judgement as to whether the scorecard results fully reflect performance and the management of risk. Following the Board's assessment, the CEO's STI awarded for the year ended 30 June 2014 was A\$2,363,000 (being the cash and deferred components of his STI) which equated to 135% of the CEO's target STI award. Refer to the table Remuneration Awarded by the Board on page 38 to see the total remuneration awarded to the CEO for 2014.

	PERFORMANCE MEASURES	REASON CHOSEN	PERFORMANCE ASSESSMENT	RESULT
	Financial performance – 50% weighting			
Financial	- A range of financial metrics including targets for: - NPAT - EBITDA - EBITDA margin - revenue growth - ROE - cash flow from operating and investing - Targets focused on development pipeline/backlog. - An assessment not only of the actual result on the stated metrics but also the overall financial health of the business including, amongst other things, an assessment of the components and quality of the actual result in comparison with the budget and an assessment of each business unit's performance.	The Board believes that the combination of financial and pipeline/backlog measures appropriately recognises the crucial short to medium drivers of longer term securityholder value creation. Further, the Board believes the assessment of the overall financial health of the business ensures that the CEO is rewarded for decisions and outcomes that are sustainable and in the long-term interests of securityholders.	The targets included a significant stretch and overall the CEO outperformed against all financial metrics: - NPAT of A\$822.9 million was significantly above budget and 50% higher than 2013. - Revenue growth was above target despite a challenging market. - EBITDA of A\$1,192.8 million was well above target and 61% higher than 2013. EBITDA of 8.5% represents a 3.0% increase on 2013 and was above target. - Return on Equity (ROE) of 18.2% outperformed our 15% target. - Cash flow from operating and investing activities outperformed against targets despite the net investment into the production of the development pipeline. - The CEO has delivered outstanding securityholder returns with security price growth of 57% for the year.	Outstanding performance
	Non financial performance – 50% weighting			
Strategic	A range of strategic initiatives largely focused on attaining the desired portfolio mix and driving growth.	Having the right portfolio of businesses is key to Lend Lease's long-term value creation for securityholders. The CEO is set a range of KPIs that relate to portfolio objectives, innovation, and organisational transformation critical in the short term if Lend Lease is to meet long term objectives.	The CEO has outlined and begun executing a strategic plan for each of the specific initiatives outlined in his KPIs. Significant progress has been made in each key area with measurable outputs. - On track to meet capital recycling targets including the key divestment of Bluewater. - Major urban redevelopment projects are underway including Barangaroo. - New urban regeneration opportunities have been secured.	Exceeded target

Directors' Report continued

3. Remuneration Report continued

a. Remuneration Overview continued

CEO Scorecard and Performance continued

	PERFORMANCE MEASURES	REASON CHOSEN	PERFORMANCE ASSESSMENT	RESULT
	Non financial performance - 50% weighting			
People	A range of metrics focused on developing leadership capability and identifying and retaining key talent, including specific metrics for: ■ Broadening and deepening succession pools. ■ Increasing the female leadership pipeline.	Having the right people in management and senior leadership roles is critical to our long term success. The CEO plays an important role in this process and he is assessed on his ability to manage talent and succession risks at senior management levels.	The CEO has met specific targets in respect of succession plans for key leadership roles and has exceeded gender diversity targets in respect of leadership roles. ■ Zero fatalities for a second year in a row. ■ The female leadership pipeline was increased in excess of the stretch target set. Voluntary attrition of top talent remains below target. ■ Lend Lease placed 10th best employer for Lesbian, Gay, Bisexual and Transgender (LGBT) employees in Australia in 2014. ■ Lend Lease Springboard program was been recognised as an 'ABA100 Winner' for Community Contribution in The Australian Business Awards 2014.	Exceeded target
Operational Excellence	Specific operational targets focused on flagship projects, integration of acquired businesses, operational efficiencies, key agreements, and managing underperforming parts of the portfolio.	Delivery on key projects transforming the business through managing underperformance and generating efficiency savings not only delivers short term return, but builds a foundation for long term success. Very specific measures and initiatives are identified to ensure Lend Lease manages such things to enable to delivery of long term objectives.	Overall, the Board has determined that the CEO has met targets in respect of operation excellence. It is now the second year without a reported fatality and key projects such as Barangaroo and Elephant & Castle are progressing well. The CEO has successfully resolved the number and value of under-performing projects and assets, although there continues to be underperformance in some business units which require additional focus in FY15. ■ Development pipeline increased to A\$38 billion. ■ Funds under management increased by 9% to A\$16 billion. ■ Record residential sales in Australia and the UK. ■ The Americas production schedule is at an all time high with a significant number of residential buildings under construction. ■ Above target performance for major projects. ■ Successful implementation of the Construction & Infrastructure business restructure.	Target

Directors' Report continued

3. Remuneration Report continued

b. Remuneration Disclosures

In this section, we summarise the value of remuneration for the CEO and each Senior Executive. In addition to the required statutory table (based on the accounting disclosures) we have set out the Remuneration Awarded and the Remuneration Received. The additional tables provide a more complete illustration of our approach to executive remuneration. An explanation of the differences between the tables is set below.

Remuneration Awarded by the Board in respect of this year

Remuneration Awarded illustrates what the Board awarded in relation to performance for this financial year. Some of these amounts have not yet been actually received and are 'at risk' and deferred until future financial years (such as the Deferred STI) and subject to future performance hurdles (such as the LTI).

Actual Remuneration Received in 2014

Actual Remuneration illustrates the actual fixed remuneration received this year as well as (a) any amounts received in cash in this year from any prior year's awarded incentives (irrespective of whether they related to this year's Awarded Remuneration) and (b) the value of any deferred awards (including Deferred STI and/or LTI) that vested in this year.

Statutory – Remuneration of the CEO and Senior Executives for the Years Ended 30 June 2014 and 2013

Statutory Remuneration is prepared in accordance with Australian Accounting Standards. It includes fixed remuneration, the cash portion of 2014 STI awarded (in September 2014), as well as the current year amortisation of both current and historic STI and LTI grants. There is also a reconciliation between the CEO's actual remuneration received in 2014 and the statutory remuneration disclosure.

Remuneration Awarded by the Board for the Year Ended 30 June 2014

The Remuneration Awarded by the Board to the CEO and Senior Executives in relation to performance this year is set out in the table below.

The total STI awarded (being the sum of the Cash STI and deferred securities) reflects the result of the assessment of Group and individual performance from 1 July 2013 to 30 June 2014. The table also shows the STI outcome for each Senior Executive as a percentage of both target and maximum STI opportunity.

Deferred securities issued as part of the overall STI award may crystallise after a further one and two years. The value of deferred securities will depend on the price of Lend Lease securities at the date of vesting.

The amount actually received as a result of these awards will not be known until September 2017 when the testing of the LTI performance hurdle is completed, the vesting of STI deferred awards is completed and the value of Lend Lease securities is known.

A\$'000s ⁶	SHORT TERM		'AT RISK' – DEFERRED TO FUTURE PERIODS			TOTAL POTENTIAL REMUNERATION	STI OPPORTUNITY	
Name	Fixed remuneration ¹	STI cash ²	STI deferred securities to vest in		2014 LTI awards (conditional on future performance) ³	(Actual value is dependent upon future service and future performance)	% of target STI paid	% of maximum STI paid
			Sept 2015	Sept 2016				
Stephen McCann	2,034	1,079	642	642	1,750	6,147	135%	90%
Tarun Gupta	1,000	546	336	336	325	2,543	145%	97%
Anthony Lombardo	1,000	518	308	308	325	2,459	135%	90%
Daniel Labbad	1,143	560	320	320	325	2,668	125%	83%
Rod Leaver	1,207	333	167	167	300	2,174	65%	43%
Robert McNamara	1,019	611	382	382	300	2,694	150%	100%
David Saxelby	1,100	347	173	173	369	2,162	70%	47%
Simon Hipperson ⁴ (part year)	859				261	1,120	0%	0%

1 Fixed remuneration includes the contractually awarded amount of Total Package Value (including the value of any benefits salary sacrificed) but excluding any allowances or non-monetary benefits.

2 STI cash award to be paid in September 2014.

3 LTI awards were granted on 1 September 2013. The value in the table above reflects the estimated fair value as distinct from the accounting fair value used in the Statutory Disclosures on page 40. The allocation is made on a fair value basis to provide a value per performance security reflective of the target value in the hands of the executives based on an estimate of the impact of the performance hurdles. Further explanation is provided on pages 50 and 51.

4 Simon Hipperson was KMP up to his date of cessation on 20 November 2013. The amounts in the table above represent his total remuneration awarded and are not pro-rated for his time as KMP.

5 All executives are paid in local currency but reported in the above table in AUD based on the following 12 month average historic foreign exchange rates: GBP 0.56 (applied to Daniel Labbad and Simon Hipperson), SGD 1.16 (applied to Rod Leaver), USD 0.91 (applied to Robert McNamara).

Directors' Report continued

3. Remuneration Report continued

b. Remuneration Disclosures continued

Actual Remuneration Received in 2014

The table below outlines the Actual Remuneration Received by the CEO and by Senior Executives during the performance year. It is divided into two parts – 2014 Current Year Remuneration and Prior Year Remuneration.

2014 Current Year Remuneration represents fixed remuneration as well as the cash portion of the 2014 STI due to be paid in September 2014. Prior Year Remuneration represents deferred remuneration that was awarded in prior years that was paid or vested this year (with the value shown being the value of the securities at the vesting date).

Actual Remuneration received is different from:

- The Remuneration Awarded by the Board in relation to 2014 performance (which is set out on page 38). Actual Remuneration includes remuneration for this and previous years, whereas the Remuneration Awarded is wholly in respect of the current year; and
- The Statutory Remuneration disclosures (on page 40) which are prepared in accordance with the relevant accounting standards and represent a blend of actual amounts and accounting accruals.

Name	2014 CURRENT YEAR REMUNERATION		PRIOR YEAR REMUNERATION			Total
	Fixed remuneration ¹	2014 STI cash ²	STI Deferred securities ³	2010 LTI (Sept 09 grant) ⁴	2011 LTI (Sept 10 grant) ⁴	
Stephen McCann	2,045	1,079	2,336	1,236	931	7,627
Tarun Gupta	1,029	546	555	135	183	2,448
Anthony Lombardo	988	518	592	216	183	2,497
Daniel Labbad	1,352	560	599	160	123	2,794
Rod Leaver	1,597	333	628		246	2,804
Robert McNamara	1,154	611	761	255	331	3,112
David Saxelby	1,100	347	62			1,509
Simon Hipperson ⁵ (part year)	781					781

1 Fixed remuneration includes salary, non monetary benefits (excluding accrued annual leave expense) and superannuation.

2 The STI cash refers to the portion of the STI award for the year ended 30 June 2014 that will be paid in cash in September 2014. As outlined on page 48, the STI cash portion reflects 50% of the STI awarded up to an executive's target STI and one-third of the STI awarded above their target.

3 STI deferred securities refers to the amounts deferred in prior years that vested in the current year. This is calculated as the face value of the award at the date of vesting.

4 LTI refers to the LTI awards granted in prior years that vested in the current year. This is calculated as the face value of the award at the date of vesting.

5 Simon Hipperson was KMP up to his date of cessation on 20 November 2013. The amounts in the table above represent his actual remuneration awarded for the period he was employed including \$384k for payment in lieu of notice. The value shown for fixed remuneration in the table above includes any payments on cessation including settlement of any outstanding leave liabilities.

6 All executives are paid in local currency but reported in the above table in AUD based on the following 12 month average historic foreign exchange rates: GBP 0.56 (applied to Daniel Labbad and Simon Hipperson), SGD 1.16 (applied to Rod Leaver), USD 0.91 (applied to Robert McNamara).

Directors' Report continued

3. Remuneration Report continued

b. Remuneration Disclosures continued

Statutory Disclosures – Remuneration of the CEO and Senior Executives for 2014 and 2013

		SHORT TERM BENEFITS			POST-EMPLOYMENT BENEFITS	SECURITY BASED PAYMENTS ⁵			
A\$000s ¹¹	Year	Cash salary ¹	STI cash ²	Non monetary benefits ³	Superannuation ⁴	LTI equity settled ⁶	STI equity settled ⁶	Other long term Benefits ⁷	Total
Executive Director									
Stephen McCann	2014	1,989	1,079	94	24	1,232	1,741	30	6,189
	2013	1,877	581	186	34	984	1,957	29	5,648
Senior Executives									
Tarun Gupta ⁸	2014	927	546	25	102	245	441	14	2,300
	2013	565	298	1	67	131	317	9	1,388
Anthony Lombardo	2014	971	518		18	250	527	15	2,299
	2013	898	491	67	19	205	483	14	2,177
Daniel Labbad	2014	1,202	560	105	89	259	524	16	2,755
	2013	984	527	106	87	224	508	14	2,450
Rod Leaver	2014	1,244	333	396		269	526		2,768
	2013	1,102	469	403		201	538		2,713
Robert McNamara	2014	1,080	611	97	28	294	815		2,925
	2013	915	483	50		332	734		2,514
David Saxelby ⁹	2014	1,082	347	54	18	111	360	16	1,988
	2013	386	308	27	19		28	6	774
Former Executives									
Simon Hipperson ¹⁰	2014	735			46	(40)			741
	2013	543	211	126		40			920

1 Cash salary includes the payment of cash allowances such as housing and motor vehicle allowance and holiday pay on termination.

2 The STI cash refers to the portion of the STI award for the year ended 30 June 2014 that will be paid in cash in September 2014. As outlined on page 48, the STI cash portion reflects 50% of the STI awarded up to an executive's target STI and one-third of the STI awarded above their target.

3 Non monetary benefits include car parking, relocation and expatriate benefits (such as house rental, health insurance, shipping of goods and tax return preparation) motor vehicle costs and annual leave.

4 Superannuation includes the value of pension contributions for non-Australian based executives (previously disclosed as non-monetary benefits). Tarun Gupta participates in the defined benefits superannuation plan. The amount in the table above reflects the cost of contributions based on the actuarial long term contribution rate applied to the notional salary in respect of the executive.

5 The amounts for share based payments reflect the accounting expense on a fair value basis.

6 The LTI is based on the accounting fair value at the date of grant.

7 Other long term benefits represent the accrual of long term leave entitlements (e.g. long service leave).

8 Tarun Gupta commenced with Lend Lease in 1994 and became KMP from 24 October 2012 when he assumed the role of CEO Property, Australia. The prior year information in the table above reflects remuneration for the period 24 October 2012 to 30 June 2013.

9 David Saxelby commenced with Lend Lease in 2012 and became KMP from 18 February 2013 when he assumed the role of CEO Construction & Infrastructure, Australia. The prior year information in the table above reflects remuneration for the period 18 February 2013 to 30 June 2013.

10 Simon Hipperson commenced being a KMP on 1 October 2012 and ceased on 20 November 2013. The information for the current year in the table above reflects his remuneration for the period 1 July 2013 to 20 November 2013 including \$384k for payment in lieu of notice. In respect of the prior year comparison, Simon Hipperson commenced year as KMP from 1 October 2012 and therefore the prior year data reflects remuneration for the period from 1 October 2012 to 30 June 2013.

11 All executives are paid in local currency but reported in the above table in AUD based on the following 12 month average historic foreign exchange rates: GBP 0.56 (applied to Daniel Labbad and Simon Hipperson), SGD 1.16 (applied to Rod Leaver), USD 0.91 (applied to Robert McNamara).

Directors' Report continued

3. Remuneration Report continued

b. Remuneration Disclosures continued

Reconciliation of 2014 Actual Remuneration Received with Statutory Remuneration for the CEO

The following table shows the difference between the CEO's actual remuneration received as above and the statutory remuneration disclosure on page 40.

Description	A\$'000's	Vesting year
2014 Total Actual Remuneration Received	7,627	
Less 2010 LTI vesting	(1,236)	2014
Less 2011 LTI vesting	(931)	2014
Less deferred STI vesting	(2,336)	2014
Accrued annual leave and long service leave expense	92	
2012 & 2013 STI Award – deferred securities component	1,741	2015 and 2016
LTI awards – Accounting expense:		
▪ 2009/2010 LTI	30	2014
▪ 2010/2011 LTI	138	2014 and 2015
▪ 2011/2012 LTI	263	2015 and 2016
▪ 2012/2013 LTI	273	2016 and 2017
▪ 2013/2014 LTI	528	2017 and 2018
Total remuneration (statutory disclosures)	6,189	

Based on the financial year ending 30 June of the relevant year.

Directors' Report continued

3. Remuneration Report continued

b. Remuneration Disclosures continued

Comparison of Remuneration Tables

The table below provides a comparison of the information included in each of the three remuneration presentations above (on pages 38 to 40).

Disclosure	Period covered	Fixed remuneration	STI	STI deferral	LTI
Awarded	Remuneration disclosed will relate to both the time in their current role (as KMP) and any other role they have held at Lend Lease during the financial year. Note that for 2014, all current Senior Executives were KMP for the whole year.	Fixed remuneration includes the contractually awarded amount of Total Package Value/ Base Salary from 1 September 2013 or later. It excludes annual leave and long service leave accruals.	The cash portion of the STI award that will be made in September 2014 for year ended 30 June 2014. (That is, the cash STI physically paid after year end but in respect of the 2014 financial year.) Note: this only covers the cash portion. Refer 'STI deferral' column for the treatment of the Deferred STI.	The deferred securities portion of the STI earned in respect of the year ended 30 June 2014 but deferred until September 2015 and 2016.	The estimated fair value of 2014 LTI grants made in September 2013. As described on page 50, these vest in 2016 and 2017 and are subject to relative TSR and ROE hurdles (as explained in detail on page 51).
Actual Received	Same period as Awarded. That is, remuneration disclosed will relate to both the time in their current role (as KMP) and any other role they have held at Lend Lease during the financial year. Note that for 2014, all current Senior Executives were KMP for the whole year.	Represents the sum of the Statutory disclosures (below) for cash salary, non-monetary benefits and superannuation but excludes the movement in annual leave accrual (which is included as a non-monetary benefit in the Statutory table).	Same as Awarded, being the cash portion of the STI award that will be made in September 2014 for year ended 30 June 2014.	The value of any Deferred STI which vested during this financial year. The value shown represents the value at the date of vesting. The Deferred STI which vested in this year were granted in 2012 and 2013 and vested in September 2013.	The value of any LTI which vested during this financial year (specifically in September 2013). The value shown represents the value at the date of vesting. The LTI which vested in this year were awarded in 2010 and 2011.
Statutory	Only shows remuneration for the time the executive was KMP. Note that for 2014, all current Senior Executives were KMP for the whole year.	The Statutory table includes a value for cash salary, non-monetary benefits, superannuation and other long term benefits in line with statutory remuneration disclosure requirements. Non-monetary benefits also includes the movement in annual leave accruals.	The cash portion of the STI award made in September 2014 for the year ended 30 June 2014. (That is, the cash STI physically paid after year end but relating to this year's performance). Note: this only covers the cash portion. Refer 'STI deferral' column for the treatment of the Deferred STI.	Represents the accounting expense in respect of any Deferred STI from 2012 and 2013, less an adjustment for any amounts forfeited.	The accounting expense attributed to this financial year for LTI awards made in the 2010, 2011, 2012, 2013 and 2014 financial years.

Directors' Report continued

3. Remuneration Report continued

SECTION 2: Remuneration in Detail

Outline for Section 2 of the Remuneration Report

Section 1 provided a summary of our Executive Remuneration Strategy and practices. In Section 2 we provide further detail concerning:

- Remuneration Governance
- Setting remuneration levels and remuneration mix
- Minimum securityholding requirements
- STI – detailed information
- LTI – detailed information
- CEO and Senior Executive Contracts
- Non Executive Director Remuneration

Detailed tables of:

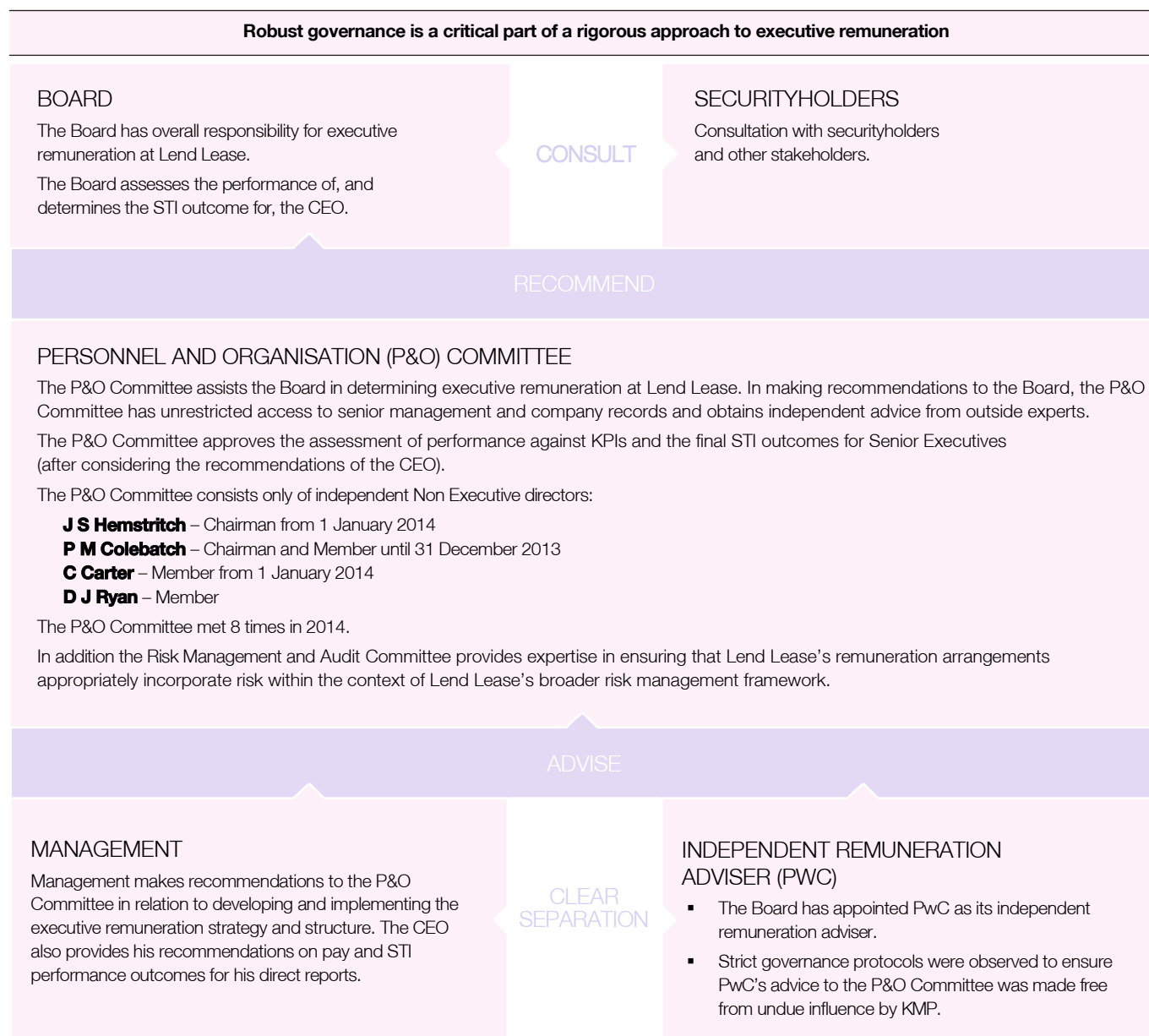
- Deferred STI awards
- LTI awards
- CEO, Senior Executive and Non Executive Director securityholdings

Directors' Report continued

3. Remuneration Report continued

c. Remuneration Governance

Lend Lease Reward Governance Framework



The role of PwC during 2014

During the year, PwC did not provide a remuneration recommendation as defined in section 9B of the Corporations Act 2001 on the executive remuneration strategy and remuneration policies for key management personnel.

PwC did provide advice on aspects of the remuneration of the KMP including:

- market practice on executive remuneration structure
- commentary on positioning of the CEO and Senior Executives' remuneration against the market

PwC's advice was made free from undue influence by any of the KMP

Although a remuneration recommendation was not provided, consistent with good governance, the following arrangements were made to ensure that PwC's advice was free of undue influence:

- PwC was engaged by, and reported directly to, the Chair of the P&O Committee
- the agreement for the provision of remuneration consulting services was executed by the Chair of the P&O Committee on behalf of the Board any reports delivered by PwC were provided by PwC directly to the Chair of the P&O Committee
- PwC was permitted, where approved by the P&O Committee Chair, to speak to management to understand company processes, practices and other business issues and obtain management's perspectives PwC have declared that they have not been unduly influenced by the KMP in carrying out their duties

As a consequence, the Board is satisfied that advice and market data provided by PwC was made free from undue influence from any of the KMP.

Directors' Report continued

3. Remuneration Report continued

c. Remuneration Governance continued

Setting Remuneration Levels

We benchmark our remuneration mix and levels to ensure we provide market-competitive total rewards for on-target performance, and total rewards above the market if outstanding performance is achieved

Remuneration is reviewed annually by the P&O Committee for the CEO and Senior Executives (or during the year if there are any role changes or new executive appointments). Strict governance guidelines are followed, as outlined on page 44.

Peer Group and primary sources of data	The P&O Committee typically uses a number of sources for benchmarking CEO and Senior Executive remuneration including: ■ Data provided by the Board's remuneration adviser, PwC, about remuneration delivered to similar type roles in companies of a similar size. – for Australian-based executives, we refer to companies listed on ASX that are ranked between 26 and 75 by market capitalisation (excluding companies domiciled overseas and property trusts where management is not typically employed by the trust). Consideration is also given to factors such as revenue. – relevant local comparator groups for executives based in other countries; ■ Publicly available data for comparable roles at peer organisations in Australia (including Leighton, Mirvac and Stockland); and ■ Published remuneration surveys, remuneration trends and other data sourced from Mercer, Aon Hewitt, FIRG, Hay Group, Ernst & Young, Avdiev and others.
Market positioning	Fixed remuneration is set with reference to the market median and 75th percentile. The positioning will depend upon the specific nature of the role, the individual's performance and the overall remuneration mix. The remuneration outcomes for each Senior Executive will also take into consideration the target remuneration mix under the Executive Reward Strategy (as set out on page 46).
Application of data to Lend Lease CEO and Senior Executives	The P&O Committee has applied a number of principles when applying remuneration benchmarks to Lend Lease roles. These principles include: ■ Understanding the relative size, scale and complexity of the organisations in the data set (to ensure a fair comparison is made to organisations with similar global breadth and operational complexities as Lend Lease); ■ Understanding the relative size, scale and complexity of the roles in the data set; ■ Recognising an individual's tenure, position, experience and performance; ■ Differentiating risk profiles between roles when reviewing pay mix; ■ Considering key talent including an emphasis on where we source talent from and where we lose talent to; and ■ Considering internal relativities, role and/or person criticality; and key talent and succession risk. In addition to the above, when setting remuneration levels, the P&O Committee takes into account Group and regional performance and the positioning of the Lend Lease executive relative to the market.

Directors' Report continued

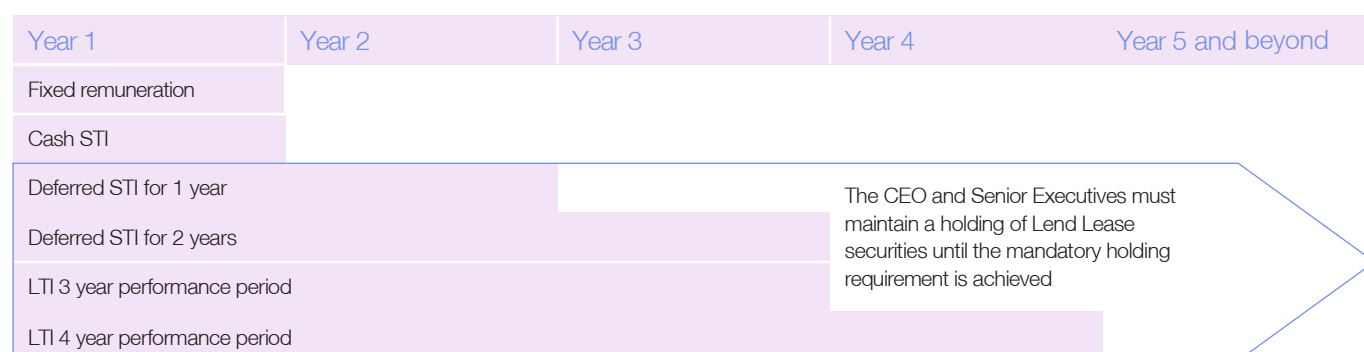
3. Remuneration Report continued

c. Remuneration Governance continued

Remuneration Mix

Securityholder alignment and longer-term focus through significant incentive deferral

The remuneration mix is structured so that a substantial portion of remuneration is delivered as Lend Lease securities (through either Deferred STI or LTI). This, along with the mandatory security holding requirement (set out on page 47), ensures that the interests of executives are aligned with securityholders. In the case of the CEO in 2014, more than half of his remuneration is delivered as Lend Lease securities over a period of up to four years. As shown below, the Remuneration Awarded (refer page 38) to Senior Executives is delivered over a period of up to 4 years over which time the Senior Executive is exposed to movements in the security price on any deferred amounts.



The remuneration mix has been specifically designed to align to the execution of Lend Lease's business strategy

The remuneration framework consists of three different components – fixed remuneration, short term incentives and long term incentives. The relative weighting of each component is referred to as the 'remuneration mix'.

The Executive Reward Strategy provides for a target remuneration mix which links remuneration outcomes to the execution of business strategy over the short (one year), medium (two to three years) and long (three to four years) term. The target remuneration mix provided in the Executive Reward Strategy is shown below.

Percentage of Total Target Remuneration

	Fixed remuneration (annual)	STI cash	Deferred STI (Delivered as deferred securities vesting one and two years from grant)	LTI (vesting three and four years from grant)
Group CEO	30% – 35%	20% – 25%	20% – 25%	33%
Senior Executives	40% – 55%	20% – 25%	20% – 25%	20%

The remuneration mix percentages above reflect the desired remuneration mix for the CEO and Senior Executives. To the extent that any Senior Executive is not currently paid in line with this preferred remuneration mix, it is intended that future adjustments to remuneration will be made so as to, over a period of time, move the Senior Executive toward the desired remuneration mix (while taking into account the market benchmarking outlined on page 45). The Board anticipates this will mean that market adjustments for 2015 and beyond will be delivered predominately through increased LTI participation until the Board achieves its targeted remuneration mix (while allowing for adjustments to other components of remuneration where the market data indicates changes are required and/or where other factors used in determining an individual's remuneration change).

Further, the remuneration mix based on Remuneration Awarded (set out on page 38) may be different to the target remuneration mix (shown above) based on performance.

Directors' Report continued

3. Remuneration Report continued

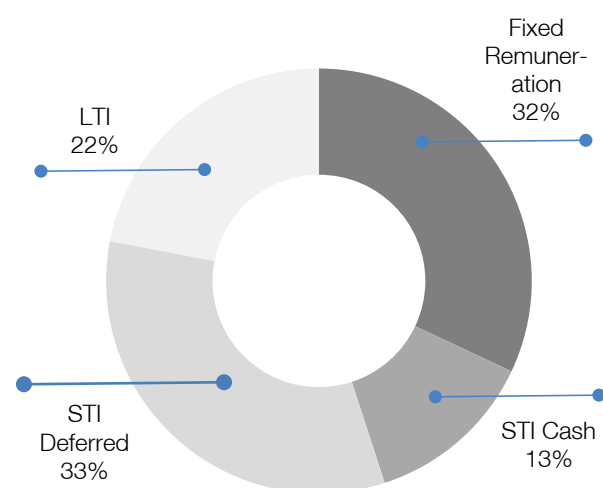
c. Remuneration Governance continued

Remuneration Mix continued

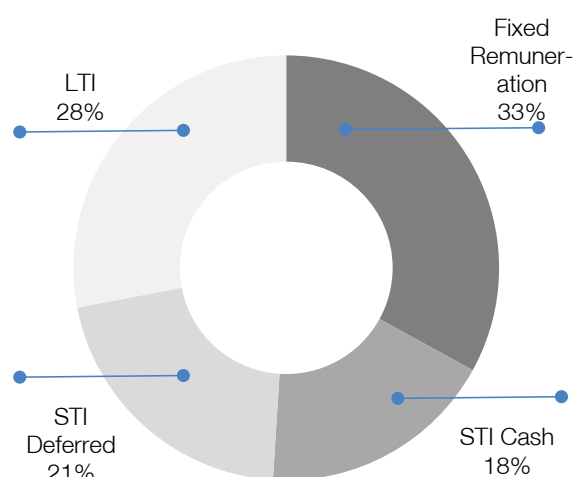
CEO Remuneration Mix

The charts below illustrate the percentage of the CEO's total remuneration awarded that is made up of fixed remuneration, STI (both cash and deferred) and LTI for 2013 and 2014.

2013



2014



Mandatory Securityholding

The Mandatory Securityholding requires the CEO and Senior Executives to hold a minimum amount of Lend Lease securities so that they have a significant personal investment in Lend Lease. Along with the Deferred STI and LTI, the mandatory securityholding provides additional alignment with securityholders and encourages the CEO and Senior Executives to consider long-term securityholder value when making decisions.

Since the 2013 financial year, the CEO and other Senior Executives are required to accumulate and maintain a holding of Lend Lease securities calculated with reference to their fixed remuneration (divided by the security price to determine a number of securities that must be held). In the case of:

- The CEO – the requirement is 150% of TPV.
- Senior Executives – the requirement is 100% of TPV or 100% of base salary for Senior Executives outside of Australia.

The mandatory holding for each Senior Executive is outlined below.

Executive	Total number of securities held by the Senior Executive as at 30 June 2014	Number of securities required under the mandatory securityholding at 30 June 2014
Stephen McCann	680,227	390,000
Tarun Gupta	34,134	115,000
Daniel Labbad	130,499	110,000
Rod Leaver	175,534	125,000
Anthony Lombardo	205,420	105,000
Robert McNamara	155,980	95,000
David Saxelby	1,355	125,000

Personally held securities may be counted towards the requirement. Importantly, unvested deferred securities and unvested LTI awards do not count toward this mandatory holding.

It is required that all executives should achieve the mandatory holding requirement within six years.

To ensure Senior Executives meet the required minimum, Lend Lease will impose a disposal restriction on 50% of any Senior Executives' Deferred STI or LTI that vest until such time as the Senior Executive meets the mandatory securityholding requirements (for Senior Executives in Australia). This disposal restriction means that the Senior Executive will not be able to sell these securities until such time as Lend Lease agrees to lift the disposal restriction.

Directors' Report continued

3. Remuneration Report continued

d. How rewards are linked to performance

Short Term Incentives (STI)

STIs are based on performance against a scorecard of financial, strategic and non-financial KPIs and Group and Regional performance

STI design	How the STI works
STI funding	- The pool of funds available to reward executives under the STI plan is determined by direct reference to Group financial performance and, where relevant, regional financial performance. - Pool funding levels are set by the Board and correspond to threshold, target and stretch levels of PAT achievement. In determining the pool of funds available, the Board also considers the overall financial health of Lend Lease and the sustainability and quality of earnings. - Typically, if profit performance is above target, sufficient funds will be available to pay average awards above target. Payments to individual executives are capped at 150% of their target STI. - Conversely, if PAT performance is below target, average STI awards will be below target. The CEO and Senior Executives' awards will be determined based on their overall performance rating and contribution, relative to other executives.
STI targets	- STI is based on 'target opportunities' which are set using the remuneration mix outlined on page 46. - The minimum possible STI outcome is zero and the maximum possible STI outcome is 150% of the CEO and Senior Executive's target STI opportunity. For a Senior Executive to earn their maximum STI, outstanding individual performance must be coupled with above target financial performance by the Group and/or relevant region. - The CEO and Senior Executives receive notification of a target STI opportunity annually.
STI key performance indicators	- STI outcomes are based on performance during the financial year, primarily measured through the use of the CEO and Senior Executive scorecards. - The CEO and Senior Executive scorecards consist of measures relating to financial performance, people, strategy formulation and execution, and management and operational excellence. These KPIs flow from Lend Lease's short, medium and long term strategic and business goals. The 2014 KPIs were aligned to the execution of the 'Lead' phase of the Group's strategy. - The CEO 2014 scorecard (approved by the Board) and performance against the scorecard is set out in summary on pages 36 and 37. - Senior Executives are subject to a similar scorecard reflecting Group or regional goals as appropriate. - Financial measures focus on PAT, financial performance, cash flow and capital management. Non financial measures include achievement of strategic and operational excellence objectives as well as the successful implementation of safety and people leadership goals. - The P&O Committee also assesses each Senior Executive against Lend Lease's defined leadership capabilities (including safety, sustainability and diversity), values and behaviours. In this way, the STI rewards 'what' is achieved as well as 'how' it is achieved.
How the STI is delivered	- The actual STI award is delivered as a mix of cash and Deferred STI. The Deferred STI may be settled in Lend Lease securities or in cash as determined by the Board. The significant portion (at least 50%) delivered as deferred securities encourages executives to deliver sustainable performance. - For STI awards up to 'target', 50% of the STI awarded is paid in cash in September following the performance year. The remaining 50% is deferred and delivered as Lend Lease securities. 50% of the deferred portion (i.e. 25% of the total award) vests one year after the grant and the remaining 50% vests after 2 years. - For 'above target' STI awards, the above target portion is delivered one-third as cash and two-thirds deferred on the same basis as set out above. - Distributions are not paid on any unvested Deferred STI. - In calculating the value of the amount of Lend Lease securities or cash provided on vesting of any Deferred STI, the value of any distributions made during the vesting period is taken into consideration.

Directors' Report continued

3. Remuneration Report continued

d. How rewards are linked to performance continued

Short Term Incentives (STI) continued

STI design	How the STI works
Malus	■ The Board has the discretion to forfeit part or all of any unvested Deferred STI awards prior to their vesting where it transpires that the award(s) would provide a participant with a benefit that was unwarranted, or inappropriate: – For deferred securities allocated after 1 July 2012, the Board may reduce the number of deferred securities that may vest in the case of a material misstatement of the Group's financial accounts. – For deferred securities allocated after 1 July 2013, enhanced malus provisions apply. ■ It is anticipated that this will only be exercised in exceptional circumstances, including where the Board, acting reasonably, determines that: – There has been a material misstatement in the Group's consolidated financial statements or those of any company in the Group including any misstatement which may be required to be disclosed to ASX or any relevant regulator or other authority; or – The participant has engaged in misconduct, or other dereliction of duty (whether or not that misconduct or dereliction of duty would warrant summary dismissal) which the Board reasonably considers either has had, or may have, a serious impact for the Group or the relevant Group entity, whether financial, reputational, operational or otherwise. ■ The Board will be entitled to consider whether it is appropriate to exercise this discretion in respect of awards for all participants in a particular plan, in a region, in a business, in a team or for specified participants only. ■ In considering the best interests of the Group, the Board would be required to take into account relevant information including: – the individual's level of responsibility, accountability and influence for the incident or event; – the quantum of any actual loss or damage; – whether the Group's directions, policies or practices have been breached; – whether any known information at the time of the action or inaction was deliberately withheld; and – any other circumstances the Board considers relevant to an assessment of the participant's conduct and the seriousness of its impact for the Group. ■ The Board may also consider retaining the discretion to delay vesting of any unvested Deferred STI in the event it is reviewing whether to exercise such a discretion to reduce or forfeit unvested awards. – The CEO may exercise discretion under this policy in lieu of the Board for participants who are not part of the Group Leadership Team (GLT). Where such discretion is exercised by the CEO, the CEO will notify the Board.
Termination	■ Malus provisions work alongside the existing provisions in the deferred securities terms that allow the Board to adjust unvested awards on termination of employment. In particular: – if an employee is terminated for fraud or other serious misconduct, unvested deferred securities will lapse; and – where an employee is terminated for poor performance, the Board can adjust the number of unvested deferred securities at the time of termination. – Deferred securities are forfeited by the individual if they resign or are terminated for cause during the vesting period. ■ For 'good leavers', the STI grant may remain 'on-foot' subject to the original vesting date. ■ In exceptional circumstances (such as death or total and permanent disability), the Board may exercise its discretion and pay the award at the time of termination of employment.
Mandatory securityholding	■ Mandatory securityholdings for the CEO and other Senior Executives will be accumulated as grants of deferred securities awarded from September 2012 begin to vest.
Hedging	■ Deferred securities are subject to the securities trading policy which prohibits executives from entering into any type of 'protection arrangements' (including hedging, derivatives and warrants).

Directors' Report continued

3. Remuneration Report continued

d. How rewards are linked to performance continued

Long Term Incentives (LTI) (current year)

LTI is designed to reward our Senior Executives for achievement of long-term value creation for securityholders

The LTI plan was reviewed in 2013 as part of the comprehensive review of the Executive Reward Strategy (as outlined in page 31). In this section we summarise the key features of the 2014 LTI plan (granted September 2013). Following this table, we have also included a summary of the key features of the 2011, 2012 and 2013 grants as LTI remains unvested in respect of these years.

The key features of the 2014 plan (granted September 2013) are:

LTI design	How the LTI works																				
Performance securities	- An annual grant of 'performance securities' is made to a limited number of executives. - The allocation is made on a fair value basis to provide a value per performance security more reflective of the target value in the hands of the executives. The fair value is based on an estimate of the impact of the performance hurdles. For the TSR portion of the LTI, a discount of 35% is applied. 25% is applied to the ROE portion. This discount was determined to be appropriate after the Board took extensive advice by external valuation experts. Importantly, when Lend Lease introduced the fair value allocation methodology in 2014, the dollar value into which the fair value was divided was reduced by a similar discount to ensure there was no windfall gain to the Senior Executives. - The Board intends that the awards be settled in Lend Lease securities; although the award may be settled in cash or other means at the Board's discretion.																				
Performance period	50% of the performance securities are assessed over a three year period. If the hurdle is not fully achieved at this time, those performance securities that have not vested will lapse. - The remaining 50% of the performance securities are assessed after four years. - There is no retesting on any portion of the LTI grant. If the performance hurdle is not met at the time of testing, the awards are forfeited. - This performance period was chosen as the Board believes that the time frame appropriately reflects a balance between reward that motivates executives while reflecting the long-term 'tail' of profitability and risk associated with 'today's decisions'.																				
Performance hurdle	- For performance securities granted 1 September 2013 (the 2014 plan), the award is 50% subject to Lend Lease's Total Securityholder Return (TSR) compared to the companies in the S&P/ASX 100 Index and 50% subject to Return on Equity (ROE). Relative TSR - The S&P/ASX 100 companies are determined at the start of the performance period. - The vesting schedule is: <table> <tr> <th>Relative TSR percentile ranking</th><th>Percentage of performance securities that vest if the relative TSR hurdle is met</th></tr> <tr> <td>Below the 50th percentile</td><td>No vesting</td></tr> <tr> <td>At the 50th percentile</td><td>50% vesting</td></tr> <tr> <td>Above the 50th percentile but below the 75th percentile</td><td>Pro rata vesting on a straight line basis between 50% and 100%</td></tr> <tr> <td>At the 75th percentile or greater</td><td>100% vesting</td></tr> </table> - Relative TSR was selected as the performance measure to link LTI awards to the delivery of superior (i.e. above median) securityholder returns relative to the S&P/ASX 100 companies over the performance period. This method was chosen after consultation with securityholders. Return on Equity This is an absolute measure. The vesting schedule is: <table> <tr> <th>Return on Equity</th><th>Percentage of performance securities that vest if the ROE hurdle is met</th></tr> <tr> <td>Less than 11%</td><td>No vesting</td></tr> <tr> <td>11%</td><td>25% vesting</td></tr> <tr> <td>Above 11% but below 15%</td><td>Pro rata vesting on a straight line basis between 25% and 100%</td></tr> <tr> <td>15% or greater</td><td>100% vesting</td></tr> </table>	Relative TSR percentile ranking	Percentage of performance securities that vest if the relative TSR hurdle is met	Below the 50th percentile	No vesting	At the 50th percentile	50% vesting	Above the 50th percentile but below the 75th percentile	Pro rata vesting on a straight line basis between 50% and 100%	At the 75th percentile or greater	100% vesting	Return on Equity	Percentage of performance securities that vest if the ROE hurdle is met	Less than 11%	No vesting	11%	25% vesting	Above 11% but below 15%	Pro rata vesting on a straight line basis between 25% and 100%	15% or greater	100% vesting
Relative TSR percentile ranking	Percentage of performance securities that vest if the relative TSR hurdle is met																				
Below the 50th percentile	No vesting																				
At the 50th percentile	50% vesting																				
Above the 50th percentile but below the 75th percentile	Pro rata vesting on a straight line basis between 50% and 100%																				
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11%	25% vesting																				
Above 11% but below 15%	Pro rata vesting on a straight line basis between 25% and 100%																				
15% or greater	100% vesting																				

Directors' Report continued

3. Remuneration Report continued

d. How rewards are linked to performance continued

Long Term Incentives (LTI) (current year) continued

LTI design	How the LTI works
Performance hurdle continued	■ The above performance hurdles were chosen for the LTI after a detailed review in 2013 including extensive consultation with securityholders, and other stakeholders. The Board believes that these measures when combined with the STI scorecards, the vesting periods for Deferred STI and LTI and the mandatory securityholding requirements provides the most suitable link to long term securityholder value creation because: – The use of Relative Total Shareholder Return ensures that the CEO and Senior Executives for delivering returns superior to what a securityholder could achieve in the market and ensures management maintain a strong focus on securityholder outcomes; and, – Return on Equity reflects the capital intensive nature of Lend Lease's activities and is an important long-term measure of how well the management team generate acceptable earnings from capital invested and rewards for decisions in respect of developing, managing, acquiring and disposing of assets. ■ Further, the above measures were chose after detailed analysis of factors likely to drive and indicate long term growth in securityholder value. ■ While the Board appreciates that there are at times different views held by different stakeholders, we believe that these measures provide the appropriate balance between market and non-market measures. ■ The Board reviews the LTI design annually to ensure it continues to be appropriate in driving long-term sustainable performance and long-term increase in securityholder value.
Distributions	■ Distributions are not paid on unvested performance securities. ■ In calculating the value of the awards which vest, the value of any distributions made during the vesting period is taken into consideration.
Malus	■ The Board may adjust the number of performance securities downwards prior to the date of vesting in the case of a material misstatement of the Group's financial accounts. ■ The Board may adjust the number of LTI awards downwards where the Board reasonably determines that delivery of part or all of any LTI award would result in the Senior Executive receiving an inappropriate or unwarranted benefit (having regard to their personal performance, the performance of the Group and all other benefits they have received).
Termination of employment	■ If the executive resigns or is terminated for cause, the unvested LTI is forfeited. ■ If the executive is terminated for poor performance, the Board can adjust unvested LTI prior to the vesting date. ■ For 'good leavers', the LTI grant may remain 'on-foot' subject to the original performance hurdle. ■ In exceptional circumstances (such as death or total and permanent disability), the Board may exercise its discretion and pay the award at the time of termination of employment.
Mandatory securityholding	■ Mandatory securityholdings for the CEO and Senior Executives will be accumulated when LTI awards granted begin to vest.

Directors' Report continued

3. Remuneration Report continued

d. How rewards are linked to performance continued

Prior year LTI awards

The key features of the 2011 plan (granted 1 September 2010), the 2012 plan (granted 1 September 2011) and the 2013 plan (granted 1 September 2012) are the same as set out below.

LTI design	How the LTI works										
Performance securities	- An annual grant of 'performance securities' is made to a limited number of executives. - The Board intends that the awards be settled in Lend Lease securities; although the award may be settled in cash or other means at the Board's discretion. - On vesting, each performance security entitles executives to one Lend Lease security, or at the Board's discretion, cash or other instruments of equivalent value.										
Performance hurdle	- For performance securities granted 1 September 2012 (the 2013 plan), the performance hurdle is Lend Lease's total securityholder return (TSR) compared to the companies in the S&P/ASX 100 Index. - The S&P/ASX 100 companies are determined at the start of the performance period. - The vesting schedule is: <table> <tr> <th>Relative TSR percentile ranking</th><th>Percentage of performance securities that vest if the relative TSR hurdle is met</th></tr> <tr> <td>Below the 50th percentile</td><td>No vesting</td></tr> <tr> <td>At the 50th percentile</td><td>50% vesting</td></tr> <tr> <td>Above the 50th percentile but below the 75th percentile</td><td>Pro rata vesting on a straight line basis between 50% and 100%</td></tr> <tr> <td>At the 75th percentile or greater</td><td>100% vesting</td></tr> </table> - Relative TSR was selected as the performance measure to link LTI awards to the delivery of superior (i.e. above median) securityholder returns relative to the S&P/ASX 100 companies over the performance period. This method was chosen after consultation with securityholders.	Relative TSR percentile ranking	Percentage of performance securities that vest if the relative TSR hurdle is met	Below the 50th percentile	No vesting	At the 50th percentile	50% vesting	Above the 50th percentile but below the 75th percentile	Pro rata vesting on a straight line basis between 50% and 100%	At the 75th percentile or greater	100% vesting
Relative TSR percentile ranking	Percentage of performance securities that vest if the relative TSR hurdle is met										
Below the 50th percentile	No vesting										
At the 50th percentile	50% vesting										
Above the 50th percentile but below the 75th percentile	Pro rata vesting on a straight line basis between 50% and 100%										
At the 75th percentile or greater	100% vesting										
Performance period	50% of the performance securities are assessed over a three year period. If the hurdle is not fully achieved at this time, those performance securities that have not vested will lapse. - The remaining 50% of the performance securities are assessed after four years. - There is no opportunity to retest any portion of the LTI grant. If the performance hurdle is not met, the awards are forfeited.										
Distributions	- Distributions are not paid on unvested performance securities. - In calculating the value of the awards which vest, the value of any distributions made during the vesting period is taken into consideration.										
Malus	For performance securities allocated after 1 July 2012, the Board may adjust the number of performance securities downwards prior to the date of vesting in the case of a material misstatement of the Group's financial accounts.										
Termination of employment	- If the executive resigns or is terminated for cause, the unvested LTI is forfeited. - If the executive is terminated for poor performance, the Board can adjust unvested LTI prior to the vesting date. - For 'good leavers', the LTI grant may be prorated upon termination of employment and remain 'on-foot' subject to the original performance hurdle. - In exceptional circumstances (such as death or total and permanent disability), the Board may exercise its discretion and pay the award at the time of termination of employment.										
Mandatory securityholding	Mandatory securityholdings for the CEO and Senior Executives will be accumulated when LTI awards granted from September 2012 begin to vest.										
Hedging	Unvested LTI grants will also be forfeited if an executive enters into a prohibited pre vesting hedging arrangement in relation to their LTI awards.										

Directors' Report continued

3. Remuneration Report continued

d. How rewards are linked to performance continued

LTI Performance

During the current year, two LTI awards were subject to performance testing:

2010 award

The second tranche of the 2010 LTI award (granted 1 September 2009) was tested during the year (being 50% of the total 2010 LTI award). The 2010 LTI award vested subject to a TSR and EPS hurdle. The first tranche of the 2010 LTI allocation (which vested in September 2012) vested as follows:

- 100% of securities relating to the Earnings per Security (EPS) hurdle vested (resulting in 25% of the total 2010 LTI award vesting);
- 50% of the securities relating to the relative TSR hurdle vested (resulting in 12.5% of the total 2010 LTI award vesting and 12.5% being forfeited).

The second tranche vested as follows:

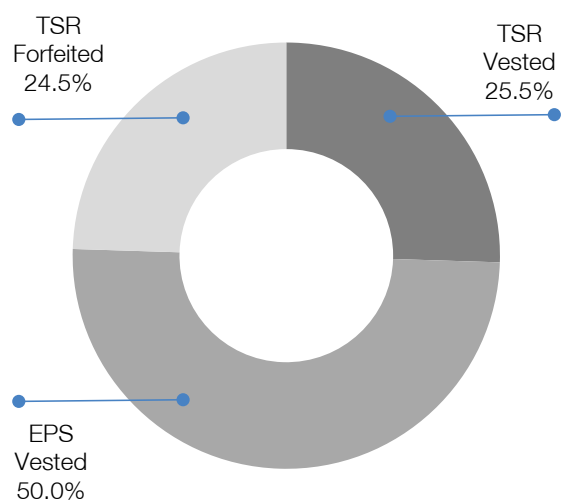
- 100% of securities relating to the Earnings per Security (EPS) hurdle vested (resulting in 25% of the total 2010 LTI award vesting);
- 52% of the securities relating to the relative TSR hurdle vested (resulting in 13% of the total 2010 LTI award vesting and 12% being forfeited).

2011 award

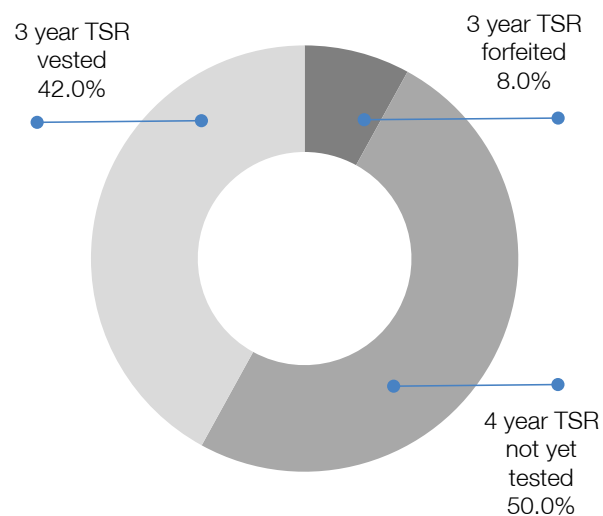
The first tranche of the 2011 LTI award (granted 1 September 2010) was tested during the year (being 50% of the total 2011 LTI award). The 2011 LTI vests subject subject to Relative TSR. Of the first tranche of the 2011 LTI award (granted 1 September 2010), 84% vested (i.e. 42% of the total 2011 LTI award). The second tranche of the 2011 LTI allocation will be tested for vesting in September 2014.

The charts below outline the total hurdle achievement for the 2010 and 2011 LTI awards as at 30 June 2014.

2010 Award



2011 Award



Directors' Report continued

3. Remuneration Report continued

d. How rewards are linked to performance continued

How Risk Management is Incorporated into Executive Reward

The Board has placed a significant focus on incorporating risk management into the reward framework.

Remuneration	How risk management is incorporated into the remuneration component
STI	■ The total value of STI awards is strongly linked to PAT and there are limits on the total incentive pool and individual STI payments. ■ In determining the total incentive pool amount, the Board also considers the overall financial health of Lend Lease and the sustainability and quality of earnings. ■ STI outcomes are based on performance and are determined based on a scorecard of financial and non financial KPIs. These KPIs are structured as 'building blocks' to achieve Lend Lease's short, medium and long term strategic and business goals. ■ STI outcomes are modified based upon an assessment of the executive against Lend Lease's defined leadership capabilities (including safety, sustainability and diversity), values and behaviours. In this way, the STI rewards 'what' is achieved as well as 'how' it is achieved. ■ A significant portion (at least 50%) of the actual STI award is retained and deferred into securities. In this way, executives continue to be incentivised to drive performance and are exposed to movements in the Lend Lease security price. ■ STI awards are subject to a malus clause which enables the Board to adjust downwards the number of deferred securities that vest to an individual in certain circumstances. This provision operates alongside existing provisions in the deferred securities terms that allow the Board to adjust unvested awards on termination of employment. In particular: – if an employee is terminated for fraud or other serious misconduct, unvested deferred securities will lapse; and – where an employee is terminated for poor performance, the Board can adjust the number of unvested deferred securities at the time of termination.
LTI	■ 50% of the LTI is assessed over a three year period and 50% is assessed over a four year period. There is no retesting. ■ As performance is assessed based on a combination of relative TSR and ROE, any adverse financial, reputational or other events that could occur over the vesting period should be reflected in the number and value of LTI performance securities that ultimately vest. ■ Malus provisions apply to unvested LTI awards from 1 July 2012, with broader discretions applying for awards issued from July 2013.
Mandatory securityholding	■ Executives are subject to a mandatory securityholding policy that requires the CEO and Senior Executives to accumulate and maintain a holding of Lend Lease securities. This will encourage the CEO and Senior Executives to take a long term perspective when making decisions and strengthens alignment with securityholders.

Directors' Report continued

3. Remuneration Report continued

e. Executive contracts

CEO and Senior Executives' Contracts

The CEO's Contract

The Board and the CEO entered into a new employment contract with effect from 1 September 2013. The key terms are summarised below:

Fixed remuneration	The contract provides for fixed remuneration of A\$2,034,000 which includes superannuation and the value of other benefits previously provided under the CEO's former contract such as vehicle lease, parking space and life insurance. There has been no change to the CEO's fixed remuneration for 2014.	
Incentives	STI and LTI plan participation is at the Board's discretion. The CEO's target STI for 2014 has been reduced to A\$1,750,000 and target LTI for 2014 increased to A\$1,750,000 (with the number of awards determined on a 'fair value' basis). This results in a target 2014 remuneration package of A\$5,534,000, a reduction of 11% from the 2013 target package (with LTI awards valued in 'fair value' terms), with materially less weight on the STI component of the remuneration package.	
Notice periods	The contract has no fixed term. The notice periods under the contract are as follows:	
	Notice by CEO	6 months
	Notice by Lend Lease	12 months
	Payment in lieu of notice	Where the CEO is not employed for the full period of notice, a payment in lieu of notice may be made. The payment in lieu of notice includes pro rata fixed remuneration and the cash value of statutory entitlements and benefits.
	Non-compete period	12 months
	Non-solicitation period	12 months
	Treatment of incentives	The CEO may continue to receive a STI award for the latest financial year based on assessment of his performance by the Board. LTI awards will be treated in accordance with the plan rules at that time. Deferred STI awards will remain on foot in certain mutually agreed termination circumstances.

Directors' Report continued

3. Remuneration Report continued

e. Executive contracts continued

CEO and Senior Executives' Contracts continued

Senior Executives' Contracts

Senior Executives are typically employed on contracts that have no fixed term. Benefits may include health/life insurance, car allowances, motor vehicle leases and salary.

Termination

All Senior Executives now have termination benefits that are within the limit allowed by the Corporations Act without securityholder approval.

Termination clauses are specified in each contract describing treatment on termination based on the reason for termination (e.g. resignation, with notice, due to illness, or immediate termination for cause).

The Group may make payment in lieu of notice. The notice period for each Senior Executive is shown below:

Senior Executives	Notice by Lend Lease	Notice by Senior Executive	Treatment on termination with notice by Lend Lease
Current Executives			
Tarun Gupta	6 months	6 months	Notice payment is based on Total Package Value. Payment for accrued leave is based on Total Package Value less superannuation.
Daniel Labbad	9 months	6 months	Notice payment is based on Total Package Value. Payment for accrued leave is based on Total Package Value less superannuation.
Rod Leaver	6 months	6 months	Notice payment and accrued leave is based on base salary.
Anthony Lombardo	12 months	6 months	Notice payment is based on Total Package Value. Payment for accrued leave is based on Total Package Value less superannuation.
Robert McNamara	3 months	3 months	Notice payment is based on base salary and other minimum benefits as required by applicable US legislation.
David Saxelby	6 months	6 months	Notice payment is based on Total Package Value. Payment for accrued leave is based on Total Package Value less superannuation.
Former Executives			
Simon Hipperson	6 months	6 months	Notice payment is based on base salary and benefits.

Securities Trading Policy

The Lend Lease securities trading policy applies to all employees of the Lend Lease Group. In accordance with the policy, directors and executives may only deal in Lend Lease securities during designated periods. Directors and executives must not enter into transactions or arrangements that operate to limit the economic risk of unvested entitlements to Lend Lease securities. No director or executive may enter into a margin loan arrangement in respect of Lend Lease securities.

Directors' Report continued

3. Remuneration Report continued

f. Non Executive Directors' Fees

Non Executive Directors receive a Board fee and fees for chairing or participating on Board committees. The chairman does not receive extra fees for participating in or chairing committees.

The maximum aggregate remuneration payable to Non Executive Directors is A\$3.0 million per year, as approved at the 2011 annual general meeting.

Board and Committee fees

	Board	Nomination Committee	Personnel & Organisation Committee ¹	Risk Management & Audit Committee ¹	Sustainability Committee
Chair fee A\$	640,000	36,000	36,000 (until 31 December 2013) 48,000 (from 1 January 2014)	44,000 (until 31 December 2013) 48,000 (from 1 January 2014)	36,000
Member fee A\$	160,000	Nil	20,000 (until 31 December 2013) 36,000 (from 1 January 2014)	36,000	20,000

¹ The fees for the Personnel & Organisation Committee were changed with effect from 1 January 2014. The fees for the Chairman of the Risk Management and Audit Committee were changed with effect from 1 January 2014.

The Board and committee fees are set taking into consideration market data provided from the Board's independent remuneration adviser. The Board has determined that the complexity of Lend Lease's global business and the breadth of skills required to enable the directors to adequately represent securityholder interests, means that the market comparators may include ASX 75 companies.

As a global company, all directors are required to travel to Board meetings and site visits at Lend Lease locations around the world and it is important that the Board is not limited to only Australian-based directors. Due to the significant additional time commitment fees are paid to compensate directors for the time spent travelling to overseas meetings.

Travel less than 4 hours	Nil
Travel between 4 and 10 hours	2,800
Travel over 10 hours	6,000

Board and committee fees are paid as cash. Non Executive Directors are no longer entitled to retirement benefits. However, some directors have retirement benefits or securities accrued previously.

Two Non Executive Directors appointed before 1 January 2001 have also accrued benefits under the previous Retirement Benefit Plan:

- Gordon Edington: retired in November 2013; and
- Peter Goldmark: A\$158,720 (30 June 2013: A\$166,560).

Remuneration of Non Executive Directors for the Years Ended 2014 and 2013

A\$000s	Year	SHORT TERM					POST	Total
		Base fees	Committee chairman fees	Committee membership fees	Travel fees	Other benefits ¹	Super-annuation ²	
D A Crawford	2014	640			30		18	688
	2013	640			30	21	16	707
C B Carter	2014	160	36	38	30		18	282
	2013	160	18	10	30	25	16	259
P M Colebatch	2014	160	18	36	90		18	322
	2013	160	36	36	72	14	16	334
G G Edington	2014	67		23	36		7	133
	2013	160	18	46	96	30	16	366
P C Goldmark	2014	160		20	62		18	260
	2013	160	24	20	83		16	303
J S Hemstritch	2014	160	27	8	30		18	243
	2013	160		20	24		16	220
D J Ryan	2014	160	46	28	30		18	282
	2013	160	44	20	35		16	275
M J Ullmer	2014	160	36	36	30		18	280
	2013	160	18	46	29	21	16	290
N H Wakefield Evans ³	2014	133		10	18		14	175
	2013							

¹ Other benefits include professional fees and reimbursements of the cost of travel, accommodation and subsistence.

² Directors have superannuation contributions paid on their behalf in accordance with superannuation legislation.

³ N H Wakefield Evans was appointed 1 September 2013. She was appointed as a member of the Sustainability Committee in January 2014.

Directors' Report continued

3. Remuneration Report continued

g. Equity Based Remuneration

Deferred Securities

In 2014 deferred securities were granted to the CEO and Senior Executives based on the value of the 2013 STI award that was deferred (being 50% of the 2013 STI award). Half of the deferred securities awarded will vest after one year and half after two years (or over years one, two and three in the case of the CEO) subject to the CEO and Senior Executives continuing in employment to the date of vesting. Deferred securities are held in a trust during the vesting period.

Details of deferred securities awards are set out in the following table:

Name	Plan	STI award performance year	Grant date	Vesting date	Number granted	Fair value per deferred Security ¹ A\$	Total fair value at grant date ^{1,2} A\$	Expense for the year ended 30 June 2014 A\$	% Vested	% Forfeited
Stephen McCann	Deferred STI	2012	1/09/2012	1/09/2013	120,382	8.17	983,250	–	100	–
	Deferred STI	2012	1/09/2012	1/09/2014	120,382	8.17	983,250	488,374	–	–
	Deferred STI	2013	1/09/2013	1/09/2014	76,180	8.97	683,335	683,335	–	–
	Deferred STI	2013	1/09/2013	1/09/2015	76,180	8.97	683,335	341,667	–	–
	Deferred STI	2013	1/09/2013	1/09/2016	76,180	8.97	683,335	227,778	–	–
					469,304		4,016,505	1,741,154		
Tarun Gupta	Deferred STI	2012	1/09/2012	1/09/2013	28,328	8.11	229,840	–	100	–
	Deferred STI	2012	1/09/2012	1/09/2014	28,328	8.11	229,840	114,920	–	–
	Deferred STI	2013	1/09/2013	1/09/2014	24,236	8.97	217,397	217,397	–	–
	Deferred STI	2013	1/09/2013	1/09/2015	24,236	8.97	217,397	108,698	–	–
					105,128		894,474	441,015		
Daniel Labbad	Deferred STI	2012	1/09/2012	1/09/2013	31,933	8.11	259,100	–	100	–
	Deferred STI	2012	1/09/2012	1/09/2014	31,933	8.11	259,100	129,550	–	–
	Deferred STI	2013	1/09/2013	1/09/2014	29,348	8.97	263,252	263,252	–	–
	Deferred STI	2013	1/09/2013	1/09/2015	29,348	8.97	263,252	131,626	–	–
					122,562		1,044,704	524,428		
Rod Leaver	Deferred STI	2012	1/09/2012	1/09/2013	34,248	8.11	277,884	–	100	–
	Deferred STI	2012	1/09/2012	1/09/2014	34,248	8.11	277,884	138,942	–	–
	Deferred STI	2013	1/09/2013	1/09/2014	28,761	8.97	257,986	257,986	–	–
	Deferred STI	2013	1/09/2013	1/09/2015	28,761	8.97	257,986	128,993	–	–
					126,018		1,071,740	525,921		
Anthony Lombardo	Deferred STI	2012	1/09/2012	1/09/2013	29,201	8.11	236,925	–	100	–
	Deferred STI	2012	1/09/2012	1/09/2014	29,201	8.11	236,925	118,463	–	–
	Deferred STI	2013	1/09/2013	1/09/2014	30,327	8.97	272,033	272,033	–	–
	Deferred STI	2013	1/09/2013	1/09/2015	30,327	8.97	272,033	136,017	–	–
					119,056		1,017,916	526,513		
Robert McNamara	Other Incentive ³	2011	1/09/2011	1/09/2013	34,219	8.15	278,758	23,230	100	–
	Other Incentive ³	2011	1/09/2011	1/09/2014	34,219	8.15	278,758	92,919	–	–
	Deferred STI	2012	1/09/2012	1/09/2013	17,850	8.11	144,830	–	100	–
	Deferred STI	2012	1/09/2012	1/09/2014	17,850	8.11	144,830	72,415	–	–
	Other Incentive ³	2012	1/09/2012	1/09/2014	31,784	8.11	258,922	129,461	–	–
	Other Incentive ³	2012	1/09/2012	1/09/2015	31,784	8.11	258,922	86,307	–	–
	Deferred STI	2013	1/09/2013	1/09/2014	30,500	8.97	273,585	273,585	–	–
	Deferred STI	2013	1/09/2013	1/09/2015	30,500	8.97	273,585	136,793	–	–
					228,706		1,912,190	814,710		
David Saxelby	Deferred STI	2012	1/09/2012	1/09/2013	6,355	8.11	51,563	–	100	–
	Deferred STI	2012	1/09/2012	1/09/2014	6,355	8.11	51,563	25,782	–	–
	Deferred STI	2013	1/09/2013	1/09/2014	24,833	8.97	222,752	222,752	–	–
	Deferred STI	2013	1/09/2013	1/09/2015	24,833	8.97	222,752	111,376	–	–
					62,376		548,630	359,910		

¹ The fair value at grant date is the value of the Deferred STI award as advised to the executive.

² At vesting, the minimum value is nil and the estimate of the maximum value is the fair value multiplied by the number of securities granted.

³ Mr McNamara, CEO Americas, participated in an additional incentive plan that operated for 2011 and 2012 only, related to the performance of the Americas. The plan was created in order to support the significant turnaround required in the Americas business.

Directors' Report continued

3. Remuneration Report continued

g. Equity Based Remuneration continued

LTI Awards

Name	Plan (for the year ended)	Grant date	Vesting date ¹	Number granted	Fair value per deferred security ² A\$	Total fair value at grant date A\$	Expense for the year ended 30 June 2014 A\$	% Vested	% Forfeited
CEO									
Stephen McCann	June 2010 LTI (50%)	Sept 2009	Aug 2013	124,535	6.31	785,816	30,407	76	24
	June 2011 LTI (50%)	Sept 2010	Sept 2013	87,680	4.92	431,386	23,966	84	16
	June 2011 LTI (50%)	Sept 2010	Sept 2014	87,680	5.20	455,936	113,985	–	–
	June 2012 LTI (50%)	Sept 2011	Sept 2014	78,515	5.62	441,254	147,084	–	–
	June 2012 LTI (50%)	Sept 2011	Sept 2015	78,515	5.90	463,238	115,809	–	–
	June 2013 LTI (50%)	Sept 2012	Sept 2015	85,964	5.38	462,489	154,163	–	–
	June 2013 LTI (50%)	Sept 2012	Sept 2016	85,965	5.53	475,384	118,846	–	–
	June 2014 LTI (50%)	Sept 2013	Sept 2016	140,067	7.71	1,079,924	299,979	–	–
	June 2014 LTI (50%)	Sept 2013	Sept 2017	140,069	7.80	1,092,530	227,611	–	–
Total				908,990		5,687,957	1,231,850		
Current Senior Executives									
Tarun Gupta	June 2010 LTI (50%)	Sept 2009	Aug 2013	14,594	6.31	92,088	3,563	76	24
	June 2011 LTI (50%)	Sept 2010	Sept 2013	18,489	4.92	90,966	5,054	84	16
	June 2011 LTI (50%)	Sept 2010	Sept 2014	18,489	5.20	96,143	24,036	–	–
	June 2012 LTI (50%)	Sept 2011	Sept 2014	16,468	5.62	92,550	30,850	–	–
	June 2012 LTI (50%)	Sept 2011	Sept 2015	16,468	5.90	97,161	24,290	–	–
	June 2013 LTI (50%)	Sept 2012	Sept 2015	18,596	5.38	100,046	33,349	–	–
	June 2013 LTI (50%)	Sept 2012	Sept 2016	18,596	5.53	102,836	25,709	–	–
	June 2014 LTI (50%)	Sept 2013	Sept 2016	25,988	7.71	200,375	55,660	–	–
	June 2014 LTI (50%)	Sept 2013	Sept 2017	25,990	7.80	202,714	42,232	–	–
Total				173,678		1,074,879	244,743		
Daniel Labbad	June 2010 LTI (50%)	Sept 2009	Aug 2013	27,339	6.31	172,509	6,675	76	24
	June 2011 LTI (50%)	Sept 2010	Sept 2013	19,200	4.92	94,464	5,248	84	16
	June 2011 LTI (50%)	Sept 2010	Sept 2014	19,200	5.20	99,840	24,960	–	–
	June 2012 LTI (50%)	Sept 2011	Sept 2014	18,119	5.62	101,829	33,943	–	–
	June 2012 LTI (50%)	Sept 2011	Sept 2015	18,119	5.90	106,902	26,726	–	–
	June 2013 LTI (50%)	Sept 2012	Sept 2015	20,146	5.38	108,383	36,128	–	–
	June 2013 LTI (50%)	Sept 2012	Sept 2016	20,146	5.53	111,405	27,851	–	–
	June 2014 LTI (50%)	Sept 2013	Sept 2016	25,988	7.71	200,375	55,660	–	–
	June 2014 LTI (50%)	Sept 2013	Sept 2017	25,990	7.80	202,714	42,232	–	–
Total				194,247		1,198,421	259,423		
Rod Leaver	June 2011 LTI (50%)	Sept 2010	Sept 2013	24,889	4.92	122,454	6,803	84	16
	June 2011 LTI (50%)	Sept 2010	Sept 2014	24,889	5.20	129,423	32,356	–	–
	June 2012 LTI (50%)	Sept 2011	Sept 2014	21,245	5.62	119,397	39,799	–	–
	June 2012 LTI (50%)	Sept 2011	Sept 2015	21,245	5.90	125,346	31,336	–	–
	June 2013 LTI (50%)	Sept 2012	Sept 2015	21,502	5.38	115,681	38,560	–	–
	June 2013 LTI (50%)	Sept 2012	Sept 2016	21,502	5.53	118,906	29,727	–	–
	June 2014 LTI (50%)	Sept 2013	Sept 2016	24,011	7.71	185,133	51,426	–	–
	June 2014 LTI (50%)	Sept 2013	Sept 2017	24,013	7.80	187,294	39,020	–	–
Total				183,296		1,103,634	269,027		

1 At vesting, the minimum value is nil and the estimate of the maximum value is the fair value multiplied by the number of securities granted.

2 The fair value at grant date represents an actuarial valuation of the award using assumptions underlying the Black-Scholes methodology to produce a Monte-Carlo simulation model in accordance with Australian Accounting Standards rounded to two decimal places.

Directors' Report continued

3. Remuneration Report continued

g. Equity Based Remuneration continued

LTI Awards continued

Name	Plan (for the year ended)	Grant date	Vesting date ¹	Number granted	Fair value per deferred security ² A\$	Total fair value at grant date A\$	Expense for the year ended 30 June 2014 A\$	% Vested	%
Anthony Lombardo	June 2010 LTI (50%)	Sept 2009	Aug 2013	23,351	6.31	147,345	5,702	76	24
	June 2011 LTI (50%)	Sept 2010	Sept 2013	18,489	4.92	90,966	5,054	84	16
	June 2011 LTI (50%)	Sept 2010	Sept 2014	18,489	5.20	96,143	24,036	–	–
	June 2012 LTI (50%)	Sept 2011	Sept 2014	16,808	5.62	94,458	31,486	–	–
	June 2012 LTI (50%)	Sept 2011	Sept 2015	16,807	5.90	99,164	24,791	–	–
	June 2013 LTI (50%)	Sept 2012	Sept 2015	19,216	5.38	103,379	34,460	–	–
	June 2013 LTI (50%)	Sept 2012	Sept 2016	19,216	5.53	106,262	26,565	–	–
	June 2014 LTI (50%)	Sept 2013	Sept 2016	25,988	7.71	200,375	55,660	–	–
	June 2014 LTI (50%)	Sept 2013	Sept 2017	25,990	7.80	202,714	42,232	–	–
Total				184,354		1,140,806	249,986		
Robert McNamara	June 2010 LTI (50%)	Sept 2009	Aug 2013	43,285	6.31	273,128	10,569	76	24
	June 2011 LTI (50%)	Sept 2010	Sept 2013	52,533	4.92	258,462	14,359	84	16
	June 2011 LTI (50%)	Sept 2010	Sept 2014	52,533	5.20	273,171	68,292	–	–
	June 2012 LTI (50%)	Sept 2011	Sept 2014	16,370	5.62	91,999	30,666	–	–
	June 2012 LTI (50%)	Sept 2011	Sept 2015	16,370	5.90	96,583	24,146	–	–
	June 2013 LTI (50%)	Sept 2012	Sept 2015	17,412	5.38	93,674	31,225	–	–
	June 2013 LTI (50%)	Sept 2012	Sept 2016	17,412	5.53	96,286	24,071	–	–
	June 2014 LTI (50%)	Sept 2013	Sept 2016	24,011	7.71	185,133	51,426	–	–
	June 2014 LTI (50%)	Sept 2013	Sept 2017	24,013	7.80	187,294	39,020	–	–
Total				263,939		1,555,730	293,774		
David Saxelby	June 2014 LTI (50%)	Sept 2013	Sept 2016	29,520	7.71	227,603	63,223	–	–
	June 2014 LTI (50%)	Sept 2013	Sept 2017	29,521	7.80	230,260	47,971	–	–
Total				59,041		457,863	111,194		
Former Executives									
Simon Hipperson	June 2013 LTI (50%)	Sept 2012	Sept 2015	15,092	5.38	81,198	(22,555)	–	100
	June 2013 LTI (50%)	Sept 2012	Sept 2016	15,093	5.53	83,462	(17,388)	–	100
Total				30,185		164,660	(39,943)		

¹ At vesting, the minimum value is nil and the estimate of the maximum value is the fair value multiplied by the number of securities granted.

² The fair value at grant date represents an actuarial valuation of the award using assumptions underlying the Black-Scholes methodology to produce a Monte-Carlo simulation model in accordance with Australian Accounting Standards rounded to two decimal places.

Directors' Report continued

3. Remuneration Report continued

g. Equity based remuneration continued

Summary of LTI award terms for previous years

In previous years, the CEO and some Senior Executives participated in earlier LTI plans, some of which are still in place.

2010 LTI Plan

Award type	½ EPS and ½ relative TSR																																			
Grant date	1 September 2009																																			
First vesting date	1 September 2012 (50%) 1 September 2013 (50%) No further testing.																																			
Relative TSR targets	The relative TSR peer group consists of S&P/ASX 100 Index companies. The vesting schedule for relative TSR is the same as for the 2013 LTI Plan, (see page 50).																																			
Relative TSR performance period	Half the grant is tested at three years and the remaining half at four years. Any part of the grant that is tested and does not meet the performance hurdle will lapse. There is no opportunity to retest.																																			
EPS Targets	EPS is based on Statutory EPS, defined as the statutory profit/(loss) after tax, attributable to members of Lend Lease Corporation Limited, divided by the weighted average number of ordinary securities (excluding treasury securities). EPS-tested performance securities will vest subject to performance against targets set by the Board. The Board set both a minimum and a stretch aggregate EPS target, and a final year EPS target for the three year and four year performance periods. <table><tr><td>Aggregate EPS target</td><td colspan="5">The aggregate target was set at the start of the performance period, and actual performance is measured by the sum of three year and four year EPS performance compared to the aggregate EPS target.</td></tr><tr><td>Final year EPS target</td><td colspan="5">This is calculated by dividing the aggregate EPS target over the relevant performance period by the number of years in the performance period (i.e. three or four years) (known as the 'qualifying condition').</td></tr><tr><td>Outcome for 1 July 2009 to 30 June 2012</td><td colspan="3">Target</td><td colspan="2">Actual</td></tr><tr><td></td><td>Minimum</td><td>Stretch</td><td>Final Year</td><td>Total</td><td>Final Year</td></tr><tr><td>Aggregate EPS (cents)</td><td>199.0</td><td>218.9</td><td>66.3</td><td>257.3</td><td>92.7</td></tr></table>						Aggregate EPS target	The aggregate target was set at the start of the performance period, and actual performance is measured by the sum of three year and four year EPS performance compared to the aggregate EPS target.					Final year EPS target	This is calculated by dividing the aggregate EPS target over the relevant performance period by the number of years in the performance period (i.e. three or four years) (known as the 'qualifying condition').					Outcome for 1 July 2009 to 30 June 2012	Target			Actual			Minimum	Stretch	Final Year	Total	Final Year	Aggregate EPS (cents)	199.0	218.9	66.3	257.3	92.7
Aggregate EPS target	The aggregate target was set at the start of the performance period, and actual performance is measured by the sum of three year and four year EPS performance compared to the aggregate EPS target.																																			
Final year EPS target	This is calculated by dividing the aggregate EPS target over the relevant performance period by the number of years in the performance period (i.e. three or four years) (known as the 'qualifying condition').																																			
Outcome for 1 July 2009 to 30 June 2012	Target			Actual																																
	Minimum	Stretch	Final Year	Total	Final Year																															
Aggregate EPS (cents)	199.0	218.9	66.3	257.3	92.7																															
EPS performance period and vesting	For vesting to occur, Lend Lease's actual aggregate EPS must be equal to or greater than the aggregate EPS target. Vesting is, however, subject to a qualifying condition. Vesting will only occur where Lend Lease's actual EPS in year three (or four) of the performance period is equal to or greater than the respective final year EPS target. Subject to meeting the final year EPS target at year three or year four, the table below shows how vesting will occur based on Lend Lease's actual EPS performance at the vesting dates. <table><tr><td>EPS performance levels</td><td>Percentage of EPS-tested performance securities that will vest</td></tr><tr><td>Less than minimum aggregate EPS target</td><td>0%</td></tr><tr><td>Equal to minimum aggregate EPS target</td><td>50%</td></tr><tr><td>Greater than minimum aggregate EPS target, less than stretch target</td><td>Prorated vesting (on a straight line basis) between 50% and 100%</td></tr><tr><td>At or above stretch aggregate EPS target</td><td>100%</td></tr></table> Participants were advised of the EPS targets at the time the LTI grant was made in September 2009. The Board has committed to disclosing the EPS target retrospectively following the end of the relevant performance period (30 June 2013). In setting the minimum and stretch aggregate EPS targets, the Board has taken into account the forecast business plan performance as well as market expectations to determine robust but achievable performance targets for the 50% and 100% vesting thresholds of the EPS component of the LTI.						EPS performance levels	Percentage of EPS-tested performance securities that will vest	Less than minimum aggregate EPS target	0%	Equal to minimum aggregate EPS target	50%	Greater than minimum aggregate EPS target, less than stretch target	Prorated vesting (on a straight line basis) between 50% and 100%	At or above stretch aggregate EPS target	100%																				
EPS performance levels	Percentage of EPS-tested performance securities that will vest																																			
Less than minimum aggregate EPS target	0%																																			
Equal to minimum aggregate EPS target	50%																																			
Greater than minimum aggregate EPS target, less than stretch target	Prorated vesting (on a straight line basis) between 50% and 100%																																			
At or above stretch aggregate EPS target	100%																																			
Termination and forfeiture	For 'good leavers', a pro rata award may be paid after termination and be subject to the original performance conditions, unless there are exceptional circumstances (e.g. death or total and permanent disability) where the Board may determine and pay the award at the time of termination. If an executive is terminated for cause or resigns, unvested LTI is forfeited. Unvested LTI grants will be forfeited if an executive enters into a prohibited pre vesting hedging arrangement in relation to their LTI awards.																																			

Directors' Report continued

3. Remuneration Report continued

g. Equity Based Remuneration continued

Equity Holdings and Transactions for the year ended 30 June 2014

	Year	Securities Held at Beginning of Financial Year	Securities Received During the Year ¹	Other Net Change to Securities	Securities Held at End of Financial Year
Non Executive Directors					
D A Crawford	2014	75,551		908	76,459
	2013	74,510		1,041	75,551
C B Carter	2014	15,000			15,000
	2013	15,000			15,000
P M Colebatch	2014	18,323			18,323
	2013	18,323			18,323
G G Edington ²	2013	40,068			40,068
P C Goldmark	2014	24,794			24,794
	2013	24,794			24,794
J S Hemstritch	2014	20,000			20,000
	2013	20,000			20,000
D J Ryan	2014	31,273			31,273
	2013	31,273			31,273
M J Ullmer	2014	25,000			25,000
	2013	25,000			25,000
N M Wakefield Evans ³	2014	4,000			4,000
Executive Director					
S McCann	2014	447,404	432,823	(200,000)	680,227
	2013	378,596	366,356	(297,548)	447,404
Executives					
T Gupta	2014	18,878	87,283	(72,027)	34,134
	2013	58,340	40,893	(80,355)	18,878
D Labbad	2014	55,565	74,900	34	130,499
	2013	30,276	25,289		55,565
R Leaver	2014	87,743	87,791		175,534
	2013	57,878	29,865		87,743
A Lombardo	2014	106,560	98,860		205,420
	2013	82,247	51,313	(27,000)	106,560
R McNamara	2014	46,564	109,416		155,980
	2013	3,247	43,317		46,564
D Saxelby	2014		6,355	(5,000)	1,355
	2013				
Total	2014	976,655	897,428	(276,085)	1,597,998
Total	2013	859,552	557,033	(403,862)	1,012,723

¹ For the Executive Director and executives, securities received relates to security entitlements under employee benefit vehicles.

² G G Edington retired 15 November 2013.

³ N M Wakefield Evans commenced 1 September 2013 and held shares indirectly prior to becoming a Director.

Loans to Key Management Personnel

No loans were made to key management personnel or their related parties during the current year or prior year.

Other Transactions with Key Management Personnel

From time to time, Directors and executives of Lend Lease or its consolidated entities, or parties related to them, may purchase goods from the consolidated entity. These purchases are on terms and conditions no more favourable than those entered into by unrelated customers.

Directors' Report continued

3. Remuneration Report continued

h. Appendix

Terms Used in this Remuneration Report

Term	What it means
Earnings Per Security (EPS)	Profit/(loss) after tax divided by the weighted average number of ordinary securities (excluding treasury securities). For some earlier LTI allocations, the definition of profit/(loss) after tax may have specific inclusions or exclusions.
Face Value of a Security	The value of a Lend Lease security at the applicable time.
Fair Value of a Security	The value of a Lend Lease security, derived by applying a discount rate determined by the Board, designed to reflect the likelihood of vesting (in cases where there are performance hurdles to be met before vesting can occur).
Good Leaver	An employee who is leaving Lend Lease for a reason such as retirement or redundancy, and who may remain eligible for part of an incentive opportunity.
Key Management Personnel (KMP)	Those executives who have the authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly (as per Accounting Standard AASB 124 Related Party Disclosures).
KPIs	Key performance indicators.
Long Term Incentive (LTI)	An incentive scheme which provides Lend Lease equity (or cash, in some circumstances) to participating executives that may vest, in whole or part, if specified performance measures are met over a three or four year period.
LTI (face value)	Refers to the number of LTI performance securities granted multiplied by the Lend Lease security price at the applicable time.
PAT	Statutory Profit After Tax.
Personnel and Organisation (P&O) Committee	The Board sub committee that helps the Board fulfil its responsibilities in people management and reward policies. It is made up entirely of independent Non Executive Directors.
Return on Equity (ROE)	ROE is calculated as the annual statutory profit after tax divided by the arithmetic average of beginning, half year and year end securityholders' equity.
Senior Executives	Executives who are KMP, excluding the CEO.
Short Term Incentive (STI)	Incentives awarded with direct reference to the achievement of Group, regional and individual performance. The measures are selected annually and align to our long term strategic priorities.
Total Package Value (TPV)	Salary plus the value of salary package items such as motor vehicles and parking and compulsory superannuation contributions paid on behalf of an employee.
Total Shareholder Return/ Total Securityholder Return (TSR)	The movement in a company's share/security price, dividend yield and any return of capital over a specific period. It is often expressed as a percentage.

Directors' Report continued

4. Other

a. Dividends/Distributions

The 2013 final dividend/distribution of A\$115.1 million (20.0 cents per security, nil% franked) referred to in the Directors' Report dated 23 August 2013 was paid on 27 September 2013. Details of dividends/distributions in respect of the current year are as follows:

	A\$m
Interim dividends/distributions of 22.0 cents per security (unfranked) paid on 21 March 2014 ¹	126.8
Final dividends/distributions of 49.0 cents per security (unfranked) declared by Directors to be paid on 22 September 2014 ²	283.0
Total dividends/distributions	409.8

1 Comprised of an unfranked dividend of 17.500105 cents per share paid by the Company, and a trust distribution of 4.499895 cents per unit paid by LLT.

2 Comprised of an unfranked dividend of 41.953477 cents per share payable by the Company, and a trust distribution of 7.046523 cents per unit payable by LLT.

b. Significant Changes in State of Affairs

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

c. Events Subsequent to Balance Date

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

d. Security Options

No security options were issued during the year by the Company or any of its controlled entities, and there are no such options on issue.

e. Indemnification and Insurance of Directors and Officers

Rule 12 of the Company's Constitution provides for indemnification in favour of each of the Directors named on pages one to five of this Report; the officers of the Company or of wholly owned subsidiaries or related entities of the Company ('Officers') to the extent permitted by the *Corporations Act 2001*. Rule 12 does not indemnify a Director, Company Secretary or Officer for any liability involving a lack of good faith.

In conformity with Rule 12 of the Company's Constitution, the Company has entered into Deeds of Indemnity, Insurance and Access with each of the Directors named on pages one to five of this Report. The indemnities operate to the full extent permitted by law and are not subject to a monetary limit. The Company is not aware of any liability having arisen, and no claims have been made, during or since the financial year under the Deeds of Indemnity, Insurance and Access.

For related entities, the indemnification is provided under Rule 12 of the Company's Constitution unless the Directors determine otherwise. For unrelated entities in which the Group has an interest, deeds of indemnity may be entered into between Lend Lease Corporation Limited and the Director or Officer. Since the date of the last report, the Company has not entered into any separate deeds of indemnity with a Director or officer of an unrelated entity.

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

In accordance with the *Corporations Act 2001*, Rule 12 of the Constitution also permits the Company to purchase and maintain insurance or pay or agree to pay a premium for insurance for Officers against any liability incurred as an Officer of the Company or of a related body corporate. This may include a liability for reasonable costs and expenses incurred in defending proceedings, whether civil or criminal, and whatever their outcome. Due to confidentiality obligations and undertakings of the policy, no further details in respect of the premium or policy can be disclosed.

f. Environmental Regulation

The Group is subject to various state and federal environmental regulations in Australia.

The Directors are not aware of any material non compliance with environmental regulations pertaining to the operations or activities during the period covered by this Report. In addition, the Lend Lease Group is registered and publicly reports the annual performance of its Australian operations under the requirements of the National Greenhouse and Energy Reporting (NGER) Act 2007 and Energy Efficiency Opportunities (EEO) Act 2006.

All Lend Lease businesses continue to operate an integrated Environment, Health and Safety Management System ensuring that non compliance risks and opportunities for environmental improvement are identified, managed and reported accordingly.

Directors' Report continued

4. Other continued

g. Non Audit Services

During the year KPMG, the Company's auditor, performed certain other services in addition to its statutory duties.

The Board has considered the other services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Risk Management and Audit Committee, is satisfied that the provision of those services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All other services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Risk Management and Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- The other services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

A copy of the Lead Auditors' Independence Declaration, as required under Section 307C of the *Corporations Act 2001*, is included at the end of this Report.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and other services provided during the year are set out below.

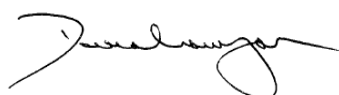
	Consolidated	
	June 2014 A\$000s	June 2013 ¹ A\$000s
Audit and Other Assurance Services		
Audit services	5,447	7,783
Other assurance services	472	637
Total audit and other assurance services	5,919	8,420
Non audit services		
Total audit, non audit and other assurance services	5,919	8,420

¹ June 2013 has been adjusted to reflect the impact of the first time adoption of the new AASB 11 *Joint Arrangements* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

h. Rounding Off

Lend Lease Corporation Limited is a company of the kind referred to in the Australian Securities and Investments Commission Class Order 98/100 dated 10 July 1998 and, in accordance with that Class Order, amounts in the Consolidated Financial Statements and this Report have been rounded off to the nearest tenth of a million dollars or, where the amount is A\$50,000 or less, zero, unless specifically stated to be otherwise.

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



D A Crawford, AO
Chairman



S B McCann
Group Chief Executive Officer & Managing Director

Sydney, 27 August 2014



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

To: the directors of Lend Lease Corporation Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 there have been:

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

KPMG

KPMG

S J Marshall
Partner

Sydney

27 August 2014

Consolidated Financial Statements

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Income Statement

Year ended 30 June 2014

	Note	June 2014 A\$m	June 2013 ¹ A\$m
Revenue	2	13,935.9	13,162.6
Cost of sales		(11,760.7)	(11,762.5)
Gross profit		2,175.2	1,400.1
Other income	3	189.9	222.2
Other expenses		(1,319.3)	(1,016.0)
Results from operating activities		1,045.8	606.3
Finance revenue	5	37.2	44.0
Finance costs	5	(143.7)	(124.8)
Net finance costs		(106.5)	(80.8)
Share of profit of equity accounted investments	12	59.3	45.8
Profit before tax		998.6	571.3
Income tax expense	6	(175.3)	(21.4)
Profit after tax		823.3	549.9
Profit after tax attributable to:			
Members of Lend Lease Corporation Limited		751.5	538.4
Unitholders of Lend Lease Trust		71.4	10.6
Profit after tax attributable to securityholders		822.9	549.0
External non controlling interests		0.4	0.9
Profit after tax		823.3	549.9
Basic/Diluted Earnings Per Lend Lease Corporation Limited Share (EPS)			
Shares excluding treasury shares (cents)	8	137.7	99.2
Shares on issue (cents)	8	130.3	93.7
Basic/Diluted Earnings Per Lend Lease Group Stapled Security (EPSS)			
Securities excluding treasury securities (cents)	8	150.8	101.2
Securities on issue (cents)	8	142.7	95.6

¹ June 2013 Income Statement and EPS/EPSS have been adjusted to reflect the impact of the first time adoption of the revised AASB 119 *Employee Benefits* standard and the new AASB 11 *Joint Arrangements* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

Consolidated Financial Statements continued

Statement of Comprehensive Income

Year ended 30 June 2014

	Note	June 2014 A\$m	June 2013 ¹ A\$m
Profit After Tax		823.3	549.9
Other Comprehensive Income/(Expense) After Tax			
Items that may be reclassified subsequently to profit or loss:			
Movements in Fair Value Revaluation Reserve	6b	4.2	23.1
Movements in Hedging Reserve	6b	(12.5)	10.4
Movements in Foreign Currency Translation Reserve	6b	57.6	34.6
Total items that may be reclassified subsequently to profit or loss		49.3	68.1
Items that will not be reclassified to profit or loss:			
Movements in Non Controlling Interest Acquisition Reserve	6b	(2.0)	16.1
Defined benefit plans remeasurements	6b	(25.6)	21.9
Total items that will not be reclassified to profit or loss		(27.6)	38.0
Total comprehensive income after tax		845.0	656.0
Total comprehensive income after tax attributable to:			
Members of Lend Lease Corporation Limited		773.2	644.2
Unitholders of Lend Lease Trust		71.4	10.6
Total comprehensive income after tax attributable to securityholders		844.6	654.8
External non controlling interests		0.4	1.2
Total comprehensive income after tax		845.0	656.0

¹ June 2013 Statement of Comprehensive Income has been adjusted to reflect the impact of the first time adoption of the revised AASB 119 *Employee Benefits* standard and the new AASB 11 *Joint Arrangements* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

Consolidated Financial Statements continued

Statement of Financial Position

As at 30 June 2014

	Note	June 2014 A\$m	June 2013 ¹ A\$m	1 July 2012 ¹ A\$m
Current Assets				
Cash and cash equivalents	9	1,715.8	1,609.5	1,052.4
Loans and receivables	10	1,777.3	1,976.9	1,959.4
Inventories	11	1,345.6	1,093.2	1,152.0
Other financial assets	14	50.4	97.8	77.6
Current tax assets			6.8	39.6
Other assets		43.5	49.0	35.8
Total current assets		4,932.6	4,833.2	4,316.8
Non Current Assets				
Loans and receivables	10	633.8	665.4	333.9
Inventories	11	1,785.9	1,850.5	1,707.7
Equity accounted investments	12	578.0	486.8	372.0
Investment properties	13	4,832.0	4,052.3	3,443.5
Other financial assets	14	972.1	453.1	333.3
Deferred tax assets	6c	251.3	221.0	176.6
Property, plant and equipment		360.3	401.9	669.4
Intangible assets	15	1,323.7	1,262.5	1,405.1
Defined benefit plan asset	16a	7.6	1.4	
Other assets		74.5	72.8	73.1
Total non current assets		10,819.2	9,467.7	8,514.6
Total assets		15,751.8	14,300.9	12,831.4
Current Liabilities				
Trade and other payables	17	4,034.1	3,812.5	3,846.2
Resident liabilities	18	3,195.5	2,677.5	2,443.6
Provisions		254.6	285.5	278.0
Borrowings and financing arrangements	19			111.6
Current tax liabilities		51.4		
Other financial liabilities	20	40.0	181.7	56.8
Total current liabilities		7,575.6	6,957.2	6,736.2
Non Current Liabilities				
Trade and other payables	17	722.3	874.3	592.2
Provisions		82.3	70.7	74.8
Borrowings and financing arrangements	19	2,347.0	1,976.2	1,257.1
Defined benefit plan liability	16b	39.5	14.6	54.7
Other financial liabilities	20	59.6	88.3	222.2
Deferred tax liabilities	6c	56.7	52.8	64.5
Total non current liabilities		3,307.4	3,076.9	2,265.5
Total liabilities		10,883.0	10,034.1	9,001.7
Net assets		4,868.8	4,266.8	3,829.7
Equity				
Issued capital	21	1,618.2	1,599.9	2,077.6
Treasury securities	21	(116.1)	(118.0)	(111.0)
Reserves	22	24.4	(24.0)	(119.3)
Retained earnings		2,824.0	2,297.3	1,976.5
Total equity attributable to members of Lend Lease Corporation Limited		4,350.5	3,755.2	3,823.8
Total equity attributable to unitholders of Lend Lease Trust		513.3	506.1	0.6
Total equity attributable to securityholders		4,863.8	4,261.3	3,824.4
External non controlling interests		5.0	5.5	5.3
Total equity		4,868.8	4,266.8	3,829.7

1 1 July 2012 and June 2013 Statement of Financial Position has been adjusted to reflect the impact of the first time adoption of the revised AASB 119 *Employee Benefits* standard and the new AASB 11 *Joint Arrangements* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

Consolidated Financial Statements continued

Statement of Changes in Equity

Year ended 30 June 2014

	Note	June 2014 A\$m	June 2013 ¹ A\$m
Issued Capital and Treasury Securities			
Issued Capital			
Opening balance at beginning of financial year		1,599.9	2,077.6
Transactions with owners for the year:			
Recapitalisation of Lend Lease Trust			(500.3)
Distribution Reinvestment Plan (DRP)		18.3	22.6
Closing balance at end of financial year	21	1,618.2	1,599.9
Treasury Securities			
Opening balance at beginning of financial year		(118.0)	(111.0)
Transactions with owners for the year:			
Treasury securities acquired		(29.1)	(26.4)
Treasury securities vested		31.0	19.4
Closing balance at end of financial year	21	(116.1)	(118.0)
Total issued capital and treasury securities		1,502.1	1,481.9
Reserves			
Fair Value Revaluation Reserve			
Opening balance at beginning of financial year		44.7	21.6
Movements during the year		4.2	23.1
Closing balance at end of financial year	22a	48.9	44.7
Hedging Reserve			
Opening balance at beginning of financial year		(78.5)	(88.9)
Movements during the year		(12.5)	10.4
Closing balance at end of financial year	22b	(91.0)	(78.5)
Foreign Currency Translation Reserve			
Opening balance at beginning of financial year		(156.0)	(190.6)
Adjustment on adoption of the revised AASB 119 <i>Employee Benefits</i> standard			(0.3)
Movements during the year		57.6	34.9
Closing balance at end of financial year	22c	(98.4)	(156.0)
Non Controlling Interest Acquisition Reserve			
Opening balance at beginning of financial year		(73.4)	(89.5)
Movements during the year		(2.0)	16.1
Closing balance at end of financial year	22d	(75.4)	(73.4)
Other Reserve			
Balance at beginning and end of financial year	22e	111.7	111.7
Equity Compensation Reserve			
Opening balance at beginning of financial year		73.1	62.0
Transactions with owners for the year:			
Movements attributable to allocation and vesting of securities		1.1	11.1
Closing balance at end of financial year	22f	74.2	73.1
Other Compensation Reserve			
Balance at beginning and end of financial year	22g	54.4	54.4
Total reserves		24.4	(24.0)

¹ June 2013 Statement of Changes in Equity has been adjusted to reflect the impact of the first time adoption of the revised AASB 119 *Employee Benefits* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

Consolidated Financial Statements continued

Statement of Changes in Equity continued

Year ended 30 June 2014

	June 2014 A\$m	June 2013 ¹ A\$m
Retained Earnings		
Opening balance at beginning of financial year	2,297.3	2,058.0
Adjustment on adoption of the revised AASB 119 <i>Employee Benefits</i> standard		(81.5)
Profit attributable to members of Lend Lease Corporation Limited	751.5	538.4
Defined benefit plans remeasurements	(25.6)	21.9
Transactions with owners for the year:		
Dividends paid	(192.0)	(227.5)
Dividends on treasury securities	11.1	11.7
Dividends under DRP	(18.3)	(24.0)
Other movements		0.3
Closing balance at end of financial year	2,824.0	2,297.3
Unitholders of Lend Lease Trust		
Opening balance at beginning of financial year	506.1	0.6
Profit attributable to unitholders of Lend Lease Trust	71.4	10.6
Transactions with owners for the year:		
Movement attributable to recapitalisation		500.3
Distributions paid	(25.9)	(0.9)
Distributions provided for	(40.7)	(5.7)
Units issued under DRP	2.4	1.4
Other movements		(0.2)
Closing balance at end of financial year	513.3	506.1
External Non Controlling Interests		
Opening balance at beginning of financial year	5.5	5.3
Profit attributable to non controlling interests	0.4	0.9
Transactions with owners for the year:		
Movements attributable to dividends/distributions received		(0.2)
Movements attributable to acquisition		0.6
Movements attributable to disposal	(0.7)	(1.3)
Effect of foreign exchange rate/other movements	(0.2)	0.2
Closing balance at end of financial year	5.0	5.5
Total equity	4,868.8	4,266.8
Total Comprehensive Income After Tax for the Financial Year		
Attributable to:		
Members of Lend Lease Corporation Limited	773.2	644.2
Unitholders of Lend Lease Trust	71.4	10.6
Total comprehensive income after tax attributable to securityholders	844.6	654.8
External non controlling interests	0.4	1.2
Total comprehensive income after tax	845.0	656.0

¹ June 2013 Statement of Changes in Equity has been adjusted to reflect the impact of the first time adoption of the revised AASB 119 *Employee Benefits* standard and the new AASB 11 *Joint Arrangements* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

Consolidated Financial Statements continued

Statement of Cash Flows

Year ended 30 June 2014

	Note	June 2014 A\$m	June 2013 ¹ A\$m
Cash Flows from Operating Activities			
Cash receipts in the course of operations		14,126.7	12,698.7
Cash payments in the course of operations		(13,117.3)	(12,598.1)
Interest received		23.7	32.1
Interest paid		(149.6)	(116.3)
Dividends/distributions received		65.1	29.8
Income tax (paid)/refunded in respect of operations		(126.2)	34.7
Net cash provided by operating activities	29	822.4	80.9
Cash Flows from Investing Activities			
Sale/redemption of investments		147.7	397.6
Acquisition of investments		(606.0)	(274.5)
Sale of investment properties		17.8	9.8
Acquisition of/capital expenditure on investment properties		(119.4)	(252.8)
Net loans from associates and joint ventures		27.3	145.5
Acquisition of consolidated entities (net of cash acquired and acquisition costs)		30.7	
Disposal of consolidated entities (net of cash disposed and transaction costs)		(7.5)	213.7
Disposal of property, plant and equipment		26.9	6.1
Acquisition of property, plant and equipment		(49.5)	(54.5)
Acquisition of intangible assets		(76.0)	(37.1)
Other investing activities		(6.5)	
Net cash (used in)/provided by investing activities		(614.5)	153.8
Cash Flows from Financing Activities			
Proceeds from borrowings		1,230.6	778.2
Repayment of borrowings		(950.2)	(231.5)
Dividends/distributions paid		(210.1)	(216.7)
Other financing activities		(180.7)	(38.8)
Net cash (used in)/provided by financing activities		(110.4)	291.2
Other Cash Flow Items			
Effect of foreign exchange rate movements on cash and cash equivalents		8.8	31.2
Net increase in cash and cash equivalents		106.3	557.1
Cash and cash equivalents at beginning of financial year		1,609.5	1,052.4
Cash and cash equivalents at end of financial year	9	1,715.8	1,609.5

1 June 2013 Statement of Cash Flows has been adjusted to reflect the impact of the first time adoption of the new AASB 11 *Joint Arrangements* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

Notes to the Consolidated Financial Statements

1. Significant Accounting Policies

Lend Lease Corporation Limited ('the Company') is incorporated and domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2014 comprises the Company and its controlled entities including Lend Lease Trust ('LLT') (together referred to as the 'consolidated entity' or the 'Group'). The Group is a for-profit entity and is an international property and infrastructure group. Further information about the Group's primary activities is included in Note 25 'Segment Reporting'.

Shares in the Company and units in LLT are traded as one security under the name of Lend Lease 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 27 August 2014.

1.1 Statement of Compliance

The consolidated financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board, and the *Corporations Act 2001*. The consolidated financial report of the Group also complies with International Financial Reporting Standards ('IFRSs') adopted by the International Accounting Standards Board.

1.2 Basis of Preparation

The financial report is presented in Australian dollars and is prepared under the historical cost basis except for the following assets and liabilities, which are stated at their fair value: derivative financial instruments, fair value through profit or loss investments, available for sale investments, investment properties, resident liabilities 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 a financial report that complies with AASBs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Information about critical accounting judgements in applying the Group's accounting policies is set out in Note 1.5 'Accounting Estimates and Judgements'.

In accordance with Class Order 98/100, amounts in the financial report are rounded off to the nearest thousand dollars unless otherwise indicated.

The accounting policies associated with a particular note are described in the note to which they relate.

Accounting policies have been consistently applied to all financial years presented in the consolidated financial statements and by all entities in the Group, except as explained in Note 1.3 which addresses the impact of new/revised accounting standards.

Under Australian Accounting Standards, resident liabilities are required to be classified as current liabilities as residents may depart the accommodation at any time, notwithstanding that history has shown that residents stay for an average period of 11 years in Independent Living Units ('ILU') and six years in Serviced Apartments ('SA'). Resident liabilities at 30 June 2014 are A\$3,195.5 million (June 2013: A\$2,677.5 million). Refer to Note 18 'Resident Liabilities'.

Basis of Consolidation

The Group consolidation comprises all entities controlled by the Company. Control exists when the Company has the power to direct the relevant activities, has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of returns. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies with adjustments made to bring into line any dissimilar accounting policies that may exist.

The Group invests in structured entities ('SEs') for trading and investment purposes. The SEs are consolidated if the substance of the relationship with the Group is such that the Group controls the SE and has the power to direct the relevant activities, has exposure or rights to variable returns from its involvement with the SE and has the ability to use its power over the SE to affect the amount of returns.

Intragroup balances and transactions, and any unrealised gains or losses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Investments in subsidiaries are carried at their cost of acquisition less impairments in the Company's financial statements. The Company sponsors a number of employee benefit vehicles, including employee security plans. These vehicles, while not legally controlled, are required to be consolidated for accounting purposes.

External non controlling interests are allocated their share of total comprehensive income and are presented within equity in the consolidated Statement of Financial Position, separately from the equity of securityholders.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

1.3 Impact of New/Revised Accounting Standards

New and Revised Accounting Standards Adopted 1 July 2013

The table below represents new and revised accounting standards, together with consequential amendments relevant to the Group's results at 30 June 2014. AASB 10, AASB 11, AASB 12 and AASB 119 have been retrospectively applied with effect from 1 July 2012 and first impacted the Group for the 31 December 2013 half year consolidated financial report.

Accounting Standard	Requirement	Impacts for the year ended 30 June 2013
AASB 10 <i>Consolidated Financial Statements</i> and consequential amendments	AASB 10 introduces a new definition of control in determining whether an entity should be included within the consolidated financial statements of the parent company. AASB 10 replaces parts of AASB 127 <i>Consolidated and Separate Financial Statements</i> and UIG-112 <i>Consolidation – Special Purpose Entities</i>. The Group has revised its significant accounting policies to reflect this change. Refer to 'Basis of Consolidation' in Note 1.2 'Basis of Preparation'. This new standard has been applied with retrospective application.	As a result of adopting the new standard, there has been no significant impact on the Group's financial position and performance.
AASB 11 <i>Joint Arrangements</i> and consequential amendments	AASB 11 establishes principles for financial reporting by parties to a joint arrangement. AASB 11 replaces AASB 131 <i>Interests in Joint Ventures</i> and UIG-113 <i>Jointly Controlled Entities – Non-Monetary Contributions by Venturers</i>. The Group has revised its accounting policies to reflect this change. Refer to Note 12 'Equity Accounted Investments (Associates and Joint Ventures)' which includes the accounting policy for 'Joint Operations'. The Group has reclassified some previously reported jointly controlled entities to joint operations under the new standard. As the new standard must be applied retrospectively, adjustments have been recognised at 1 July 2012 and the financial statements were restated for the comparative period, being the year ended 30 June 2013.	There has been no net impact to the Group's equity or profit or loss, however, there has been a restatement to the classification of certain recognised assets, liabilities, revenues and expenses. The impacts were as follows: - Income Statement: revenues increased by A\$953.7 million, cost of sales increased by A\$846.4 million, and other expenses (depreciation) increased by A\$0.4 million. The share of profit from equity accounted investments decreased by A\$106.9 million. There was no impact on profit after tax, EPS and EPSS. - Statement of Comprehensive Income: no impact. - Statement of Financial Position: no impact to net assets and total equity. Current assets increased by A\$194.8 million (including cash and cash equivalents A\$71.1 million, loans and receivables A\$80.1 million, inventories A\$43.1 million and other assets A\$0.5 million. Non current assets decreased by A\$56.4 million (including increase in loans and receivables A\$2.6 million, inventories A\$9.6 million, investment properties A\$28.5 million, property plant and equipment A\$1.6 million and decrease in equity accounted investments by A\$98.7 million). Current liabilities increased by A\$138.4 million (including trade and other payables A\$115.4 million, resident liabilities A\$20.7 million and provisions A\$2.3 million). - Statement of Changes in Equity: no impact. - Statement of Cash Flows: net total cash flows decreased by A\$23.4 million as operating activities decreased by A\$14.0 million, investing activities increased by A\$2.2 million, financing activities decreased by A\$11.6 million and cash and cash equivalents increased by A\$71.1 million.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

1.3 Impact of New/Revised Accounting Standards continued

New and Revised Accounting Standards Adopted 1 July 2013 continued

Accounting Standard	Requirement	Impacts for the year ended 30 June 2013
AASB 12 <i>Disclosure of Interests in Other Entities</i>	AASB 12 relates to disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The new standard has been applied with retrospective application.	As a result of adopting the new standard, new disclosures have been introduced about the judgements made to determine whether control exists and summarised financial information about certain material joint arrangements and associates. Refer to Note 12 'Equity Accounted Investments' and Note 24 'Consolidated Entities'.
AASB 13 <i>Fair Value Measurement</i> and consequential amendments	AASB 13 introduces new guidance on fair value measurement and disclosure requirements when fair value is permitted by accounting standards. There have been no significant changes to the Group's accounting policies where fair value is used as a measurement basis or disclosures on fair value are required. The new standard has been applied with prospective application.	As a result of adopting the new standard, there has been no significant impact on the Group's financial position and performance. Disclosures required under the new standard in relation to the fair value hierarchy have been included in Note 13 'Investment Properties' and Note 27e 'Fair Value Measurement'.
Revised AASB 119 <i>Employee Benefits</i> (June 2011) and consequential amendments	Revised AASB 119 introduces changes to the accounting for and presentation of pensions and other employment benefits. The revised standard eliminates the corridor approach, which defers the recognition of actuarial gains and losses attributable to the Group's defined benefit plans within certain limits, and now requires immediate recognition in the Statement of Comprehensive Income. The revised standard also requires the net interest expense on fund obligations and interest income on assets to be determined by applying the discount rate used to measure the fund obligations. Previously, the Group determined interest income on fund assets based on the expected long term return for each asset class. The actuarial gains and losses and return on plan assets are referred to as remeasurements under the revised standard. The revised standard does not mandate where to present remeasurements in equity. The Group has chosen to recognise remeasurements directly in retained earnings. The Group has revised its significant accounting policies to reflect these changes. Refer to Note 16 'Defined Benefit Plans'. As the revised standard must be adopted retrospectively, adjustments have been recognised at 1 July 2012 and the financial statements were restated for the comparative period being the year ended 30 June 2013.	The impacts were as follows: - Income Statement: the net defined benefit expense increased by A\$3.2 million, income tax expense decreased by A\$0.6 million and profit after tax decreased by A\$2.6 million, having a 0.4 cents impact on EPSS for shares/securities on issue. - Statement of Comprehensive Income: increase by A\$19.0 million due to decrease in profit after tax of A\$2.6 million, after tax gains of A\$21.9 million on defined benefit plans remeasurements and decrease in foreign currency translation of A\$0.3 million. - Statement of Financial Position: net assets and total equity decreased by A\$62.5 million after tax due to the remeasurements on the defined benefit plans and associated deferred taxes being recognised A\$62.2 million and A\$0.3 million in foreign currency translation. - Statement of Changes in Equity: the foreign currency translation reserve had losses of A\$0.3 million after tax. Retained earnings decreased due to the retrospective application on the opening balance of A\$81.5 million, the loss impact on profit after tax of A\$2.6 million and the remeasurement gains of A\$21.9 million recognised in the period. Total retained earnings decreased by A\$62.2 million after tax. Total equity decreased by A\$62.5 million for the period. - Statement of Cash Flows: no impact.
	The revised standard has also changed the accounting for the Group's current employee entitlements, as entitlements that are not expected to be settled within 12 months of balance sheet date are required to be discounted using a government bond rate akin to the expected settlement of the entitlement.	The impact on employee entitlements was immaterial since the majority of leave is still expected to be taken within the short term after the end of the reporting period.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

1.3 Impact of New/Revised Accounting Standards continued

New and Revised Accounting Standards Adopted 1 July 2013 continued

Accounting Standard	Requirement	Impacts for the year ended 30 June 2014
AASB 2012-2 <i>Disclosure – Offsetting Financial Assets and Financial Liabilities</i>	AASB 2012-2 introduces new disclosure requirements for offsetting and netting arrangements for recognised financial assets and recognised financial liabilities.	As a result of adopting the new standard, there have been no significant changes to the Group's disclosures.
AASB 2011-4 <i>Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements</i>	AASB 2011-4 removes individual key management personnel disclosures from AASB 124 <i>Related Parties</i> . These disclosures are still required in the Remuneration Report as required by the <i>Corporations Act 2001</i> .	As a result of adopting the new standard, these disclosures have been removed from the Group's financial report. These disclosures are now included in the Group's remuneration report.
AASB 2013-3 <i>Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets</i>	AASB 2013-3 removes the requirements to disclose recoverable amounts for cash generating units (CGUs) that contain goodwill or identifiable assets with indefinite useful lives if there has been no impairment. It also requires the disclosure of the recoverable amount of an asset or CGU where an impairment loss has been recognised or reversed and detailed disclosures of how fair value less costs of disposal has been measured where applicable for an impairment loss or reversal. The amendment has been early adopted by the Group for the year ended 30 June 2014.	As a result of adopting the amendment, the Group has not made disclosures in relation to the recoverable amount of CGUs. Disclosures on impairment losses and reversals have been made in the relevant notes to the financial statements where required.

New Accounting Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the financial year ended 30 June 2014 but are available for early adoption and have not been applied in preparing this report.

Accounting Standard	Requirement	Impact on Financial Statements
AASB 9 <i>Financial Instruments</i> and consequential amendments	AASB 9 addresses the classification, measurement and derecognition of financial assets, financial liabilities, and hedging. The standard becomes mandatory for the June 2019 financial year, and will be applied prospectively.	Based on the preliminary analyses performed, AASB 9 will impact classification of available for sale financial assets within the Statement of Financial Position, while other amendments are not expected to have a material impact on the Group.
AASB 2013-4 <i>Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting</i>	AASB 2013-4 permits the continuation of hedge accounting in circumstances where a derivative that has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. The standard becomes mandatory for the June 2015 financial year, and will be applied retrospectively.	Based on preliminary analyses performed, the amendments are not expected to have any impact on the Group.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

1.3 Impact of New/Revised Accounting Standards continued

New Accounting Standards and Interpretations Not Yet Adopted continued

Accounting Standard	Requirement	Impact on Financial Statements
AASB 2013-5 <i>Amendments to Australian Accounting Standards – Investment Entities</i>	AASB 2013-5 provides an exemption from consolidation of subsidiaries under AASB 10 for entities that meet the definition of an 'investment entity', such as certain investment funds. Instead, such entities would measure their investment in particular subsidiaries at fair value through profit or loss. The standard becomes mandatory for the June 2015 financial year and will be applied retrospectively.	Based on preliminary analyses performed, the amendments are not expected to have any impact on the Group.
IFRS 15 <i>Revenue from Contracts with Customers</i>	IFRS 15 provides a new five step model for recognising revenue earned from a contract with a customer and will replace the existing AASB 118 <i>Revenue</i> and AASB 111 <i>Construction Contracts</i> . The standard becomes mandatory for the June 2018 financial year and will be applied retrospectively.	The potential effect of this standard is yet to be determined.

1.4 Foreign Currency Translation

Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial report is presented in Australian dollars, which is the Company's functional and presentation currency.

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions, and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the Income Statement, except for qualifying cash flow hedges and qualifying net investment hedges in foreign operations that are recognised in other comprehensive income.

Translation differences on non monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non monetary items, such as investments classified as available for sale financial assets, are included in the fair value revaluation reserve in equity.

Group Entities

The results and Statement of Financial Position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency (A\$) are translated into the presentation currency as follows:

- Assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;
- Income and expenses for each Income Statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the Income Statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. Derivative financial instruments are recognised initially at fair value on the date a derivative contract is entered into and subsequently remeasured at fair value. Recognition of any resultant gain or loss depends on the nature of the item being hedged. Refer to Note 22 'Reserves' for the accounting policies on hedging.

The fair value of forward exchange contracts is their value at the current quoted forward price at the balance sheet date.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

1.5 Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

1.5.1 Key Sources of Estimation Uncertainty

Recoverable Amount of Inventories

Property acquired for development and sale is carried at the lower of cost and net realisable value ('NRV'). The NRV is the estimated selling price in the ordinary course of business less estimated costs of completion and selling expenses. These estimates take into consideration market conditions affecting each property and the underlying strategy for selling the property. The recoverable amount of each property is assessed at each reporting period. Refer to Note 11 'Inventories' for the accounting policies on inventories.

Valuation of Investment Properties

The fair value of investment properties, except those under development and those valued at less than A\$10.0 million, is based on periodic, but at least triennial, valuations by qualified external independent valuers. Investment properties which are not subject to an external valuation at the end of the reporting period are fair valued internally by management. Note 13 'Investment Properties' contains information about the key assumptions adopted in determining the fair values of investment property. For retirement living investment properties, the associated resident liabilities, refer to Note 18 'Resident Liabilities', are also fair valued using assumptions as outlined in the note for investment properties. The reported fair values of investment properties reflect the market conditions at the end of the reporting period. While this represents the best estimation of fair value at the reporting date, actual sale prices achieved (should the investment properties be sold) may be higher or lower than the most recent valuation. This is particularly relevant in periods of market illiquidity or uncertainty.

Impairment of Goodwill

The Group assesses whether goodwill is impaired at least annually in accordance with the accounting policies in Note 15 'Intangible Assets'. These calculations involve an estimation of the recoverable amount of the cash generating units ('CGU') to which the goodwill is allocated. The Construction CGU uses the value in use basis, which requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the recoverable amount. Note 15a 'Goodwill' contains information about the assumptions and their risk factors relating to goodwill impairment testing.

Valuation of Financial Assets and Liabilities

Where financial assets and liabilities are carried at fair value, the fair value is based on assumptions of future events and involves estimates. The basis of valuation is set out in Note 27e 'Fair Value Measurement'; however, the fair values of derivatives at the end of the reporting period may differ if there is volatility in market prices or foreign exchange rates in future periods.

Share Based Compensation

The Group assesses the fair value of its cash settled and equity settled share based compensation plans. The fair value assigned represents an estimate of the value of the award to employees, which requires judgements on Lend Lease's security price and whether vesting conditions will be satisfied. The fair value is primarily determined using a Monte-Carlo simulation and at the end of each reporting period the Group will revise the estimates of the entitlement due. Refer to Note 4 'Other Expenses' and Note 22 'Reserves' for the accounting policies on share based compensation.

Estimated Future Taxable Profits

The Group prepares financial budgets and forecasts on a regular basis which are reviewed, covering a five year period. These forecasts and budgets form the basis of future profitability to support the carrying value of the deferred tax assets.

The operating and financial performance of the Group is influenced by a variety of general economic and business conditions, which are outside the control of the Group, including the level of inflation, interest rates, exchange rates, commodity prices, ability to access funding, oversupply and demand conditions and government fiscal, monetary and regulatory policies. A change in any of the assumptions used in budgeting and forecasting would have an impact on the future profitability of the Group.

Valuation of Defined Benefit Plans

The valuation of the defined benefit plans is based on valuations by qualified external independent actuaries, every reporting period. Note 16 'Defined Benefit Plans' contains information about the key assumptions adopted by the actuaries in determining the valuation.

1.5.2 Critical Accounting Judgements in Applying the Group's Accounting Policies

In the process of applying the Group's accounting policies, the Group makes various judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the consolidated financial statements. These include:

Revenue Recognition

The measurement of development revenue, which is recognised when all the significant risks and rewards of ownership are substantially transferred to the purchaser, requires management to exercise its judgement in setting selling prices, given the due consideration to cost inputs and market conditions. The measurement of construction revenue, which is recognised for construction contracts using a percentage of completion method, management uses judgement to estimate expenses incurred to date as a percentage of total estimated costs.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

1.5 Accounting Estimates and Judgements continued

1.5.2 Critical Accounting Judgements in Applying the Group's Accounting Policies continued

Cost of Sales

Inventories are expensed as a cost of sales. Management uses judgement in determining the apportionment of cost of sales, through either land area or sales revenue; the amount of cost of sales, which includes costs incurred to date and final forecast costs; and the nature of the cost of sales, which may include acquisition costs, development costs, borrowing costs and those costs incurred in bringing the inventories to a saleable value.

Provision for Loss on Inventories

Inventories are required to be carried at the lower of cost and NRV. Through the use of commercial assessments, which are based on the most reliable qualitative and quantitative information available at the time, such as selling prices and costs to complete, judgement is made concerning estimated NRV, which in some cases, have resulted in a provision for losses being recognised.

Consolidation of Structured Entities

The Group consolidates entities which are controlled by the Company. Control exists when the Company has the power to direct the relevant activities, has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of returns. The Group invests in structured entities ('SE') for trading and investment purposes. Management uses judgement in determining the substance of the relationship with the Group is such that the Group controls the SE.

Notes to the Consolidated Financial Statements continued

2. Revenue

Accounting Policies

Revenue from the provision of services is recognised in the Income Statement in proportion to the stage of completion of the transactions at the balance sheet date.

- For construction and development: the value of work performed using the percentage complete method, which is measured by reference to costs incurred to date as a percentage of total forecast costs for each contract.
- Development also includes retirement living Deferred Management Fees ('DMF'). A typical DMF contract provides for an annual fee for a fixed period on the property occupied by a resident (e.g. 3% per annum of purchase or resale price for a period up to 10 – 12 years, or 30% – 36% in total) plus a share of the capital gain realised on turnover. For both owned retirement villages (investment property) and managed retirement villages, DMF income is recognised on an annual accrual basis based upon the expected term of the resident's licence and estimates of capital growth since the resident first occupied the unit.
- For infrastructure development: origination, asset management and facility management fee entitlements are recognised for services rendered.
- For investment management: funds and asset management fee entitlements are recognised for services rendered.

Revenue from the sale of development properties is recognised in the Income Statement when:

- The significant risks and rewards have been transferred to the buyer;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the development properties sold;
- The revenue can be measured reliably and it is probable that the Group will receive the consideration due; and
- The Group can reliably measure the costs incurred or to be incurred in respect of the transaction.

Rental revenue is recognised in the Income Statement on a straight line basis over the term of the lease unless another systematic basis is more appropriate. Lease incentives granted are recognised as an integral part of the total rental income.

Other revenue primarily includes dividends/distributions and miscellaneous items. Dividend/distribution income is recognised when the right to receive payment is established, usually on declaration of the dividend/distribution.

Financial Disclosure	June 2014 A\$m	June 2013 ¹ A\$m
Revenue from the provision of services		
Construction	11,011.3	11,466.4
Development	295.6	273.2
Infrastructure Development	238.9	313.0
Investment Management	205.4	130.4
Total revenue from the provision of services	11,751.2	12,183.0
Revenue from the sale of development properties	2,079.6	898.2
Rental revenue	53.3	48.9
Other revenue	51.8	32.5
Total revenue	13,935.9	13,162.6

1 June 2013 has been adjusted to reflect the impact of the first time adoption of the new AASB 11 *Joint Arrangements* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

Notes to the Consolidated Financial Statements continued

3. Other Income

Accounting Policies

Other Income

Net gains or losses on sale of investments including equity accounted investments, available for sale financial assets and consolidated entities are recognised when an unconditional contract is in place.

Net gains or losses on fair value remeasurements are recognised in accordance with the policies stated in Note 13 'Investment Properties' and Note 14 'Other Financial Assets'.

Financial Disclosure	June 2014 A\$m	June 2013 A\$m
Net gain on sale of investments		
▪ Equity accounted investments	12.4	100.2
▪ Other assets and liabilities	12.0	15.7
▪ Consolidated entities		6.0
▪ Available for sale financial assets		2.4
Net gain on transfer of investments		
▪ Available for sale financial assets	2.5	
Net gain on fair value remeasurement		
▪ Investment properties	49.7	25.6
▪ Derivative contracts held for trading	4.5	1.6
▪ Fair value through profit or loss assets	13.0	
Other	95.8	70.7
Total other income	189.9	222.2

4. Other Expenses

Accounting Policies

Other expenses in general are recognised as incurred.

Employee Benefit Expenses

Employee benefits are expensed as the related service is provided and include both equity and cash based payment transactions. Employee benefits recognised in the Income Statement are net of recoveries.

Share Based Compensation

The Group operates cash settled and equity settled share based compensation plans that are referable to Lend Lease's security price. The fair value of the employee services received in exchange for the grant is recognised as an expense and a corresponding liability (if cash settled) or a corresponding increase in equity (if equity settled). The total amount to be expensed over the vesting period is determined by reference to the fair value of the services granted. At each balance sheet date, the entity revises its estimates of the entitlement due. It recognises the impact of revision of original estimates, if any, in the Income Statement, and a corresponding adjustment to a liability (in the case of cash settled) or equity (in the case of equity settled) over the remaining vesting period. Changes in entitlement for equity settled plans are not recognised if they fail to vest due to market conditions not being met.

Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

Profit Sharing and Bonus Plans

The Group recognises a liability and an expense for bonuses and profit sharing. These amounts are calculated using undiscounted values and are based on a formula that takes into consideration the profit attributable to the Group's securityholders after certain adjustments. The Group recognises a provision when contractually obliged or when there is a past practice that has created a constructive obligation.

Superannuation Accumulation Plan Expense

The Group has both defined benefit and defined contribution plans. Refer to Note 16 'Defined Benefit Plans' for accounting policies on defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions to publicly or privately administered superannuation/pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Notes to the Consolidated Financial Statements continued

4. Other Expenses continued

Accounting Policies continued

Impairment

The carrying amounts of the Group's assets, subject to impairment tests are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets with an indefinite useful life, the recoverable amount is estimated annually. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

Impairment losses are recognised in the Income Statement unless an asset has been previously revalued through reserves.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (or group of units) and then to reduce the carrying amount of other assets in the unit (or group of units) on a pro rata basis.

Calculation of Recoverable Amount

The recoverable amount of the Group's investments in held to maturity securities and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial (see Note 10 'Loans and Receivables').

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. For assets that do not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which each asset belongs.

Reversals of Impairment

An impairment loss in respect of a held to maturity security or receivable is reversed if a subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in estimates used to determine the recoverable amount.

An impairment loss (other than goodwill) is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Operating Lease Expense

Payments made under operating leases are recognised in the Income Statement on a straight line basis over the term of the lease. Lease incentives received are recognised as part of the total lease expense, over the term of the lease.

Depreciation and Amortisation

Depreciation is charged to the Income Statement on a straight line basis over the estimated useful lives of items of property, plant and equipment, and major components that are accounted for separately. Amortisation is provided on leasehold improvements over the remaining term of the lease. Most plant is depreciated over a period not exceeding 20 years, furniture and fittings over three – 15 years, motor vehicles over four – eight years and computer equipment over three years. Land is not depreciated.

Financial Disclosure	Note	June 2014 A\$m	June 2013 ¹ A\$m
Profit before income tax includes the following other expense items:			
Employee benefit expenses ²		2,349.4	2,355.5
Superannuation accumulation plan expense		29.0	28.6
Net defined benefit plans expense	16	10.7	12.1
Expenses include impairments raised/(reversals) relating to:			
Loans and receivables		85.7	2.1
Property inventories		90.4	6.7
Property, plant and equipment		1.5	0.6
Equity accounted investments		2.3	3.1
Other financial assets		3.2	2.0
Operating lease expense		81.3	83.1
Depreciation and amortisation		87.7	87.3
Net fair value loss on fair value through profit or loss assets			3.2
Net foreign exchange loss		10.7	7.9

1 June 2013 has been adjusted to reflect the impact of the revised AASB 119 *Employee Benefits* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

2 Total expense before recoveries through projects.

Notes to the Consolidated Financial Statements continued

4. Other Expenses continued

	June 2014 A\$000s	June 2013 ¹ A\$000s
Auditors' Remuneration		
Amounts received or due and receivable by the auditors of Lend Lease Group for:		
Audit and Other Assurance Services		
Audit services	5,447	7,783
Other assurance services	472	637
Total audit and other assurance services	5,919	8,420
Non audit services		
Total audit, non audit and other assurance services	5,919	8,420

¹ June 2013 has been adjusted to reflect the impact of the first time adoption of the new AASB 11 *Joint Arrangements* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

5. Finance Revenue and Finance Costs

Accounting Policies

Finance revenue is recognised on a time proportion basis using the effective interest method. When a financial asset is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Finance costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of new borrowings facilities and foreign exchange differences net of hedged amounts on borrowings. Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings. Finance costs are expensed immediately as incurred unless they relate to acquisition and development of qualifying assets. Qualifying assets are assets that take more than six months to prepare for their intended use or sale. Finance costs related to qualifying assets are capitalised.

Financial Disclosure	June 2014 A\$m	June 2013 A\$m
Finance Revenue		
Related parties	13.9	12.3
Other corporations	20.6	28.2
Total interest finance revenue	34.5	40.5
Interest discounting	2.7	3.5
Total finance revenue	37.2	44.0
Finance Costs		
Other corporations	151.8	122.9
Less: Capitalised interest finance costs ¹	(19.7)	(10.0)
Total interest finance costs	132.1	112.9
Non interest finance costs	11.1	11.9
Interest discounting	0.5	
Total finance costs	143.7	124.8
Net finance costs	(106.5)	(80.8)

¹ The weighted average interest rate used to determine the amount of interest finance costs eligible for capitalisation was 5.74% (30 June 2013: 5.56%), which is the effective interest rate.

Notes to the Consolidated Financial Statements continued

6. Taxation

Accounting Policies

Income Taxes

Income tax on the profit or loss for the financial year comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the financial year, using tax rates (and tax laws) enacted or substantively enacted at the balance sheet date in each jurisdiction, and any adjustment to tax payable in respect of previous financial years.

Under current Australian income tax law LLT is not liable for income tax, including capital gains tax, to the extent that unitholders are presently entitled to the income of LLT.

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they are not likely to reverse in the foreseeable future.

Measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates (and tax laws) enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unused tax credits only to the extent that it is probable that future taxable amounts will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but are intended to be settled on a net basis or to be realised simultaneously.

Tax Consolidation

The Company is the head entity of the Australian Tax Consolidated Group comprising all the Australian wholly owned subsidiaries, which excludes Lend Lease Trust. The Company entered into the Australian Tax Consolidation Regime effective 1 July 2002. As a consequence, all members of the Australian Tax Consolidation Group are taxed as a single entity.

The Company and its Australian wholly owned subsidiaries account for their own current and deferred tax amounts. These amounts are measured using a modified standalone taxpayer approach.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the Australian wholly owned subsidiaries of the Australian Tax Consolidated Group.

Members of the Australian Tax Consolidated Group have entered into a tax sharing/funding arrangement that requires wholly owned Australian subsidiaries to make contributions to the Company for tax liabilities and deferred tax balances arising from external transactions occurring after the implementation of tax consolidation. The contributions are broadly calculated as if each entity paid tax on a modified standalone basis.

The contributions are payable as set out in the agreement and reflect the timing of the head entity's obligations to make payments for tax liabilities to the relevant tax authority. The assets and liabilities arising under the Australian tax sharing/funding arrangement are recognised as intercompany assets and liabilities (on demand) with a consequential adjustment to income tax expense/revenue.

Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office ('ATO') is included as a current asset or liability in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Notes to the Consolidated Financial Statements continued

Financial Disclosure	June 2014 A\$m	June 2013 ¹ A\$m
6. Taxation continued		
a. Income Tax Expense		
Recognised in the Income Statement		
Current Tax Expense/(Benefit)		
Current year	116.1	2.4
Adjustments for prior years	(6.9)	(31.4)
Benefits of tax losses recognised	(13.5)	(46.8)
	95.7	(75.8)
Deferred Tax Expense		
Origination and reversal of temporary differences	99.7	111.4
Temporary differences recognised/recovered	(27.9)	(46.7)
Net tax losses recognised	(20.6)	(1.4)
Change in tax rate	2.9	0.1
Adjustments for prior years	25.5	33.8
	79.6	97.2
Total income tax expense	175.3	21.4
Reconciliation of Effective Tax Rate		
Profit before tax	998.6	571.3
Income tax using the domestic corporation tax rate 30%	299.6	171.4
Adjustments for prior year tax claim	(6.9)	(21.6)
Non assessable and exempt income	(60.1)	(38.8)
Non allowable expenses	31.3	6.8
Net recognition of tax losses through income tax expense	(4.6)	(17.0)
Temporary differences recognised through income tax expense	(27.9)	(46.7)
Utilisation of capital losses on disposal of assets	(10.6)	(31.9)
Effect of tax rates in foreign jurisdictions	(40.4)	11.8
Other	(5.1)	(12.6)
Income tax expense	175.3	21.4
Deferred Tax Recognised Directly in Equity		
Relating to:		
Equity issue costs	1.5	1.7
Fair value revaluation reserve	3.4	10.0
Defined benefit plans remeasurements	(4.5)	8.0
Non controlling interest acquisition reserve	3.0	(19.3)
Total deferred tax benefit recognised directly in equity	3.4	0.4

¹ June 2013 has been adjusted to reflect the impact of the first time adoption of the revised AASB 119 *Employee Benefits* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

Notes to the Consolidated Financial Statements continued

	Before Tax A\$m	June 2014 Tax (Expense)/ Benefit A\$m	Net of Tax A\$m	Before Tax A\$m	June 2013 ¹ Tax (Expense)/ Benefit A\$m	Net of Tax A\$m
6. Taxation continued						
b. Tax Effect Relating to Other Comprehensive Income						
Movements in fair value revaluation reserve	7.6	(3.4)	4.2	33.1	(10.0)	23.1
Movements in hedging reserve	(12.5)		(12.5)	10.4		10.4
Movements in foreign currency translation reserve	57.6		57.6	34.6		34.6
Movements in non controlling interest acquisition reserve	(1.7)	(0.3)	(2.0)	(3.2)	19.3	16.1
Movements in defined benefit plan remeasurements in retained earnings	(30.1)	4.5	(25.6)	29.9	(8.0)	21.9
Total other comprehensive income net of tax	20.9	0.8	21.7	104.8	1.3	106.1

	June 2014 Assets A\$m	Liabilities A\$m	June 2013 ¹ Assets A\$m	Liabilities A\$m
c. Deferred Tax Assets and Liabilities				
Recognised Deferred Tax Assets and Liabilities				
Deferred tax assets and liabilities are attributable to the following:				
Loans and receivables	8.1	(150.8)	9.3	(155.5)
Inventories	92.4	(188.0)	51.1	(158.5)
Other financial assets	0.6	(70.5)	3.7	(57.2)
Other assets	0.3	(2.9)		(0.3)
Equity accounted investments	4.5	(41.9)	1.4	(22.8)
Investment properties		(109.8)		(66.2)
Property, plant and equipment	22.5	(13.6)	19.2	(12.2)
Intangible assets		(1.8)		(0.6)
Net defined benefit plans	26.4	(14.5)	20.5	(17.6)
Trade and other payables	127.8	(0.1)	135.6	(7.0)
Resident liabilities	138.9		152.7	
Provisions	93.1		97.1	
Borrowings and financing arrangements	0.6	(0.8)	0.6	
Other financial liabilities	1.7		6.3	
Unused revenue tax losses recognised	242.9		133.4	
Unused capital tax losses recognised	12.9		10.4	
Items with a tax base but no carrying value	24.4	(7.8)	30.7	(5.9)
Total deferred tax assets/(liabilities)	797.1	(602.5)	672.0	(503.8)
Deferred tax set off	(545.8)	545.8	(451.0)	451.0
Net deferred tax assets/(liabilities)	251.3	(56.7)	221.0	(52.8)

¹ June 2013 has been adjusted to reflect the impact of the first time adoption of the revised AASB 119 *Employee Benefits* standard and the new AASB 11 *Joint Arrangements* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

Notes to the Consolidated Financial Statements continued

	1 July 2013 A\$m	Recognised in Income A\$m	Recognised in Equity A\$m	Other/Foreign Exchange A\$m	30 June 2014 A\$m
6. Taxation continued					
c. Deferred Tax Assets and Liabilities continued					
Recognised Deferred Tax Assets and Liabilities continued					
Movement in temporary differences during the financial year:					
June 2014					
Loans and receivables	(146.2)	3.4		0.1	(142.7)
Inventories	(107.4)	10.0		1.8	(95.6)
Other financial assets	(53.5)	(13.3)	(3.4)	0.3	(69.9)
Other assets	(0.3)	0.1		(2.4)	(2.6)
Equity accounted investments	(21.4)	(16.1)		0.1	(37.4)
Investment properties	(66.2)	(31.5)		(12.1)	(109.8)
Property, plant and equipment	7.0	0.5		1.4	8.9
Intangible assets	(0.6)	(1.2)			(1.8)
Net defined benefit plans	2.9	4.1	4.5	0.4	11.9
Trade and other payables	128.6	(1.9)		1.0	127.7
Resident liabilities	152.7	(43.8)		30.0	138.9
Provisions	97.1	(4.3)		0.3	93.1
Borrowings and financing arrangements	0.6	(0.8)			(0.2)
Other financial liabilities	6.3	(4.1)		(0.5)	1.7
Unused revenue tax losses recognised	133.4	20.6		88.9	242.9
Unused capital tax losses recognised	10.4	2.6		(0.1)	12.9
Items with a tax base but no carrying value	24.8	(3.9)	(4.5)	0.2	16.6
Total deferred tax assets/(liabilities)	168.2	(79.6)	(3.4)	109.4	194.6
	1 July 2012 ¹ A\$m	Recognised in Income A\$m	Recognised in Equity A\$m	Other/Foreign Exchange A\$m	30 June 2013 ¹ A\$m
June 2013					
Loans and receivables	(3.5)	(145.3)		2.6	(146.2)
Inventories	(291.6)	199.2		(15.0)	(107.4)
Other financial assets	(17.6)	(23.5)	(10.0)	(2.4)	(53.5)
Other assets	(1.0)	0.7			(0.3)
Equity accounted investments	(17.3)	(5.5)		1.4	(21.4)
Investment properties	(41.8)	(24.4)			(66.2)
Property, plant and equipment	9.5	(2.9)		0.4	7.0
Intangible assets	(7.9)	7.3			(0.6)
Net defined benefit plans	13.2	(2.0)	(8.0)	(0.3)	2.9
Trade and other payables	231.5	(101.1)		(1.8)	128.6
Resident liabilities	84.9	(6.7)		74.5	152.7
Provisions	98.1	0.5		(1.5)	97.1
Borrowings and financing arrangements		0.6			0.6
Other financial liabilities	3.7	(0.7)		3.3	6.3
Unused revenue tax losses recognised	37.6	3.2		92.6	133.4
Unused capital tax losses recognised		10.4			10.4
Items with a tax base but no carrying value	14.3	(7.0)	17.6	(0.1)	24.8
Total deferred tax assets/(liabilities)	112.1	(97.2)	(0.4)	153.7	168.2

1 1 July 2012 and June 2013 has been adjusted to reflect the impact of the first time adoption of the revised AASB 119 *Employee Benefits* standard and the new AASB 11 *Joint Arrangements* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

Notes to the Consolidated Financial Statements continued

	June 2014 A\$m	June 2013 A\$m
6. Taxation continued		
c. Deferred Tax Assets and Liabilities continued		
Unrecognised Deferred Tax Assets		
Deferred tax assets have not been recognised in respect of the following items:		
Capital losses	41.9	46.7
Revenue losses	35.3	57.5
Deductible temporary differences	74.4	94.3
Total unrecognised deferred tax assets	151.6	198.5

Of the unrecognised deferred tax asset of A\$151.6 million, only A\$11.6 million expires by 2034. The remainder of the unrecognised deferred tax asset has no expiry date.

	Cents Per Share/Unit	Company/Trust June 2014 A\$m	June 2013 A\$m
7. Dividends/Distributions¹			
Parent Company Interim Dividend			
December 2013 – paid 21 March 2014	17.5	100.9	
December 2012 – paid 27 March 2013	21.8		125.5
Lend Lease Trust Interim Distribution			
December 2013 – paid 21 March 2014	4.5	25.9	
December 2012 – paid 27 March 2013	0.2		0.9
Parent Company Final Dividend			
June 2014 – declared subsequent to reporting date ²	42.0	242.3	
June 2013 – paid 27 September 2013	19.0		109.4
Lend Lease Trust Final Distribution			
June 2014 – provided for (payable 22 September 2014)	7.0	40.7	
June 2013 – paid 27 September 2013	1.0		5.7
		409.8	241.5

¹ Dividends/distributions were not franked in the current and prior year.

² No provision for this dividend has been recognised in the Statement of Financial Position at 30 June 2014, as it was declared after the end of the financial year.

Dividend Franking

The amount of franking credits available for use in subsequent reporting periods as at 30 June 2014 is A\$16.1 million, based on a 30% tax rate (30 June 2013: A\$13.4 million). This is calculated after adjusting for franking credits which will arise from the payment of income tax provided in the financial statements and tax losses utilised in the current financial year. The Group has estimated future claims with the Australian Taxation Office in relation to the year ended 30 June 2014, and prior years, which are not reflected in the above franking account balance. Should these claims be successful, this will result in the franking account balance being reduced as a consequence.

Notes to the Consolidated Financial Statements continued

8. Earnings Per Share/Stapled Security

Accounting Policies

Earnings Per Share/Stapled Security (EPS/EPSS)

The Group presents basic and diluted EPS/EPSS in the Income Statement.

Basic EPS/EPSS is determined by dividing profit/(loss) after income tax attributable to members of the Company and Group, excluding any costs of servicing equity other than ordinary shares/securities, by the weighted average number of ordinary shares/securities outstanding during the financial year, adjusted for bonus elements in ordinary shares/securities issued during the financial year. Diluted EPS/EPSS is determined by adjusting the profit/(loss) after tax attributable to members of the Company and Group, and the weighted average number of ordinary shares/securities outstanding for the effects of all dilutive potential ordinary shares/securities.

The issued units of LLT are presented separately within equity, and therefore the profit attributable to LLT is excluded from the calculation of basic and diluted earnings per Company share presented in the Income Statement.

Financial Disclosure		June 2014		June 2013 ¹	
		Shares/ Securities excluding Treasury Securities	Shares/ Securities on Issue	Shares/ Securities excluding Treasury Securities	Shares/ Securities on Issue
Basic/Diluted Earnings Per Share (EPS)					
Profit attributable to members of Lend Lease Corporation Limited used in calculating basic/diluted EPS	A\$m	751.5	751.5	538.4	538.4
Weighted average number of ordinary shares	m	545.8	576.6	542.5	574.3
Basic/diluted EPS	cents	137.7	130.3	99.2	93.7
Basic/Diluted Earnings Per Stapled Security (EPSS)					
Profit attributable to securityholders of Lend Lease Group used in calculating basic/diluted EPSS	A\$m	822.9	822.9	549.0	549.0
Weighted average number of stapled securities	m	545.8	576.6	542.5	574.3
Basic/diluted EPSS	cents	150.8	142.7	101.2	95.6

¹ June 2013 has been adjusted to reflect the impact of the first time adoption of the revised AASB 119 *Employee Benefits* standard and the new AASB 11 *Joint Arrangements* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

9. Cash and Cash Equivalents

Accounting Policies

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

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

Financial Disclosure	June 2014 A\$m	June 2013 ¹ A\$m
Cash	528.7	557.1
Short term investments	1,187.1	1,052.4
Total cash and cash equivalents	1,715.8	1,609.5

¹ June 2013 has been adjusted to reflect the impact of the first time adoption of the new AASB 11 *Joint Arrangements* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

Short term investments earned variable rates of interest which averaged 2.8% per annum during the year ended 30 June 2014 (30 June 2013: 3.5%).

Notes to the Consolidated Financial Statements continued

10. Loans and Receivables

Accounting Policies

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are included in non current assets. Loans and receivables are carried at amortised cost using the effective interest method. At each balance sheet date the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Cash flows relating to short term trade and other receivables are not discounted if the effect of discounting is immaterial.

A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and its fair value, which is estimated as the present value of estimated future cash flows, discounted at the effective interest rate where relevant. The amount of the provision is recognised in the Income Statement.

Other receivables includes receivables related to retirement living, investment management, property development, and miscellaneous items. Deferred management fees ('DMF') related to retirement living are recorded in 'Other Receivables' and represent amounts owed to the Group in connection with resident occupancy at retirement villages subject to long term management agreements. DMF receivable is calculated in accordance with resident contracts, refer to Note 2 'Revenue'. DMF receivable is classified differently on the Statement of Financial Position, between owned and managed retirement villages. For owned retirement villages, the DMF receivable is offset against the resident liabilities balance in current liabilities as they are net settled in the same future transaction, refer to Note 18 'Resident Liabilities'. In relation to leased and managed retirement villages, the DMF receivable is recognised as a receivable split between current and non current receivables based on the expected rate of resident turnover.

Retentions receivable on construction contracts represent deposits held by the Group until the satisfaction of conditions specified in the contract are rectified. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are included in non current assets.

Financial Disclosure	June 2014 A\$m	June 2013 ¹ A\$m
Current		
Trade receivables	1,263.0	1,645.9
Less: Impairment	(15.8)	(20.7)
	1,247.2	1,625.2
Related parties	43.9	31.7
Retentions	203.7	191.2
Other receivables	293.9	138.6
Less: Impairment	(11.4)	(9.8)
Total current	1,777.3	1,976.9
Non Current		
Related parties	150.0	173.0
Less: Impairment	(122.3)	(87.6)
Retentions	78.7	66.3
Other receivables	530.2	513.7
Less: Impairment	(2.8)	
Total non current	633.8	665.4
Total loans and receivables	2,411.1	2,642.3

1 June 2013 has been adjusted to reflect the impact of the first time adoption of the new AASB 11 *Joint Arrangements* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

As at the reporting date, A\$1,045.3 million of the trade debtors were current (30 June 2013: A\$1,423.1 million) and A\$217.7 million were past due (30 June 2013: A\$222.8 million). Of the past due amount, A\$202.5 million was not impaired (30 June 2013: A\$202.1 million). 'Past due' is defined under accounting standards to mean any amount outstanding for one or more days after the contractual due date. Of the total trade debtors, 7.9% (30 June 2013: 6.9%) are aged greater than 90 days. Other than trade debtors, no other loans and receivables are considered past due at 30 June 2014 (30 June 2013: A\$nil).

Notes to the Consolidated Financial Statements continued

	June 2014 A\$m	June 2013 A\$m
10. Loans and Receivables continued		
Impairment		
Carrying amount at beginning of financial year	118.1	122.1
Bad and doubtful debts impairment loss net of provisions (written back)/raised	85.7	(0.3)
Other movements (including foreign exchange rate movements)	(51.5)	(3.7)
Carrying amount at end of financial year	152.3	118.1
Total impairment as a percentage of total loans and receivables	6.3%	4.5%

The credit quality of all loans and receivables, including those neither past due nor impaired, is assessed and monitored on an ongoing basis.

To determine the impairment provision for the financial year, the Group considers how economic and market conditions will affect the creditworthiness of certain entities. The impairment provision relates to specific loans and receivables that have been identified as being impaired, including related party loans where the Group's interest in a development was via an equity accounted investment.

11. Inventories

Accounting Policies

Development Properties

Property acquired for development and sale in the ordinary course of business is carried at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of development properties includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition, including borrowing costs incurred. Property expected to be sold within 12 months from the end of the financial year is classified as current inventory.

The recoverable amount of each property is assessed at each balance date and a provision for diminution in value is raised where cost (including costs to complete) exceeds net realisable value. In determining the recoverable amount, regard is given to the market conditions affecting each property and the underlying strategy for selling the property.

Construction Work in Progress

The gross amount of construction and development work in progress consists of costs attributable to work performed, together with emerging profit and after providing for any foreseeable losses.

Work in progress is presented as part of inventories for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings and recognised losses exceed costs incurred plus recognised profits, then the difference is presented in trade and other payables.

The Group expenses all pre contract and project bidding costs, unless there is a high degree of certainty that a contract will be entered into (at least preferred bidder status) and that the costs will be fully recoverable from contract revenues. Costs previously expensed are not subsequently reinstated when a contract award is achieved.

Financial Disclosure	June 2014 A\$m	June 2013 ¹ A\$m
Current		
Development properties	580.6	423.2
Construction work in progress	755.6	639.0
Other	9.4	31.0
Total current	1,345.6	1,093.2
Non Current		
Development properties	1,785.9	1,850.5
Total inventories	3,131.5	2,943.7

¹ June 2013 has been adjusted to reflect the impact of the first time adoption of the new AASB 11 *Joint Arrangements* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

Notes to the Consolidated Financial Statements continued

12. Equity Accounted Investments

Accounting Policies

Equity Accounted Investments (Associates and Joint Ventures)

Investments in associates and joint ventures are accounted for using the equity method. Associates (including partnerships) are entities in which the Group, as a result of its voting rights, has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The consolidated financial statements include the Group's share of the total recognised gains or losses of associates and joint ventures on an equity accounted basis. For associates, this is from the date that significant influence commences until the date that significant influence ceases, and for joint ventures, this is from the date joint control commences until the date joint control ceases.

Other movements in associates' and joint ventures' reserves are recognised directly in the Group's consolidated reserves. Investments in associates and joint ventures are carried at the lower of the equity accounted carrying amount and the recoverable amount. When the Group's share of losses exceeds the carrying amount of the equity accounted investment (including assets that form part of the net investment in the associate or joint venture entity), the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has recourse to obligations in respect of the associate or joint venture.

Dividends from associates and joint ventures represent a return on the Group's investment and as such are applied as a reduction to the carrying value of the investment. Unrealised gains arising from transactions with equity accounted investments are eliminated against the investment in the associate or joint venture to the extent of the Group's interest in the associate or joint venture. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Service Concession Arrangements (SCAs)

The Group has investments providing SCAs, originating through public private partnerships ('PPPs'), in the areas of healthcare, education and government facilities. These arrangements provide facilities management and maintenance services for a fixed payment per annum (subject to inflationary increases per year) with terms generally of 25 to 30 years. They also incorporate contractual obligations to make available the individual assets for their prescribed use and, where necessary, overhaul or replace major items of plant and equipment related to the assets with payment obtained through periodic draw-downs from the relevant government authorities.

The Group equity accounts its investment in project companies with SCAs. In the project company holding the SCA, the consideration receivable in respect of construction and services in the operational phase of the SCA is accounted for as a 'loan or receivable' and measured at amortised cost. Revenue arising from services provided will be recognised based on the fair value of each service provided. Borrowing costs and lifecycle costs are expensed as incurred.

Venture Capital Exemption

Investments held by a subsidiary of the Group that is deemed to be a venture capital organisation are carried at fair value even though the Group may have significant influence or joint control over those entities.

This accounting is permitted by AASB 128 *Investments in Associates* and AASB 11 *Joint Arrangements* which require investments held by venture capital organisations to be excluded from their scope when those investments are designated as at 'fair value through profit or loss' from inception. Refer to Note 14 'Other Financial Assets' for the accounting policies associated with investments designated as at 'fair value through profit or loss'. These investments are recorded in this financial statement line item.

The investments made by the venture capital organisation are considered to be venture capital in nature due to management of the investments on a portfolio basis and are unrelated to the Group's key business activities.

The application of this exemption is assessed on each investment made by the venture capital organisation.

Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

Investments in joint operations are accounted for by recognising amounts on a line by line basis in accordance with the standards applicable to the particular assets, liabilities, revenues and expenses in relation to the Group's interest in the joint operation.

Notes to the Consolidated Financial Statements continued

Financial Disclosure	June 2014 A\$m	June 2013 ¹ A\$m
12. Equity Accounted Investments continued		
Associates		
Investment in associates	129.3	90.9
Less: Impairment	(10.5)	(10.5)
Total associates	118.8	80.4
Joint Ventures		
Investment in joint ventures	465.8	427.6
Less: Impairment	(6.6)	(21.2)
Total joint ventures	459.2	406.4
Total equity accounted investments	578.0	486.8

1 June 2013 has been adjusted to reflect the impact of the first time adoption of the new AASB 11 *Joint Arrangements* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

	Interest June 2014 %	June 2013 %	Share of Profit/(Loss) ¹ June 2014 A\$m	June 2013 ² A\$m	Net Book Value June 2014 A\$m	June 2013 ² A\$m
a. Associates						
Australia						
Lend Lease Real Estate Partners 3	25.0	25.0	18.7	10.2	81.9	68.3
Lend Lease Communities Fund 1	20.8	20.8	(0.2)	(0.2)	17.7	17.0
Other					0.5	0.5
Total Australia			18.5	10.0	100.1	85.8
Asia						
Lend Lease Asian Retail Investment Fund 2	35.9		0.9		23.3	
Total Asia			0.9	-	23.3	-
Europe						
Other					4.5	4.0
Total Europe			-	-	4.5	4.0
Americas						
Other			2.0	1.4	1.4	1.1
Total Americas			2.0	1.4	1.4	1.1
Total			21.4	11.4	129.3	90.9
Less: Impairment					(10.5)	(10.5)
Total associates			21.4	11.4	118.8	80.4
b. Joint Ventures						
Australia						
Lend Lease International Towers Sydney Trust ³	15.0	25.0	20.6	4.0	80.9	89.3
Darling Harbour Live	50.0		(1.9)		100.4	
Sunshine Coast University Hospital	50.0	50.0	3.7	1.3	83.0	76.9
New Bendigo Hospital	50.0	50.0	(2.0)	(0.1)	22.6	31.5
Eastern Goldfields Regional Prison	50.0	50.0	(2.3)	(0.3)	10.5	16.6
V5 Trust – Convesso	50.0	50.0	1.1	(0.9)	2.2	15.7
Other			3.2	9.1	9.9	15.3
Total Australia			22.4	13.1	309.5	245.3
Asia						
CDR JV Ltd (313@somerset)	25.0	25.0	4.2	3.9	104.6	103.6
LLJV Limited and Triple Eight JV Limited (Jem® ⁴)				13.7		
Other			0.2	0.1	0.3	0.1
Total Asia			4.4	17.7	104.9	103.7

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

2 June 2013 has been adjusted to reflect the impact of the first time adoption of the new AASB 11 *Joint Arrangements* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

3 Sale of 10% interest in Lend Lease International Towers Sydney Trust did not change the assessment of joint control.

4 Jem® was sold in June 2013.

Notes to the Consolidated Financial Statements continued

	Interest		Share of Profit/(Loss) ¹		Net Book Value	
	June 2014	June 2013	June 2014	June 2013 ²	June 2014	June 2013 ²
	%	%	A\$m	A\$m	A\$m	A\$m
12. Equity Accounted Investments continued						
b. Joint Ventures continued						
Europe						
Stratford City Business District Limited	50.0	50.0	5.7	0.1	23.6	16.0
Majadahonda Hospital	25.0	25.0	2.0	1.7	9.3	11.2
Global Renewables Lancashire Holdings Limited	50.0	50.0	(2.5)	(1.7)	1.4 ³	21.2
Other			4.2	2.2	15.6	29.1
Total Europe			9.4	2.3	49.9	77.5
Americas						
Other			1.7	1.3	1.5	1.1
Total Americas			1.7	1.3	1.5	1.1
Total			37.9	34.4	465.8	427.6
<i>Less: Impairment</i>					(6.6)	(21.2)
Total joint ventures			37.9	34.4	459.2	406.4
Total equity accounted investments			59.3	45.8	578.0	486.8

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 June 2013 has been adjusted to reflect the impact of the first time adoption of the new AASB 11 *Joint Arrangements* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

3 Overall net book value of the Global Renewable Lancashire Holdings Limited investment is A\$nil when related liabilities are taken into consideration.

c. Material Associates and Joint Ventures summarised financial information

The table below provides summarised financial information for those associates and joint ventures that are material to the Group. Material associates and joint ventures have been determined by comparing individual investment net book value with the total equity accounted investment balance. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures and associates and, where indicated, the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and differences in accounting policies. The nature and principal activities of the material associates and joint ventures is investing in property assets.

	Lend Lease Real Estate Partners 3		Lend Lease International Towers Sydney Trust		CDR JV Ltd (313@somerset)	
	June 2014	June 2013	June 2014	June 2013	June 2014	June 2013
	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
Income Statement						
Revenue from provision of services	61.4	58.1			49.9	47.6
Interest income			0.1	0.2		
Fair value revaluations	54.9	23.0	112.8	18.3	(1.2)	(0.8)
Interest expense	(7.5)	(3.6)			(11.2)	(12.0)
Other expenses	(34.0)	(36.7)	(3.4)	(2.5)	(18.7)	(17.6)
Income tax expense					(2.0)	(1.6)
Profit for the period¹	74.8	40.8	109.5	16.0	16.8	15.6
Other comprehensive income					19.3	14.4
Total comprehensive income	74.8	40.8	109.5	16.0	36.1	30.0
Group's total share of:						
Profit	18.7	10.2	20.6	4.0	4.2	3.9
Other comprehensive income					4.8	3.6
Total comprehensive income	18.7	10.2	20.6	4.0	9.0	7.5
Dividends received from associates and joint ventures	5.1	4.5	—	—	7.5	1.8

1 There was no depreciation and amortisation expense in the current or prior period.

Notes to the Consolidated Financial Statements continued

12. Equity Accounted Investments continued

c. Material Associates and Joint Ventures summarised financial information continued

	Lend Lease Real Estate Partners 3		Lend Lease International Towers Sydney Trust		CDR JV Ltd (313@somerset)	
	June 2014 A\$m	June 2013 A\$m	June 2014 A\$m	June 2013 A\$m	June 2014 A\$m	June 2013 A\$m
Statement of Financial Position						
Current assets						
Cash and cash equivalents	8.2	5.6	0.9	2.4	39.2	48.0
Other current assets	3.5	2.4	3.0	17.3	3.1	1.6
Total current assets	11.7	8.0	3.9	19.7	42.3	49.6
Non current assets	517.6	454.8	1,233.5	871.2	983.3	936.8
Total current liabilities¹	(18.5)	(14.0)	(364.5)	(133.7)	(23.5)	(16.0)
Non current liabilities						
Financial liabilities (excluding trade payables)	(181.9)	(175.6)	(132.7)		(559.8)	(530.8)
Other non current liabilities	(1.4)		(200.7)	(400.2)	(7.4)	(10.8)
Total non current liabilities	(183.3)	(175.6)	(333.4)	(400.2)	(567.2)	(541.6)
Net assets	327.5	273.2	539.5	357.0	434.9	428.8
Reconciliation to Carrying Amounts						
Opening net assets 1 July	273.2	250.2	357.0		428.8	406.0
Profit for the period	74.8	40.8	109.5	16.0	16.8	15.6
Other comprehensive income					19.3	14.4
Dividends paid	(20.5)	(17.8)			(30.0)	(7.2)
Acquisition/contributions			73.0	341.0		
Closing net assets	327.5	273.2	539.5	357.0	434.9	428.8
Group's share of net assets	81.9	68.3	80.9	89.3	108.7	107.2
Other adjustments					(4.1)	(3.6)
Carrying amount at end of period	81.9	68.3	80.9	89.3	104.6	103.6

¹ Lend Lease International Towers Sydney Trust had current financial liabilities of A\$225.8 million (June 2013: A\$nil). There were no other current financial liabilities in the current or prior year.

There were no capital expenditure or lease commitments contracted but not provided for during the current or prior year for the material associates and joint ventures.

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

	Associates		Joint Ventures	
	June 2014 A\$m	June 2013 A\$m	June 2014 A\$m	June 2013 A\$m
Aggregate amounts of the Group's share of:				
Profit from continuing operations	2.7	1.2	13.1	26.5
Other comprehensive income	0.9	0.2	(7.5)	21.2
Aggregate amounts of Group's share of total comprehensive income of individually immaterial equity accounted investments	3.6	1.4	5.6	47.7
Aggregate carrying value of individually immaterial equity accounted investments	36.9	12.1	273.7	213.5

Notes to the Consolidated Financial Statements continued

13. Investment Properties

Accounting Policies

Investment properties are measured at cost, including transaction costs, on initial recognition and then stated at fair value. The fair value for all properties, except those under construction and those valued at less than A\$10.0 million, is based on periodic, but at least triennial, valuations by qualified external independent valuers. It is the policy of the Group to review the fair value of each property every six months.

Fair value is based on current prices in an active market for similar properties in the same location and condition. If this information is not available, the Group uses alternative calculation methods such as discounted cash flow projections, recent prices on less active markets or capitalised income projections. Capitalised income projections are based on perpetuity of net operating income and deferred management fees using a capitalisation rate derived from market evidence. Any gain or loss arising from a change in fair value is recognised in the Income Statement. Rental revenue and deferred management fees from investment properties are accounted for as described in Note 2 'Revenue'.

When an item of owner occupied property, plant and equipment becomes an investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item and its fair value is recognised directly in equity if it is a gain. Upon disposal of the item, the gain is transferred to retained earnings. Any loss is recognised immediately in the Income Statement.

When an item of self constructed property, plant and equipment becomes an investment property following a change in its use, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Income Statement.

Expenses capitalised to properties may include the cost of acquisition, additions, refurbishments, redevelopments, borrowing costs and certain fees incurred.

Retirement living investment properties, principally comprising retirement villages (both operating villages and villages under development) are held for long term income yields and are not occupied by the Group. The Group makes a determination, on a property by property basis, as to whether a property should be considered an investment property. Factors taken into account include whether the property generates property related cash flows largely independent of other services provided to residents of the properties; whether the property is held for long term capital appreciation rather than for short term sale in the ordinary course of business; and the probable future use of land that is not currently generating cash flows.

Financial Disclosure	June 2014 A\$m	June 2013 ¹ A\$m
Retirement living properties	4,615.8	3,819.6
Retail properties	81.5	10.0
Assets under construction	134.7	222.7
Total investment properties	4,832.0	4,052.3
Reconciliations		
Reconciliations of the carrying amount for investment properties are as follows:		
Carrying amount at beginning of financial year	4,052.3	3,443.5
Acquisition/(disposal) of investment properties	448.7	373.8
Capital expenditure	103.9	146.2
Fair value gain recognised through the Income Statement	49.7	25.6
Increase attributable to capital gain	109.5	21.2
Foreign exchange rate/other movements	67.9	42.0
Carrying amount at end of financial year	4,832.0	4,052.3

¹ June 2013 has been adjusted to reflect the impact of the first time adoption of the new AASB 11 *Joint Arrangements* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

Notes to the Consolidated Financial Statements continued

13. Investment Properties continued

Valuation Technique

The key assumptions used in the fair value assessments, including those classified as assets under construction, have been derived from market evidence and are summarised as follows.

Retirement Living Properties

For retirement living properties, the key long term assumptions adopted in the basis of valuation at the reporting date included:

- Weighted average discount rate of 13.3% (June 2013: 13.2%);
- Weighted average future growth rate of 3.8% (June 2013: 3.9%); and
- Average length of stay: 11 years for independent living units (June 2013: 11 years) and six years for serviced apartments (June 2013: six years).

For retirement living properties included in assets under construction, the assumptions adopted in determining the fair values at 30 June 2014 included:

- Discount rates between 14.0% and 17.0% (June 2013: 14.0% and 17.0%) based on the stage of development and the assessed project risk; and
- Growth rates between 2.0% and 4.0% (June 2013: weighted average 3.6%) based on price and cost escalation assumptions determined by individual property factors.

Fair Value Measurement

There are different levels of fair value measurements, refer to Note 27e 'Fair Value Measurement' for definitions. When fair value is calculated using inputs that are not based on observable market data, then assets are considered a level 3 fair value. The fair value measurement for net investment properties of A\$1,545.0 million (June 2013: A\$1,296.4 million) has been categorised as a level 3 fair value based on the inputs to the valuation technique used as noted above.

Net investment properties includes net retirement living properties after deducting resident liabilities and related deferred revenue, A\$1,328.8 million (June 2013: A\$1,063.7 million), retail properties A\$81.5 million (June 2013: A\$10.0 million) and assets under construction A\$134.7 million (June 2013: A\$222.7 million).

There were no investment properties that were considered levels 1 or 2.

Fair Value Reconciliation

Reconciliation of carrying value for level 3 net investment properties.

	June 2014 A\$m	June 2013 A\$m
Carrying amount at beginning of financial period	1,296.4	1,123.9
Additions/(disposals)	229.9	104.9
Gains/(losses) recognised in:		
Income Statement – other income	49.7	25.6
Other comprehensive income – foreign currency translation	22.4	10.4
Other movements	(53.4)	31.6
Carrying amount at end of financial period	1,545.0	1,296.4

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

Notes to the Consolidated Financial Statements continued

14. Other Financial Assets

Accounting Policies

The Group classifies its investments in debt and equity securities in the following categories: financial assets at fair value through profit or loss, loans and receivables (refer to Note 10 'Loans and Receivables'), held to maturity investments, and available for sale financial assets. The classification depends on the purpose for which the investments were acquired.

Available for sale financial assets are non derivative financial assets that are either designated in this category or not classified in any other category. They are included in non current assets unless the Group intends to dispose of the investment within 12 months of the balance sheet date.

Fair value through profit or loss has two subcategories: financial assets held for trading, and financial assets designated at fair value through profit or loss at inception. A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short term (held for trading) or if so designated by the Group either to eliminate a measurement or recognition inconsistency, or where a group of financial assets is managed, and its performance is evaluated, on a fair value basis in line with the Group's documented risk management or investment strategy (at inception).

Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. Derivative financial instruments are recognised initially at fair value on the date a derivative contract is entered into and subsequently remeasured at fair value. Recognition of any resultant gain or loss depends on the nature of the item being hedged. Refer to Note 22 'Reserves' for accounting policies on hedging.

The fair value of forward exchange contracts is their value at the current quoted forward price at the balance sheet date.

Held to maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intent and ability to hold to maturity.

Recognition and Measurement Criteria

Purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or been transferred and the Group has transferred substantially all the risks and rewards of ownership. Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Held to maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the Income Statement in the financial year in which they arise.

Unrealised gains or losses arising from changes in the fair value of non monetary securities classified as available for sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the Income Statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, and discounted cash flow analysis.

Refer to Note 27e 'Fair Value Measurement' for a summary of the basis of valuation of investments measured at fair value.

At each balance sheet date the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired.

In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired.

If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the Income Statement. Impairment losses recognised in the Income Statement on equity instruments are not reversed through the Income Statement but are recognised through other comprehensive income.

Notes to the Consolidated Financial Statements continued

Financial Disclosure	June 2014 A\$m	June 2013 A\$m
14. Other Financial Assets continued		
Current Measured at Fair Value		
Available for Sale	1.2	1.2
Fair Value Through Profit or Loss – Designated at Initial Recognition		
Negotiable instruments	36.9	72.3
Derivatives	12.3	24.3
Total current	50.4	97.8
Non Current Measured at Fair Value		
Available for Sale		
Australian Prime Property Fund – Retail	42.2	41.1
Lend Lease Core Plus Fund	33.7	41.3
Lend Lease Retail Partnership	62.9	48.8
Lend Lease Asian Retail Investment Fund	33.2	32.5
Lend Lease Asian Retail Investment Fund 3	60.6	55.7
Parkway Parade Partnership Limited	29.5	27.6
Other	114.1	92.1
	376.2	339.1
Fair Value Through Profit or Loss – Designated at Initial Recognition		
Australian Prime Property Fund – Industrial	239.3	
Australian Prime Property Fund – Commercial	228.2	
Other unlisted investments	119.2	105.5
	586.7	105.5
Held to Maturity		
Other	9.2	8.5
	9.2	8.5
Total non current	972.1	453.1
Total other financial assets	1,022.5	550.9

Notes to the Consolidated Financial Statements continued

15. Intangible Assets

Accounting Policies

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets and contingent liabilities of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets as goodwill. Goodwill on acquisition of associates is included in the carrying value of investments in associates.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is not amortised. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purposes of impairment testing, goodwill is allocated to cash generating units (or groups of cash generating units) that are expected to benefit from the synergies of the combinations, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Management agreements and other intangible assets acquired by the Group are stated at cost less accumulated amortisation and impairment losses (see Note 4 'Other Expenses'). Amortisation is charged to the Income Statement on a straight line basis over the estimated useful lives of the intangible assets, ranging from three to 20 years.

Acquired computer software licences are included in 'Other Intangibles' and are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three – seven years). Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs directly associated with producing identifiable and unique software products that will generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Direct costs include software development, employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives (three – seven years).

The recoverable amount of management agreements and other intangible assets is assessed at least annually using independent valuations or alternative calculation methods, such as discounted cash flow projections.

Financial Disclosure	Note	June 2014 A\$m	June 2013 A\$m
Goodwill	15a	1,170.4	1,148.5
Management agreements		62.9	55.2
Other intangibles		90.4	58.8
Total intangible assets		1,323.7	1,262.5
a. Goodwill			
Construction		1,146.2	1,124.3
Development		24.2	24.2
Total goodwill		1,170.4	1,148.5
Reconciliations			
Reconciliations of the carrying amounts for each category of goodwill are as follows:			
Construction			
Carrying amount at beginning of financial year		1,124.3	1,112.3
Disposal of consolidated entities			(6.1)
Effect of foreign exchange rate/other movements		21.9	18.1
Carrying amount at end of financial year		1,146.2	1,124.3
Development			
Carrying amount at beginning of financial year		24.2	22.5
Effect of foreign exchange rate			1.7
Carrying amount at end of financial year		24.2	24.2

Notes to the Consolidated Financial Statements continued

15. Intangible Assets continued**a. Goodwill continued****Goodwill Allocation**

Goodwill relating to the Construction business is allocated to cash generating units ('CGUs') identified according to regions as set out below.

	June 2014 A\$m	June 2013 A\$m
Construction		
Australia	743.5	743.5
Europe	244.0	222.1
Americas	151.3	151.3
Asia	7.4	7.4
Total goodwill	1,146.2	1,124.3

Impairment Tests and Key Assumptions Used – Construction

The recoverable amount of the Construction CGUs is determined based on value in use ('VIU') calculations. For the Construction CGUs, the assumptions used for determining the recoverable amount of each CGU are based on past experience and expectations for the future, utilising both internal and external sources of data and relevant industry trends.

No impairment arose as a result of the review of goodwill for the Construction CGUs for the year ended 30 June 2014.

Based on information available and market conditions at 30 June 2014, a reasonably foreseeable change in the assumptions made in this assessment would not result in impairment of Construction goodwill.

The following describes the key assumptions on which management has based its cash flow projections when determining VIU relating to the Construction CGUs.

Cash Flows

The VIU calculations use pre tax cash flow projections based on actual operating results, and financial forecasts covering a five year period which have been approved by management. These forecasts are based on management estimates to determine income, expenses, capital expenditure and cash flows for each CGU.

Growth Rate

The terminal value growth rate used to extrapolate the cash flows beyond the five year period is 3.0% (June 2013: 3.0%).

The growth rate reflects the forecast long term average growth rate for each CGU and the countries in which they operate.

Discount Rate

The discount rates applied to the cash flow projections vary between 14.0% and 20.0% (June 2013: between 14.0% and 20.0%). The Group's weighted average cost of capital is used as a starting point for determining the discount rate, with appropriate adjustments for the risk profile relating to the relevant CGUs and the countries in which they operate. The discount rates used are pre tax.

16. Defined Benefit Plans**Accounting Policies**

Group companies operate pension plans. The plans are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

A defined benefit plan is a pension plan that defines the amount of pension benefit an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset or liability recognised in the Statement of Financial Position in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated at least annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate or government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Remeasurement gains and losses arising from experience adjustments and changes to actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the Statement of Changes in Equity and in the Statement of Financial Position.

Past service costs are recognised immediately in the Income Statement.

Notes to the Consolidated Financial Statements continued

16. Defined Benefit Plans continued**a. Lend Lease Superannuation Plan (Australia)**

The Company sponsors a funded defined benefit pension plan ("the Plan") for qualifying Australian employees. The Plan is administered by a separate board of Trustees which is legally separate from the Company. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the governance of the Plan. These responsibilities include administration of the Plan and payment to the beneficiaries from plan assets when required in accordance with the Plan rules, management and investment of plan assets and compliance with superannuation law and other applicable regulations.

The Plan pays lump sum benefits upon an employee's resignation, retirement, death or disablement, based on final average salary (three year average) and length of service. The defined benefit section of the Plan is closed to new members. There were no Plan amendments affecting defined benefits payable, curtailments or settlements during the year. The Plan actuary has recommended that the Company makes contributions to the Plan in respect of defined benefit liabilities of 12.5% base pay. The Company expects to pay A\$5.3 million in contributions to its defined benefit plan in 2015.

The defined benefit plan is exposed to actuarial risk and market (investment) risk, the defined benefit assets are invested in a cash investment strategy and therefore investment risk is low. The information which follows provides additional detail on risk.

	June 2014 A\$m	June 2013 ¹ A\$m
i. Statement of Financial Position Amounts		
The amounts recognised in the Statement of Financial Position are determined as follows:		
Defined benefit obligations	119.3	122.3
Fair value of plan assets	(126.9)	(123.7)
Net defined benefit asset	(7.6)	(1.4)
ii. Reconciliation of Defined Benefit Obligations		
Defined benefit obligations at beginning of financial year	122.3	128.4
Included in Income Statement		
Current service cost	6.9	6.6
Interest cost	3.4	2.8
Remeasurements Included in Other Comprehensive Income		
Actuarial loss/(gain) arising from:		
Financial assumptions	1.2	(4.5)
Experience adjustments	0.2	(1.0)
Other		
Taxes and premiums paid	(1.1)	(1.0)
Accumulation insurance premium met from surplus	(1.3)	(1.1)
Benefits paid	(12.3)	(7.9)
Defined benefit obligations at end of financial year	119.3	122.3
iii. Reconciliation of the Fair Value of Plan Assets		
Fair value of plan assets at beginning of financial year	123.7	114.8
Included in Income Statement		
Interest income	3.5	2.6
Remeasurements Included in Other Comprehensive Income		
Actual return on plan assets excluding interest income	9.0	10.5
Other		
Contributions by Group companies	5.4	5.8
Taxes and premiums paid	(1.1)	(1.0)
Accumulation insurance premium met from surplus	(1.3)	(1.1)
Benefits paid	(12.3)	(7.9)
Fair value of plan assets at end of financial year	126.9	123.7
iv. Expense Recognised in the Income Statement		
Current service cost	6.9	6.6
Net interest (revenue)/cost	(0.1)	0.2
Net defined benefit plan expense	6.8	6.8

¹ June 2013 has been adjusted to reflect the impact of the first time adoption of the revised AASB 119 *Employee Benefits* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

Notes to the Consolidated Financial Statements continued

16. Defined Benefit Plans continued

a. Lend Lease Superannuation Plan (Australia) continued

	June 2014 A\$m	June 2013 ¹ A\$m
v. Fair Value of Plan Assets		
Plan assets comprise of:		
Investment funds	126.9	123.7

The Plan actuary has recommended that the Company maintain plan assets at least equal to 100% of accumulation account balances, plus 100% of defined benefit vested benefits. The investment funds have 100% benchmark exposure to cash, the fair value is calculated using significant observable inputs and therefore assets have been categorised as level 2. The Company and Trustees have agreed a long-term strategy for reducing investment risk as and when appropriate, currently there is no asset-liability matching strategies in place.

	June 2014 %	June 2013 ¹ %
vi. Principal Actuarial Assumptions		
Discount rate	3.0	3.2
Expected salary increase rate	3.0	3.0

¹ June 2013 has been adjusted to reflect the impact of the first time adoption of the revised AASB 119 *Employee Benefits* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

The liabilities are calculated using a discount rate set with reference to government bond yield with a maturity term similar to the liabilities, a decrease in government bond yield will increase the value placed on the Plan's liabilities. As the Plan pays a lump sum benefit based on three year average salary and length of service, any salary increases will impact the payment amount, the actuary liaises with the Company to determine expected increases. At June 2014, the weighted average duration of the defined benefit obligation was four years (June 2013: five years).

vii. Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below.

	0.1% Increase in Discount Rate A\$m	0.1% Decrease in Discount Rate A\$m	1.0% Increase in Expected Salary Rate A\$m	1% Decrease in Expected Salary Rate A\$m
Defined benefit obligations	(0.6)	0.6	4.7	(4.4)

b. Lend Lease Construction UK Pension Scheme

Lend Lease Construction Holdings (EMEA) Limited ('UK Construction') sponsors a funded defined benefit pension scheme ('the Scheme') for qualifying UK employees. The Scheme is administered by a separate board of Trustees which is legally separate from UK Construction. The Scheme's Trustees are composed of representatives of both the employer and employees. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets plus the day to day administration of the benefits.

The Scheme is a funded defined benefit scheme, with final salary section providing retirement benefits based on final salary and the index-linked section providing retirement benefits based on career average salary. A separate section, the Personal Investment Section, provides retirement benefits on a defined contribution basis. The UK Construction's contributions to members' Personal Investment Fund accounts are not included in these disclosures.

The final salary section closed to future accrual on 31 August 2008 and the index-linked section closed to future accrual on 31 January 2012. There were no Scheme amendments affecting defined benefits payable, curtailments or settlements during the year. UK Construction pays deficit funding contributions plus 4.0% of members' basic salaries to cover the Scheme's expected administration costs and costs of benefits payable on death in service. The Scheme expects to pay A\$18.9 million in contributions to its defined benefit plan in 2015. This includes a deficit recovery payment of A\$14.0 million, which was agreed as an annual payment until 2018 following the tri-annual actuarial valuation for 31 March 2011.

The defined benefit plan is exposed to actuarial risk and market (investment) risk, the information which follows provides additional detail on risk.

Notes to the Consolidated Financial Statements continued

	June 2014 A\$m	June 2013 ¹ A\$m
16. Defined Benefit Plans continued		
b. Lend Lease Construction UK Pension Scheme continued		
i. Statement of Financial Position Amounts		
The amounts recognised in the Statement of Financial Position are determined as follows:		
Defined benefit obligations	875.6	752.8
Fair value of plan assets	(836.1)	(738.2)
Net defined benefit liability	39.5	14.6
ii. Reconciliation of Defined Benefit Obligations		
Defined benefit obligations at beginning of financial year	752.8	682.7
Included in Income Statement		
Interest cost	36.2	29.9
Remeasurements Included in Other Comprehensive Income		
Actuarial loss/(gain) arising from:		
Demographic assumptions		(18.2)
Financial assumptions	31.8	69.4
Experience adjustments	(0.4)	(1.6)
Other		
Benefits paid	(27.7)	(25.0)
Effect of foreign exchange rate movements	82.9	15.6
Defined benefit obligations at end of financial year	875.6	752.8
iii. Reconciliation of the Fair Value of Plan Assets		
Fair value of plan assets at beginning of financial year	738.2	641.6
Included in Income Statement		
Interest income	35.7	28.2
Administration costs	(3.4)	(3.6)
Remeasurements Included in Other Comprehensive Income		
Actual return on plan assets excluding interest income	(6.3)	63.5
Other		
Contributions by Group companies	18.8	16.5
Benefits paid	(27.7)	(25.0)
Effect of foreign exchange rate movements	80.8	17.0
Fair value of plan assets at end of financial year	836.1	738.2
iv. Expense Recognised in the Income Statement		
Net interest cost	0.5	1.7
Administration costs	3.4	3.6
Net defined benefit plan expense	3.9	5.3

¹ June 2013 has been adjusted to reflect the impact of the first time adoption of the revised AASB 119 *Employee Benefits* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

Notes to the Consolidated Financial Statements continued

	June 2014 A\$m	June 2013 ¹ A\$m
16. Defined Benefit Plans continued		
b. Lend Lease Construction UK Pension Scheme continued		
v. Fair Value of Plan Assets		
Plan assets comprise of:		
Equities		
UK	86.2	90.0
Global	231.6	198.4
Investment funds	128.7	90.9
Infrastructure	16.9	14.0
Government index-linked bonds	248.5	208.0
Corporate bonds	118.7	102.6
Other assets	5.5	34.3
	836.1	738.2

The investment funds target an absolute level of return. The plan assets can be categorised as level 1, where the fair value is determined using an unadjusted quoted price for an identical asset, or level 2, where the fair value is derived either directly or indirectly from observable inputs. At the year end, approximately A\$120.0 million of global equities (June 2013: A\$104.9 million), all the investment funds and corporate bonds were level 2. UK Construction and Trustees have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes an asset-liability matching policy which aims to reduce the volatility of the funding level of the pension plan by investing in assets such as index-linked bonds which perform in line with the liabilities of the plan so as to protect against inflation being higher than expected. The current benchmark allocation is 55% growth assets and 45% matching assets.

	June 2014	June 2013 ¹
vi. Principal Actuarial Assumptions		
Discount rate %	4.2	4.5
RPI Inflation %	3.4	3.5
Average pension increase in payments %	2.4	2.5
Future mortality - years		
Male	25.4	25.3
Female	26.8	26.8

¹ June 2013 has been adjusted to reflect the impact of the first time adoption of the revised AASB 119 Employee Benefits standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

The liabilities are calculated using a discount rate set with reference to corporate bond yield, if assets underperform this yield this will create a deficit. A decrease in corporate bond yield will increase the value placed on the Scheme's liabilities, although this will be partially offset by an increase in the value of the Scheme's corporate bond holdings. The majority of the Scheme's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities, although in most cases this will be capped to protect against extreme inflation. The majority of the assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit. The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities. The mortality assumptions are based on standard mortality tables which allow for expected future mortality improvements, the assumption is that a member aged 63 will live for a further 25.4 years if they are male and 26.8 years if they are female. At 30 June 2014, the weighted average duration of the defined benefit obligation was 20 years (June 2013: 20 years).

vii. Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below.

	0.1% Increase in Discount Rate A\$m	0.1% Decrease in Discount Rate A\$m	0.1% Increase RPI Inflation and Pension Payment A\$m	0.1% Decrease RPI Inflation and Pension Payment A\$m	1 Year Increase in Future Mortality A\$m	1 year Decrease in Future Mortality A\$m
Defined benefit obligations	(16.3)	16.8	16.9	(16.5)	21.1	(20.5)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Non-pensioner benefits are linked to RPI in the period up to retirement. Once in payment, pension increases are linked to RPI but with a 0% floor and different caps applying to different periods of pensionable service. The inflation sensitivity reflects a change in RPI inflation and the associated increases in payment.

Notes to the Consolidated Financial Statements continued

17. Trade and Other Payables

Accounting Policies

Trade Creditors

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Group. Trade accounts payable are normally settled within 45 days. Trade and other payables are stated at amortised cost or cost when the impact of discounting would be immaterial.

Trade and other payables are presented as current liabilities unless there is an unconditional contractual right for the Group to defer payment for at least 12 months from the reporting date.

Construction Revenue – Amounts Due to Customers

Construction contracts where the total progress billings issued to clients (together with foreseeable losses if applicable) on a project exceed the costs incurred to date plus recognised profit on the contract are recognised as a liability.

Insurance Claim Reserve

Lend Lease has wholly owned special purpose captive insurance subsidiaries. The 'cost' of the liability for outstanding claims (insurance claim reserves) is measured as the current estimate of the present value of expected future payments against claims incurred at the reporting date under insurance contracts issued by the special purpose captive insurance subsidiaries. These expected future payments are discounted using a risk-free rate.

Retentions

Retentions are amounts payable for the purpose of security and for the provision of defects in accordance with contract terms. Release of retention amounts to are in accordance with contractual terms. They are included in current liabilities, except for maturities greater than 12 months after the balance sheet date which are included in non current liabilities.

Financial Disclosure	June 2014 A\$m	June 2013 ¹ A\$m
Current		
Trade creditors	2,593.7	2,462.1
Construction revenue – amounts due to customers	600.5	810.9
Insurance claim reserve	17.1	16.4
Related parties	126.5	16.4
Retentions and deferred payments	380.6	385.7
Other	315.7	121.0
Total current	4,034.1	3,812.5
Non Current		
Insurance claim reserve	15.7	18.9
Related parties	56.6	86.6
Retentions and deferred payments	329.1	386.8
Other	320.9	382.0
Total non current	722.3	874.3
Total trade and other payables	4,756.4	4,686.8

¹ June 2013 has been adjusted to reflect the impact of the first time adoption of the new AASB 11 *Joint Arrangements* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

Notes to the Consolidated Financial Statements continued

18. Resident Liabilities

Accounting Policies

Gross Resident Liabilities represents an amount paid by residents to occupy apartments and units classified as retirement living investment properties. Resident liabilities are measured at face value, representing the principal amount plus the resident's share of capital gains based on market values of the underlying property at balance date, less deferred management fees earned to date. Resident liabilities are non interest bearing and are classified as current liabilities because any resident may depart within 12 months, and there is no unconditional contractual right to defer settlement, notwithstanding that history has shown that residents stay for an average period of 11 years in independent living units ('ILUs') and six years in serviced apartments ('SAs').

Deferred management fees receivable on owned sites for retirement village properties are offset against the gross resident liabilities, as these amounts are settled net in the same transaction (refer to Note 10 'Loans and Receivables').

Total resident liabilities for retirement villages net of deferred management fees receivable, are repayable out of the amounts paid to the Group by incoming retirement village residents for the right to occupy retirement living and aged care properties (comprising both ILU and SA). The gross value of these retirement living properties, which are classified as non current assets, was A\$4,615.8 million at 30 June 2014 (30 June 2013: A\$3,819.6 million) (refer to Note 13 'Investment Properties'). The fair value of net retirement living properties was A\$1,328.8 million (30 June 2013: A\$1,063.7 million), representing the gross investment property value, less resident liabilities and related deferred revenue.

Financial Disclosure	June 2014 A\$m	June 2013 ¹ A\$m
Current		
Gross resident liabilities	3,673.9	3,053.0
Deferred management fees receivable on owned sites	(478.4)	(375.5)
Total resident liabilities	3,195.5	2,677.5

¹ June 2013 has been adjusted to reflect the impact of the first time adoption of the new AASB 11 *Joint Arrangements* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

19. Borrowings and Financing Arrangements

Accounting Policies

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Financial Disclosure	June 2014 A\$m	June 2013 A\$m
a. Borrowings – Measured at Amortised Cost		
Non Current		
Commercial notes	1,464.0	1,295.0
Bank credit facilities	883.0	681.2
Total non current	2,347.0	1,976.2
Total borrowings	2,347.0	1,976.2

Notes to the Consolidated Financial Statements continued

19. Borrowings and Financing Arrangements continued

	June 2014 A\$m	June 2013 A\$m
b. Finance Facilities		
The Group has access to the following lines of credit:		
Commercial Notes		
Facility available	1,464.0	1,295.0
Amount of facility used	(1,464.0)	(1,295.0)
Amount of facility unused	—	—
Bank Credit Facilities		
Facility available	2,108.0	1,747.2
Amount of facility used	(883.0)	(681.2)
Amount of facility unused	1,225.0	1,066.0
Bank Overdrafts		
Facility available and amount unused	84.6	33.4

Commercial notes include:

- £300.0 million of guaranteed notes issued in October 2006 in the UK bond market with a 6.125% annual coupon maturing in October 2021;
- US\$200.0 million of guaranteed senior notes issued in October 2005 in the US private placement market with a weighted average 5.69% p.a. coupon maturing in October 2015 and October 2017;
- S\$275.0 million of senior unsecured notes issued in July 2012 in the Singapore bond market with a 4.625% p.a. coupon maturing in July 2017; and
- A\$475.0 million of unsecured medium term notes issued in May 2013 (A\$375.0 million) and June 2014 (A\$100.0 million) in the Australian bond market comprising A\$250.0 million with a 5.5% p.a. coupon maturing in November 2018 and A\$225.0 million with a 6.0% p.a. coupon maturing in May 2020.

Bank credit facilities include:

- £330.0 million club bank facility maturing in December 2016 (£165.0 million) and December 2017 (£165.0 million) undrawn at 30 June 2014; and
- A\$1,500.0 million syndicated multi-option facility maturing in December 2017 (A\$600.0 million) and December 2018 (A\$900.0 million) drawn to A\$875.0 million at 30 June 2014. The A\$1,500.0 million syndicated multi-option facility refinanced bank credit facilities of A\$1,200.0 million due to mature in July 2014 and December 2015 that were drawn to A\$575.0 million at 30 June 2013.

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

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

The following schedule profiles the borrowings by currency and interest exposure.

	Interest Exposure			Currency				
	Fixed A\$m	Floating A\$m	Total A\$m	A\$ A\$m	US\$ A\$m	£ A\$m	S\$ A\$m	Total A\$m
June 2014								
Between one and five years	697.1	873.5	1,570.6	1,121.7	214.9		234.0	1,570.6
More than five years	766.9	9.5	776.4	227.3		549.1		776.4
Total	1,464.0	883.0	2,347.0	1,349.0	214.9	549.1	234.0	2,347.0
June 2013								
Between one and five years	436.9	672.4	1,109.3	572.4	214.8	100.0	222.1	1,109.3
More than five years	858.1	8.8	866.9	372.1		494.8		866.9
Total	1,295.0	681.2	1,976.2	944.5	214.8	594.8	222.1	1,976.2

Notes to the Consolidated Financial Statements continued

20. Other Financial Liabilities

Accounting Policies

Derivatives are financial instruments the Group uses to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. Derivative financial instruments are recognised initially at fair value on the date a derivative contract is entered into and subsequently remeasured at fair value. Recognition of any resultant gain or loss depends on the nature of the item being hedged. Refer to Note 22 'Reserves' for accounting policies on hedging. The fair value of forward exchange contracts is their value at the current quoted forward price at the balance sheet date.

Finance leases are leases in which the Group assumes substantially all the risks and rewards of ownership. Plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of the fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Refer to Note 4 'Other Expenses' for accounting policies on impairment. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Refer to Note 4 'Other Expenses' for accounting policies on operating lease expense.

Financial Disclosure	June 2014 A\$m	June 2013 A\$m
Current		
Derivatives (measured at fair value)		
Forward foreign exchange contracts	1.1	
Interest rate swap contracts	7.1	15.9
Bluewater lease liability (measured at amortised cost)		134.7
Finance leases	31.8	31.1
Total current	40.0	181.7
Non Current		
Finance leases	59.6	88.3
Total non current	59.6	88.3
Total other financial liabilities	99.6	270.0

Notes to the Consolidated Financial Statements continued

21. Issued Capital and Treasury Securities

Accounting Policies

Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and are recognised as a deduction from equity.

Dividends/distributions are recognised as a liability in the financial year in which they are declared.

Financial Disclosure	Lend Lease Corporation Limited				Lend Lease Trust			
	June 2014		June 2013		June 2014		June 2013	
	No. of Shares m	A\$m	No. of Shares m	A\$m	No. of Units m	A\$m	No. of Units m	A\$m
Issued capital at beginning of financial year	575.5	1,599.9	572.8	2,077.6	575.5	502.3	572.8	0.6
Transactions with owners for the year:								
Recapitalisation of Lend Lease Trust				(500.3)				500.3
Distribution Reinvestment Plan	2.0	18.3	2.7	22.6	2.0	2.4	2.7	1.4
Issued capital at end of financial year	577.5	1,618.2	575.5	1,599.9	577.5	504.7	575.5	502.3

Issuance of Securities

As at 30 June 2014, the Group had 577.5 million stapled securities on issue, equivalent to the number of Lend Lease Corporation shares and Lend Lease 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.

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 4 September 2014. The issue price is the arithmetic average of the daily volume weighted average price of Lend Lease stapled securities traded (on the Australian Securities Exchange) for the period of five consecutive business days immediately following the record date for determining entitlements to distribution. If that price is less than 50 cents, the issue price will be 50 cents. Stapled securities issued under the DRP rank equally with all other stapled securities on issue.

Terms and Conditions

Issued capital for Lend Lease Corporation Limited comprises 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.

Accounting Policies

Treasury securities represents unallocated Lend Lease stapled securities held by employee benefit vehicles, including employee security plans, that Lend Lease sponsors. The value reflects the original historical cost to the Group. The consolidated balance represents the stapled securities that are disclosed in the Statement of Financial Position as treasury securities as a reduction of equity.

Financial Disclosure	Lend Lease Corporation Limited			
	June 2014		June 2013	
	No. of Shares m	A\$m	No. of Shares m	A\$m
Balance at beginning of financial year	34.1	118.0	33.9	111.0
Transactions with owners for the year:				
Treasury securities acquired	2.2	29.1	3.1	26.4
Treasury securities vested	(4.2)	(31.0)	(2.9)	(19.4)
Balance at end of financial year	32.1	116.1	34.1	118.0

Notes to the Consolidated Financial Statements continued

22. Reserves

Accounting Policies

Fair value revaluation reserve recognises unrealised gains or losses arising from changes in the fair value (and foreign exchange rate movements) of non monetary securities classified as available for sale financial assets. Amounts are recognised in the Income Statement when the associated securities are sold, redeemed or impaired.

Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to hedged transactions that have not occurred. Derivative financial instruments are used to hedge exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. Refer to Note 14 'Other Financial Assets' and Note 20 'Other Financial Liabilities' for information on derivative financial instruments held.

Fair Value Hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as effective cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts accumulated in equity are recycled to the Income Statement when the hedged item will affect profit or loss (for instance, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non financial asset (for example, inventory) or a liability, the gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement. The fair value of interest rate derivatives is the estimated amount the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Net Investment Hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the Income Statement. Gains or losses accumulated in equity are included in the Income Statement on disposal of the foreign operation.

Held for Trading Derivatives

Certain derivative instruments do not qualify for hedge accounting or hedge accounting treatment is not sought. These instruments are classed as held for trading and changes in their fair value are recognised immediately in the Income Statement.

Foreign currency translation reserve recognises the foreign currency differences, net of income tax, arising from the translation of foreign operations, the translation of transactions that hedge the Group's net investment in a foreign operation, or the translation of foreign currency monetary items forming part of the net investment in a foreign operation. Refer to Note 1.4 'Foreign Currency Translation'.

Non controlling interest acquisition reserve arises from the additional acquisition of non controlling interests, subsequent to obtaining control of the acquired entity. The reserve represents the premium on the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired entity.

Other reserve includes realised capital profits on the disposal of assets which did not attract capital gains tax. In addition, gains realised by Lend Lease sponsored employee security plans upon renouncing their rights to participate in the Group's single bookbuild accelerated renounceable entitlement offer in March 2010 have been recognised in other reserve.

Equity compensation reserve recognises the fair value of equity settled share-based compensation over the vesting period of the underlying grant. Additionally, unallocated Lend Lease securities held by consolidated employee benefit vehicles that are used to meet equity related employee arrangements are recognised in the equity compensation reserve at their original historic cost to the Group.

Other compensation reserve recognises unallocated Lend Lease securities held by consolidated employee benefit vehicles that are used to cash settle certain share based payment arrangements at their original historic cost to the Group. On allocation, the securities are revalued to their current market value against the Income Statement. Following the distribution of the proceeds to the beneficiary, the difference between the original cost of the securities and the market value is recognised in retained earnings as a 'gain/(loss) on utilisation of treasury securities'.

Notes to the Consolidated Financial Statements continued

Financial Disclosure	June 2014 A\$m	June 2013 ¹ A\$m
22. Reserves continued		
a. Fair Value Revaluation Reserve		
Opening balance at beginning of financial year	44.7	21.6
Comprehensive income for the year		
Revaluation gain recognised in equity	10.2	26.8
Revaluation gain transferred to the Income Statement on asset disposal/transfer	(1.8)	(0.7)
Fair value hedging	(6.2)	(3.6)
Effect of foreign exchange rate/other movements	2.0	0.6
Closing balance at end of financial year	48.9	44.7
b. Hedging Reserve		
Opening balance at beginning of financial year	(78.5)	(88.9)
Comprehensive income for the year		
Movements attributable to effective cash flow hedges	(8.4)	14.5
Hedging loss transferred to the Income Statement on asset disposal	7.1	0.1
Effect of foreign exchange rate/other movements	(11.2)	(4.2)
Closing balance at end of financial year	(91.0)	(78.5)
c. Foreign Currency Translation Reserve		
Opening balance at beginning of financial year	(156.0)	(190.6)
Comprehensive income for the year		
Adjustment on adoption of the revised AASB 119 <i>Employee Benefits</i> standard		(0.3)
Foreign currency translation (gain)/loss transferred to the Income Statement on asset disposal		(4.6)
Movements attributable to translation of foreign operations	62.8	46.2
Net investment hedging	(5.2)	(6.7)
Closing balance at end of financial year	(98.4)	(156.0)
d. Non Controlling Interest Acquisition Reserve		
Opening balance at beginning of financial year	(73.4)	(89.5)
Comprehensive income for the year		
Movements attributable to recognition of tax asset on goodwill		19.8
Effect of foreign exchange rate/other movements	(2.0)	(3.7)
Closing balance at end of financial year	(75.4)	(73.4)
e. Other Reserve		
Balance at beginning and end of financial year	111.7	111.7
f. Equity Compensation Reserve		
Opening balance at beginning of financial year	73.1	62.0
Transactions with owners for the year		
Movements attributable to allocation and vesting of securities	1.1	11.1
Closing balance at end of financial year	74.2	73.1
g. Other Compensation Reserve		
Balance at beginning and end of financial year	54.4	54.4
Total reserves	24.4	(24.0)

¹ June 2013 has been adjusted to reflect the impact of the first time adoption of the revised AASB 119 *Employee Benefits* (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

Notes to the Consolidated Financial Statements continued

23. Contingent Liabilities

The Group has the following contingent liabilities:

- There are a number of legal claims and exposures that arise from the normal course of business. There is significant uncertainty as to whether a future liability will arise in respect to these items. The amount of liability, if any, that may arise cannot be measured reliably at this time. The Directors are of the opinion that all known liabilities have been brought to account and that adequate provisions have been made for any anticipated losses.
- In certain circumstances, the Company guarantees the performance of particular Group entities in respect of their obligations. This includes bonding and bank guarantee facilities used primarily by the Construction business as well as performance guarantees for certain of the Company's subsidiaries.
- A contingent liability exists in relation to the Lend Lease Retirement Benefit Fund. This is disclosed in detail in Note 30b 'Lend Lease Employee Benefit Vehicles'.
- In September 2004, a class action was filed against a number of parties who responded to the World Trade Center ('WTC') emergency and debris removal following the events of 9/11. The action was brought against more than 50 defendants, including the City of New York and Lend Lease (US) Construction LMB Inc. formerly known as Bovis Lend Lease LMB, Inc. ('LL LMB') (a subsidiary of Lend Lease). LL LMB is one of the beneficiaries of an insurance policy administered by the WTC Captive Insurance Company (an entity established by the US Congress to protect the City of New York and its contractors from claims that may arise from the clean-up that followed the WTC emergency).

As of 30 June 2014, there were only three cases remaining against a WTC Captive insured beneficiary, including two cases recently filed by individuals against LL LMB and 79 other contractors as co-defendants seeking damages for injuries and illnesses allegedly suffered from their participation in the clean-up efforts. These are the first new claims involving LL LMB in over a year and a half. LL LMB will defend these new claims and will need to defend any other claims that may be filed by plaintiffs who bring claims against LL LMB. Any such litigation would need to proceed through a number of stages before any liability could attach to LL LMB. It is not possible to quantify the potential for any future claims or any potential liability thereof at this stage. It is also not possible at this time to ascertain how the limitation of liability in the James Zadroga 9/11 Health and Compensation Act of 2010 ('Zadroga Act') will apply to any particular claim against LL LMB going forward; but, as to contractors such as LL LMB, the Zadroga Act limits liability to those amounts remaining in the WTC Captive insurance policy, plus any insurance coverage that was available and applicable on 11 September 2001 for the particular contractor. More detailed notes on the history of this issue are disclosed in the 30 June 2013 annual consolidated financial report.

- On 17 July 2012, the attorneys for LL LMB were contacted by the New York State Attorney General's ('NYSAG') Office seeking information with respect to certain past billing practices of LL LMB and its use of minority-owned business enterprises on construction projects, which were the subject of the now resolved investigations by the New York County District Attorney's Office, the US Attorney's Office for the Eastern District of New York, and the US Attorney's Office for the Southern District of New York that were the subject of disclosures made previously in this note to the consolidated financial statements. Refer to the 30 June 2012 and 30 June 2013 annual consolidated financial reports for further information on these investigations. There was an initial meeting in August 2012 between LL LMB and NYSAG. There was no further contact from NYSAG until 5 August 2014 at which time the NYSAG Office made further inquiry of LL LMB. The inquiry by the NYSAG has been limited to projects performed pursuant to contracts with New York State agencies. LL LMB is cooperating with the inquiry but at this stage the discussions remain preliminary, and it is not possible to quantify what, if any, financial consequences will be associated with this matter.

Notes to the Consolidated Financial Statements continued

24. Consolidated Entities

a. Investments in Consolidated Entities

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

Parent Entity

Lend Lease Corporation Limited

Australia

Capella Capital Lend Lease Pty Limited
Capella Capital Partnership
Lend Lease Building Pty Limited
Lend Lease Building Contractors Pty Limited
Lend Lease Communities (Australia) Limited
Lend Lease Development Pty Limited
Lend Lease Engineering Pty Limited
Lend Lease Finance Limited
Lend Lease Infrastructure Investments Pty Limited
Lend Lease International Pty Limited
Lend Lease Millers Point Trust
Lend Lease Primelife Limited
Lend Lease Real Estate Investments Limited
Lend Lease Responsible Entity Limited
Lend Lease Services Pty Limited
Lend Lease Trust¹
PLT New Zealand Limited

Europe

Lend Lease Construction (EMEA) Limited
Lend Lease Construction Holdings (EMEA) Limited
Lend Lease Europe Finance plc
Lend Lease Europe Limited
Lend Lease Infrastructure Holdings (EMEA) Limited
Lend Lease Residential (CG) plc

Asia

Lend Lease Japan Inc.
Lend Lease Singapore Pte Limited

Americas

Lend Lease (US) Capital, Inc.
Lend Lease (US) Construction, Inc.
Lend Lease (US) Construction LMB, Inc.
Lend Lease (US) Healthcare Development LLC
Lend Lease (US) Public Partnerships, LLC

b. Acquisitions

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

c. Disposals

Year Ended June 2014

Europe

	Ownership Interest Disposed %	Date Disposed	Gross Consideration Received/ Receivable A\$m
Bovis Lend Lease S.A. ²	100	31 Dec 13	11.5
Blueco Limited ³	100	24 Jun 14	–
Lend Lease Global Investment Plc ³	100	24 Jun 14	–
Bluewater Ground Lease Limited ³	100	24 Jun 14	–
Greenhithe Holdings Limited ³	100	24 Jun 14	–
Greenhithe Investments Limited ³	100	24 Jun 14	–

Year Ended June 2013

Australia

Aged Care business sale ⁴	100	28 Mar 13	271.7
Lend Lease Consulting Pty Limited	100	28 Aug 12	15.0

Europe

Bovis Lend Lease Bau GmbH	100	30 Nov 12	1.7
Bovis Lend Lease AG	100	30 Nov 12	0.8
Bovis Lend Lease BV	100	30 Nov 12	2.2
Bovis Lend Lease Portugal	100	30 Nov 12	1.3
Bovis Lend Lease Insaat ve proje Yonetimi Limited	100	30 Nov 12	3.6
Bovis Lend Lease Russia	100	1 Mar 13	2.6
Lend Lease GP Retail Ltd	100	27 Jul 12	–
Birmingham Schools PSP Phase 1A Limited	90	25 Jun 13	4.8
Birmingham Schools PSP Phase 1B Limited	90	25 Jun 13	2.9

Americas

Richmond MOB Owners LLC	100	13 Dec 12	–
Richmond II MOB Owners LLC	100	13 Dec 12	–

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

² Consideration receivable has been deferred over 10 years.

³ Consideration received for Bluewater related entities is A\$nil as the individual assets and liabilities of the transaction have been accounted for separately in the appropriate notes.

⁴ The Group sold the Aged Care business on 28 March 2013 to Australian Aged Care Partners which comprised of the sale of assets and disposal of 50 consolidated entities. These entities were not individually material to the Group. Cash proceeds of A\$200.0 million and a Promissory Note of A\$71.7 million were received for the sale.

Notes to the Consolidated Financial Statements continued

25. Segment Reporting

The segment results are discussed and analysed in the Operating and Financial Review (OFR) included with this report.

The Group operates a regional management structure focused on four major geographic regions: Australia, Asia, Europe and the Americas, to better support the Group's integrated model and provide a platform to develop regional investment opportunities. The Group has identified these operating segments based on the internal reports that are reviewed and used by the Group Chief Executive Officer and Managing Director (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

The regional business units generate earnings from four lines of business, as follows.

Development

The Development business involves the development of urban communities, inner-city mixed-use developments, apartments, retirement, retail, commercial and healthcare assets.

Construction

The Construction business involves project management, building, engineering and construction services.

Investment Management

The Investment Management business involves property and infrastructure investment management, property management and asset management and includes the Group's ownership interests in property and infrastructure investments.

Infrastructure Development

The Infrastructure Development business arranges, manages and invests in Public Private Partnership (PPP) projects.

Segment performance is based on profit after tax. Profit after tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain reportable segments relative to other entities that operate within these industries. The Group does not consider corporate activities to be an operating segment. Financial information regarding the performance of each reportable segment and a reconciliation of these reportable segments to the financial statements is included below.

	Profit Result Before Tax		Income Tax Benefit/(Expense)		Profit Result After Tax	
	June 2014 A\$m	June 2013 ¹ A\$m	June 2014 A\$m	June 2013 ¹ A\$m	June 2014 A\$m	June 2013 ¹ A\$m
Australia	538.9	552.3	(92.9)	(45.7)	446.0	506.6
Asia	92.0	126.0	(18.3)	(13.4)	73.7	112.6
Europe	596.7	78.8	(149.8)	16.6	446.9	95.4
Americas	124.2	91.7	(45.3)	(38.0)	78.9	53.7
Total segment	1,351.8	848.8	(306.3)	(80.5)	1,045.5	768.3
Reconciling items						
Corporate activities	(353.6)	(276.4)	131.0	58.5	(222.6)	(217.9)
Property investment revaluations		(2.0)		0.6		(1.4)
Statutory result attributable to securityholders	998.2	570.4	(175.3)	(21.4)	822.9	549.0
External non controlling interests	0.4	0.9			0.4	0.9
Statutory result	998.6	571.3	(175.3)	(21.4)	823.3	549.9

¹ June 2013 has been adjusted to reflect the impact of the first time adoption of the revised AASB 119 *Employee Benefits* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

Notes to the Consolidated Financial Statements continued

25. Segment Reporting continued

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

	Segment Revenue ¹ A\$m	Interest Revenue A\$m	Interest Expense A\$m	Share of Results EAI ² A\$m	Depreciation and Amortisation A\$m	Material Non Cash Items ³ A\$m	Non Current Segment Assets ⁴ A\$m	Group Total Assets A\$m
Year ended June 2014								
Australia	7,635.2	4.6	(0.1)	40.9	(56.0)	85.6	8,168.2	11,375.6
Asia ⁵	601.2	0.1		5.3	(2.5)	0.3	138.9	600.0
Europe ⁶	2,665.9	13.7	(1.3)	9.4	(7.3)	43.8	719.0	1,372.7
Americas	3,052.0	1.6		3.7	(5.0)	(6.1)	417.5	1,232.0
Total segment	13,954.3	20.0	(1.4)	59.3	(70.8)	123.6	9,443.6	14,580.3
Corporate activities	18.8	17.2	(142.3)		(16.9)	(6.5)	144.6	1,171.5
Statutory result	13,973.1	37.2	(143.7)	59.3	(87.7)	117.1	9,588.2	15,751.8
Year ended June 2013⁷								
Australia	8,688.4	0.9		23.1	(64.4)	126.2	7,195.5	9,835.7
Asia ⁵	640.5			17.7	(2.2)	8.9	136.4	532.3
Europe ⁶	1,143.4	11.3	(0.6)	2.3	(5.4)	(0.1)	988.8	1,657.0
Americas	2,705.0			2.7	(2.5)	11.6	363.5	1,265.8
Total segment	13,177.3	12.2	(0.6)	45.8	(74.5)	146.6	8,684.2	13,290.8
Corporate activities	29.3	28.3	(112.3)		(12.8)	22.8	108.0	1,010.1
Statutory result	13,206.6	40.5	(112.9)	45.8	(87.3)	169.4	8,792.2	14,300.9

1 Segment revenue represents revenue and finance revenue.

2 Equity accounted investments.

3 The material non cash items relate to impairments and provisions raised or written back, unrealised foreign exchange movements and investment property fair value gains or losses.

4 Excludes deferred tax assets, financial instruments and pension assets and are based on the geographical location of assets.

5 The majority of revenue and non current segment assets from Asia are attributable to Singapore.

6 The majority of revenue and non current segment assets from Europe are attributable to the UK.

7 June 2013 has been adjusted to reflect the impact of the first time adoption of the revised AASB 119 *Employee Benefits* and the new AASB 11 *Joint Arrangements* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

Line of Business

The analysis of revenue by line of business is as follows.

	Revenue	
	June 2014 A\$m	June 2013 ¹ A\$m
Development	2,384.5	1,199.5
Construction	11,016.0	11,466.9
Investment Management	294.6	185.7
Infrastructure Development	259.2	325.2
Total segment	13,954.3	13,177.3
Corporate Activities	18.8	29.3
Total revenue	13,973.1	13,206.6

1 June 2013 has been adjusted to reflect the impact of the first time adoption of the new AASB 11 *Joint Arrangements* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

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

Notes to the Consolidated Financial Statements continued

26. Capital Risk Management

The Group assesses capital management as part of its broader strategic plan. The Group focuses on interrelated financial parameters, including return on equity, earnings growth and borrowing capacity. The Group also monitors its gearing ratio, interest coverage ratio and weighted average cost of debt. These are all taken into account when the Group makes decisions on how to invest its capital and evaluate its existing investments.

The Group's capital includes total equity, borrowings and other interest bearing liabilities. When investing capital, the Group's objective is to deliver strong total securityholder returns and to maintain an investment-grade credit rating by maintaining an appropriate financial profile. The S&P/Moody's long term credit rating at 30 June 2014 is BBB-/Baa3 (June 2013: BBB-/Baa3). The Group was also in compliance with its financial covenants in respect of its borrowing facilities.

The capital structure of the Group can be changed by equity issuance, paying distributions to securityholders, the distribution reinvestment plan and changing the level of debt.

27. International Currency Management and Financial Instruments

The Group operates across numerous jurisdictions and markets. The Lend Lease Financial Markets Risk Committee oversees the management of the Group's foreign currency, credit, interest rate and liquidity risk exposures, within the parameters of a Board approved policy. The Lend Lease Risk Management and Audit Committee maintains a Group-wide framework for risk management and reviews issues of material risk exposure.

a. Foreign Currency

Foreign currency risk is the risk in local currency terms that the value of a financial commitment or a recognised asset or liability, will fluctuate due to changes in foreign currency exchange rates.

The Group is exposed to foreign currency risk primarily from foreign currency earnings, net investments in foreign operations, and transactions settled in foreign currency. The Group manages these exposures using both physical (this includes borrowings in the relevant foreign currency which act as a natural hedge for the net investments held in these foreign currencies) and derivative financial instruments (mainly forward foreign exchange contracts) to hedge foreign currency exposures. Speculative trading is not permitted.

The Group currently applies hedge accounting under AASB 139 *Financial Instruments: Recognition and Measurement* on a very limited basis as the majority of forward foreign exchange contracts relate to cross border intercompany loans and transactions which mainly net off in the Income Statement. The Group has minimal hedges designated as fair value or cash flow hedges. Refer to Note 22 'Reserves' for the accounting treatment of such hedges.

Net investments in foreign operations are exposed to foreign currency translation risk. Foreign currency gains and losses arising from translation of net investments in foreign operations are recognised in the Foreign Currency Translation Reserve until realised. The Group does not generally use derivatives to hedge net investments in foreign operations.

The net asset exposure by currency is detailed below.

	A\$m	US\$m	£m	S\$m	€m	NZ\$m	Other m
June 2014							
Net asset/(liability) exposure (local currency)	4,714.1	(103.5)	(153.1)	72.1	90.5	269.8	98.0
June 2013¹							
Net asset/(liability) exposure (local currency)	3,799.6	(189.7)	148.4	(19.1)	103.7	254.5	87.2

¹ June 2013 has been adjusted to reflect the impact of the first time adoption of the revised AASB 119 *Employee Benefits* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

Notes to the Consolidated Financial Statements continued

27. International Currency Management and Financial Instruments continued

a. Foreign Currency continued

Foreign Currency Derivatives (Not Hedge Accounted)

The Group's foreign exchange derivative contracts held at reporting date to hedge specific foreign currency exposures are as follows.

	Weighted Average Exchange Rate		Gross Receivable/(Payable) Under Contracts	
	June 2014 (A\$1=)	June 2013 (A\$1=)	June 2014 A\$m	June 2013 A\$m
Contracts to (buy)/sell the following currencies at an agreed exchange rate:				
buy GBP	0.55	0.64	(881.4)	(91.8)
sell GBP	0.55	0.63	115.8	237.2
buy USD	0.93	1.00	(458.3)	(380.0)
sell USD	0.94	0.97	123.8	23.5
buy EUR	0.66	0.74	(49.6)	(33.2)
sell EUR	0.69	0.74	47.6	65.5
buy SGD	1.17	1.27	(28.3)	(48.9)
sell SGD	1.17	1.23	8.0	4.0
buy NZD		1.19		(14.4)
sell NZD		1.19		11.1
buy JPY	90.52		(8.3)	
sell JPY				
buy MXN	12.43		(5.2)	
sell MXN				
Total			(1,135.9)	(227.0)

There are a total of 11 foreign currency contracts that will mature in one to two years.

Sensitivity Analysis

The sensitivity analysis of the Group's Australian dollar denominated Income Statement and Statement of Financial Position to foreign currency movements is based on a 10% fluctuation (June 2013: 10% fluctuation) on the average rates during the financial year and the spot rate at balance date respectively. This analysis assumes that all other variables, in particular interest rates, remain constant, and excludes the effects of the foreign exchange contracts above.

A 10% movement in the average foreign exchange rates would have impacted the Group's profit after tax as follows.

	10% Weakening Increase/(Decrease) in Profit After Tax		10% Strengthening Increase/(Decrease) in Profit After Tax	
	June 2014 A\$m	June 2013 ¹ A\$m	June 2014 A\$m	June 2013 ¹ A\$m
USD	7.6	4.5	(6.2)	(4.2)
GBP	51.9	6.5	(41.9)	(6.2)
SGD	8.4	11.7	(6.7)	(10.5)
EUR	(1.8)		1.5	
	66.1	22.7	(53.3)	(20.9)

A 10% movement in the foreign exchange spot rates at balance date would have impacted the Group's net assets as follows.

	10% Weakening Increase/(Decrease) in Net Assets		10% Strengthening Increase/(Decrease) in Net Assets	
	June 2014 A\$m	June 2013 ¹ A\$m	June 2014 A\$m	June 2013 ¹ A\$m
USD	(11.9)	(19.2)	9.8	18.0
GBP	(27.8)	26.6	27.4	(21.7)
SGD	7.1	(1.6)	(5.7)	1.4
EUR	15.8	13.5	(12.7)	(13.1)
NZD	28.3	21.1	(23.1)	(18.9)
	11.5	40.4	(4.3)	(34.3)

¹ June 2013 has been adjusted to reflect the impact of the first time adoption of the revised AASB 119 *Employee Benefits* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

Notes to the Consolidated Financial Statements continued

27. International Currency Management and Financial Instruments continued

b. Credit Risk

Credit risk represents the risk that a counterparty will not be able to complete its obligations in respect of a financial instrument, resulting in a financial loss to the Group. The Group has exposure to credit risk from recognised financial assets.

The maximum exposure to credit risk at balance date on financial instruments recognised in the Statement of Financial Position (excluding investments of the Group) equals the carrying amount, net of any impairment.

The Group has no significant concentrations of credit risk on either a geographic or industry specific basis and has policies in place so that sales of products and services are made to customers with an appropriate credit history.

Credit risk on financial instruments is managed under a Board approved credit policy that determines acceptable counterparties. Derivative counterparties and cash deposits are limited to recognised financial intermediaries with a minimum investment-grade credit rating as determined by a recognised rating agency. The policy sets out credit limits for each counterparty based on these ratings.

There was A\$3.2 million impairment recorded during the year against other financial assets (June 2013: A\$2.0 million).

Refer to Note 10 'Loans and Receivables' for information relating to impairment on loans and receivables.

Collateral

In certain circumstances, the Group will hold either financial or non financial assets as collateral to further mitigate the potential credit risk on selected transactions. During the current and prior year, the Group did not hold financial or non financial assets as collateral. At any point in time, the Group will hold other collateral such as bank guarantees and performance bonds to mitigate potential credit risk as a result of default by a counterparty or otherwise.

c. Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument or cash flow associated with the instrument will fluctuate due to changes in market interest rates. The Group uses physical and derivative financial instruments to assist in managing its interest rate risk. Speculative trading is not permitted.

The Group's exposure to interest rate risk on its financial assets and liabilities is set out as follows.

	Carrying Amount	
	June 2014 A\$m	June 2013 A\$m
Fixed Rate		
Financial assets	736.4	1,023.3
Financial liabilities	(1,946.4)	(1,857.3)
	(1,210.0)	(834.0)
Variable Rate		
Financial assets	1,166.8	836.0
Financial liabilities	(892.2)	(831.8)
	274.6	4.2

Sensitivity Analysis

At 30 June 2014 it is estimated that an increase of one percentage point in interest rates would have decreased the Group's profit after tax and retained earnings by A\$0.6 million (June 2013: A\$3.8 million increase in the Group's profit after tax and retained earnings). A one percentage point decrease in interest rates would have increased the Group's profit after tax and retained earnings by A\$0.6 million (June 2013: A\$3.8 million decrease in the Group's profit after tax and retained earnings). The increase or decrease in interest income/expense is proportional to the increase or decrease in interest rates. Interest rate derivatives have been included in this calculation.

Notes to the Consolidated Financial Statements continued

27. International Currency Management and Financial Instruments continued**d. Liquidity Risk**

Liquidity risk is the risk of having insufficient funds to settle financial liabilities as and when they fall due. This includes having insufficient levels of committed credit facilities.

The Group aims to manage its liquidity risk exposure by maintaining sufficient levels of cash and committed credit facilities to meet financial commitments as and when they fall due.

Liquidity risk is reduced through prudent cash management, which ensures sufficient levels of cash are maintained to meet working capital requirements. It also allows flexibility of liquidity by matching the maturity profiles of short term investments with cash flow requirements, and timely review and renewal of credit facilities.

The Group refinanced the bank credit facilities of A\$1,200.0 million with a A\$1,500.0 million syndicated multi-option facility maturing in December 2017 (A\$600.0 million) and December 2018 (A\$900.0 million) drawn to A\$875.0 million at 30 June 2014. In June 2014 the Group issued A\$100.0 million of unsecured medium term notes maturing in May 2020.

As disclosed in Note 23 'Contingent Liabilities', in certain circumstances the Company guarantees the performance of particular Group entities in respect of their obligations including bonding and bank guarantees. Issued bank guarantees have cash collateralisation requirements if the bank guarantee facility is not renewed by the provider. At 30 June 2014, the Group does not anticipate a significant liquidity risk in relation to these facilities in the next 12 months.

The Group has provided collateral of A\$4.2 million (June 2013: A\$4.2 million) against letter of credit facilities.

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

	Note	Carrying Amount A\$m	Contractual Cash Flows A\$m	Less than One Year A\$m	One to Two Years A\$m	Two to Five Years A\$m	More than Five Years A\$m
June 2014							
Non Derivative Financial Liabilities							
Trade and other payables ^{1,2}	17	3,921.5	4,026.3	3,410.3	268.9	244.1	103.0
Resident liabilities ³	18	3,195.5	3,195.5	3,195.5			
Borrowings and financing arrangements	19	2,347.0	3,093.1	145.1	333.0	1,722.3	892.7
Other financial liabilities	20	91.4	94.0	33.0	28.0	33.0	
Total		9,555.4	10,408.9	6,783.9	629.9	1,999.4	995.7
Derivative Financial Liabilities							
Foreign exchange contracts:	20						
Outflow		(2.5)	(232.1)	(232.1)			
Inflow		1.4	231.0	231.0			
Interest rate derivatives:	20						
Outflow		(7.1)	(7.1)	(4.7)			(2.4)
Total		(8.2)	(8.2)	(5.8)	–	–	(2.4)
June 2013							
Non Derivative Financial Liabilities							
Trade and other payables ^{1,2}	17	3,700.9	3,844.6	3,028.9	289.0	403.8	122.9
Resident liabilities ³	18	2,677.5	2,677.5	2,677.5			
Borrowings and financing arrangements	19	1,976.2	2,574.5	116.5	319.3	1,117.6	1,021.1
Other financial liabilities	20	254.1	274.8	176.3	36.6	61.9	
Total		8,608.7	9,371.4	5,999.2	644.9	1,583.3	1,144.0
Derivative Financial Liabilities							
Interest rate derivatives:	20						
Outflow		(15.9)	(16.2)	(9.2)	(4.5)		(2.5)
Total		(15.9)	(16.2)	(9.2)	(4.5)	–	(2.5)

1 The carrying amount of trade and other payables excludes A\$671.1 million of current and A\$163.8 million of non current amounts (June 2013: A\$841.1 million of current and A\$144.8 million of non current amounts) as they do not meet the definition of a financial liability under Australian Accounting Standards.

2 The repayment of these amounts will be funded through collection of outstanding loans and receivables: June 2014: A\$2,411.1 million (June 2013: A\$2,642.3 million).

3 Resident liabilities are required to be classified as less than one year as any resident may depart at any time. The balance includes retirement village total resident liabilities of A\$3,195.5 million (June 2013: A\$2,677.5 million), which is net of deferred management fees receivable, and is repayable out of the amounts paid to the Group by incoming retirement village residents for the right to occupy retirement living and aged care properties (refer to Note 13 'Investment Properties' and Note 18 'Resident Liabilities').

Other contractually committed cash flows the Group is exposed to are detailed in Note 28 'Commitments'.

Notes to the Consolidated Financial Statements continued

27. International Currency Management and Financial Instruments continued

e. 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.

	Note	June 2014		June 2013	
		Carrying Amount A\$m	Fair Value A\$m	Carrying Amount A\$m	Fair Value A\$m
Liabilities					
Non Current					
Commercial notes	19	1,464.0	1,702.3	1,295.0	1,354.8

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.

Basis of Determining Fair Value

The determination of fair values of financial assets and liabilities that are not measured at cost or amortised cost in the annual financial report are summarised as follows:

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

Fair Value Measurements

The table below analyses financial assets and liabilities carried at fair value, by valuation method. The different levels have been defined as follows:

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

	Note	Consolidated Carrying Amount			Total A\$m
		Level 1 A\$m	Level 2 A\$m	Level 3 A\$m	
June 2014					
Financial Assets					
Available for sale investments				377.4	377.4
Fair value through profit or loss – negotiable instruments		36.9			36.9
Fair value through profit or loss – unlisted investments				586.7	586.7
Held to maturity investments				9.2	9.2
Derivatives			12.3		12.3
	14	36.9	12.3	973.3	1,022.5
Financial Liabilities					
Derivatives	20	–	8.2	–	8.2

Notes to the Consolidated Financial Statements continued

27. International Currency Management and Financial Instruments continued

e. Fair Value Measurement continued

Financial Instruments continued

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

	Note	Level 1 A\$m	Level 2 A\$m	Level 3 A\$m	Total A\$m
June 2013					
Financial Assets					
Available for sale investments				340.3	340.3
Fair value through profit or loss – negotiable instruments		72.3			72.3
Fair value through profit or loss – unlisted investments				105.5	105.5
Held to maturity investments				8.5	8.5
Derivatives			24.3		24.3
	14	72.3	24.3	454.3	550.9
Financial Liabilities					
Derivatives	20	–	15.9	–	15.9

Reconciliation

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

	Note	Available for Sale Investments A\$m	June 2014 Unlisted Investments A\$m	Held to Maturity Investments A\$m
Carrying amount at beginning of financial period		340.3	105.5	8.5
Additions/(disposals)		(2.3)	466.3	
Gains/(losses) recognised in:				
Income Statement – other income			14.9	
Income Statement – other expenses		(3.2)		
Other comprehensive income – fair value		14.3		
Other comprehensive income – foreign currency translation		7.0		0.9
Other movements ¹		21.3		(0.2)
Carrying amount at end of financial year	14	377.4	586.7	9.2

¹ Includes transfer out A\$5.0 million to 'Equity Accounted Investments' and A\$26.1 million transfer in from 'Loans and Receivables'.

	Note	Available for Sale Investments A\$m	June 2013 Unlisted Investments A\$m	Held to Maturity Investments A\$m
Carrying amount at beginning of financial period		290.7	36.9	6.2
Additions/disposals		8.4	71.9	
Gains/(losses) recognised in:				
Income Statement – other expenses		(2.0)	(3.3)	
Other comprehensive income – fair value		36.2		
Other comprehensive income – foreign currency translation		7.0		0.1
Other movements				2.2
Carrying amount at end of financial year		340.3	105.5	8.5

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

f. Equity Price Risk

Equity price risk is the risk that the fair value of either a traded or non traded equity investment, derivative equity instrument, or a portfolio of such financial instruments, increases or decreases in the future. The Group is exposed to equity price risk on all traded and/or non traded financial instruments measured at fair value.

Notes to the Consolidated Financial Statements continued

	Note	June 2014 A\$m	June 2013 A\$m
28. Commitments¹			
The Group leases various land and buildings, and plant and equipment under non cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.			
a. Operating Lease Commitments			
The estimated aggregate amount of non cancellable operating lease expenditure agreed or contracted but not provided for in the financial statements is as follows:			
Land and buildings – self occupied		234.4	223.2
Plant and equipment		8.8	9.3
		243.2	232.5
At balance date, commitments in relation to non cancellable operating leases are payable as follows:			
Due within one year		72.9	69.7
Due between one and five years		157.4	132.8
Due later than five years		12.9	30.0
		243.2	232.5
b. Finance Lease Commitments			
At balance date, commitments in relation to the finance leases are payable as follows:			
Due within one year		31.8	165.8
Due between one and five years		59.6	88.3
Recognised as a liability		91.4	254.1
Lease liabilities provided for in the financial statements are as follows:			
Current	20	31.8	165.8
Non current	20	59.6	88.3
		91.4	254.1
c. Investments			
At balance date, capital commitments existing in respect of interests in equity accounted investments and other investments contracted but not provided for in the financial statements are as follows:			
Due within one year		163.9	111.9
Due between one and five years		98.8	351.8
		262.7	463.7

1 The commitments outlined in this note do not include the commitments of the material joint ventures and associates (refer to Note 12 'Equity Accounted Investments').

Notes to the Consolidated Financial Statements continued

	June 2014 A\$m	June 2013 ¹ A\$m
29. Notes to the Statement of Cash Flows		
Reconciliation of Profit After Tax to Net Cash Provided by Operating Activities		
Profit After Tax (Including Non Controlling Interest)	823.3	549.9
Amortisation and depreciation	87.7	87.3
Net gain on sale of investments, plant and equipment	(21.2)	(116.7)
Impairment of equity accounted investments	2.3	3.1
Impairment of other financial assets	3.2	2.0
Impairment of property, plant and equipment	1.5	0.6
Net unrealised foreign exchange (gain)/loss and currency hedging costs	(8.5)	5.8
Net fair value (gain)/loss on investments	(17.5)	1.6
Profit of equity accounted investments	(59.3)	(45.8)
Dividends/distributions from equity accounted investments	34.2	21.0
Fair value gain on investment properties	(49.7)	(25.6)
Other	(91.8)	(13.7)
Net cash provided by operating activities before changes in assets and liabilities	704.2	469.5
Changes in Assets and Liabilities Adjusted for Effects of Purchase and Disposal of Consolidated Entities and Operations During the Financial Year		
Decrease/(increase) in receivables	277.7	(423.6)
Increase in inventories	(115.3)	(52.5)
Decrease in other assets	5.8	23.8
Increase in net defined benefit plans	(13.5)	(12.2)
(Decrease)/increase in payables	(67.4)	4.4
(Increase)/(decrease) in operating derivatives assets/liabilities	(8.6)	(3.6)
Decrease in deferred tax items	79.6	97.8
Increase in current tax liability	(30.5)	(41.1)
(Decrease)/increase in other provisions	(9.6)	11.9
Decrease in other intangibles		6.5
Net cash provided by operating activities	822.4	80.9

¹ June 2013 Statement of Cash Flows has been adjusted to reflect the impact of the first time adoption of the revised AASB 119 *Employee Benefits* standard and the new AASB 11 *Joint Arrangements* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

Notes to the Consolidated Financial Statements continued

30. Employee Benefits

a. Lend Lease Employee Security Plans

Currently employees own approximately 6.28% (June 2013: 6.86%) of the issued capital of the Group through various Lend Lease employee security plans, details of which are outlined below.

- Australia: Employee Share Acquisition Plan ('ESAP'): ESAP was established in December 1988 for the purpose of employees acquiring securities in the Group and is funded by Lend Lease subscriptions.
- UK/Europe/Asia: Employee Share Plan: The European (Guernsey-based) Restricted Share Plan ('the Restricted Share Plan') was established in 1998. The Plan is similar in operation to the Australia-based ESAP. Securities in the Restricted Share Plan may be allocated to employees in the UK, Europe and Singapore based on individual and business unit performance.
- In 2002, two UK-based Inland Revenue approved Share Incentive Plans ('SIP') were established for the acceptance of employee profit share contributions used to acquire Group securities for UK-based Group employees. These plans are currently not accepting new contributions whilst Lend Lease makes all profit share payments to employees in cash.
- Americas: US Rabbi Trust ('Rabbi Trust') was established in 2004 and updated in 2005 for the acceptance of employee profit share contributions used to acquire Group securities for US-based employees. This part of the plan is not currently accepting new contributions and only holds cash or short term investments.

Eligibility

The rules for eligibility for particular plans are determined by reference to the regulatory, legal and tax rules of each country in which the Group operates.

Distributions and/or Voting Rights

Generally, employees in the various operating security plans are entitled to distributions and voting rights for allocated securities. The plans reflect this intention subject to regulatory, legal and tax constraints. Voting and distribution rights on any unallocated securities reside with the trustees of the relevant security plan trusts. The trustee may exercise these rights in accordance with any fiduciary or governance rules pertaining to the deed or trust laws in the legal and tax jurisdiction within which the trust operates.

b. Lend Lease Employee Benefit Vehicles

In addition to the plans discussed above, Lend Lease has established a range of employee security ownership vehicles, including Lend Lease Retirement Benefit Fund ('RBF') and Lend Lease Employee Investment Trust ('EIT').

RBF was established in 1984 with shareholder approval for the benefit of employees. The Lend Lease securities in RBF are not available for allocation to employees other than in the event of a change of control of the Group and, in accordance with RBF's trust deed, the capital of the trust is not available to the Group.

The RBF trustee has discretion as to the distribution of the RBF Funds. In the event of a change of control of the Group, the RBF trustee may distribute RBF funds to employees who cease to be employees during the 12 months after a change of control. Any payments that the RBF trustee may make as a result of a change of control of the Group are an obligation of RBF and not the Group. Any payments made will need to be funded by RBF and therefore cannot exceed the value of the assets of RBF, which was A\$201.9 million at 30 June 2014 (June 2013: A\$133.0 million). However, as RBF is consolidated by the Group, this potential obligation is disclosed as a contingent liability.

EIT was established in 1985 to enable employees to invest in the Group.

On a change of control, the EIT trustee may (but is not required to) terminate the trust and distribute allocated proceeds to employees and unallocated proceeds to the Lend Lease Superannuation Fund or to RBF. Any payments are an obligation of EIT and not the Group, and cannot exceed the assets of the EIT of A\$147.3 million as at 30 June 2014 (June 2013: A\$95.2 million). No contingency is recorded in these financial statements as the potential for such payments is remote, with any termination of EIT in such circumstances, and any subsequent distribution to other funds, entirely at the discretion of the EIT trustee.

Short Term Incentives ('STI')

The STI plan is an annual incentive plan whereby a number of employees receive benefits which are dependent upon the achievement of both Lend Lease financial targets and individual goals. The total value of the potential benefit varies by executive and is tested against relevant market levels for each role.

The STI plan comprises a cash element which is paid in September following year end. For more senior employees, where potential benefit is typically higher, the plan also includes a deferred element.

Deferral periods are generally for one or two years (up to three years in the case of the CEO as an interim measure for 2013, but for up to two years from 2014 onwards). The deferred element is normally awarded as Lend Lease securities and in some instances as cash. Securities are held in Lend Lease employee security plans on behalf of the employee for the deferral period. For employees to receive the full deferral, they must generally be employed by the Group at the date of vesting.

Long Term Incentives ('LTI')

The LTI plan is designed to:

- Motivate Senior Executives to achieve the Group's long term strategic goals and only provide reward where the Group delivers better securityholder value than its peers; and
- Align the interests of executives and securityholders given that the value received is linked to the Group's security price.

Notes to the Consolidated Financial Statements continued

30. Employee Benefits continued

b. Lend Lease Employee Benefit Vehicles continued

Long Term Incentives ('LTI') continued

An annual grant of 'performance securities' is made to a limited number of executives in September each year. The Board may settle the performance securities in cash or equity. The Board, based on the recommendation of the Personnel and Organisation Committee, intends that performance securities can be converted to Lend Lease securities or paid as a cash equivalent if the performance hurdle is achieved over a three year and four year period.

In the event of a change in control of the Group, awards will vest upon change in control, to the extent that performance conditions have been met. Participants would then be entitled to a pro rata settlement.

Arrangements for LTI Awards Granted in the June 2010 Financial Year

For awards granted 1 September 2009, the performance hurdle is based on two equal measures: long term profitability as measured by Earnings per Security ('EPS') and Total Securityholder Return ('TSR') compared with the TSR of the individual ASX 100 listed companies as at the commencement of the performance period. The performance measures are:

- TSR measured against the ASX 100 companies (with 50% vesting at median performance, rising proportionately to 100% on reaching 75th percentile performance); and
- EPS on the basis of EPS reported in the Group's financial statements adjusted for exclusion of treasury securities.

Each of the two performance hurdles is measured and can vest independently. 50% of the award is measured after three years, the remaining 50% of the award is measured after four years. The executive must remain with the Group until vesting date for the award to vest. The period may be shortened if an executive leaves employment by reason of death or total and permanent disability. Where employment ceases for redundancy or other circumstances as determined by the Board, based on the recommendation of the Personnel and Organisation Committee, a pro rata award may be retained subject to the original vesting date and performance conditions.

Arrangements for LTI awards in the June 2011 to 2013 Financial Years

For awards granted 1 September 2010, 1 September 2011 and 1 September 2012 the performance hurdle is based on TSR compared with the TSR of the individual ASX 100 listed companies at the commencement of the performance period. TSR is measured against ASX 100 companies (with 50% vesting at median performance, rising proportionately to 100% on reaching 75th percentile performance).

50% of the award is measured after three years, the remaining 50% of the award is measured after four years. The executive must remain with the Group until vesting date for the award to vest. The period may be shortened if an executive leaves employment by reason of death or total and permanent disability. Where employment ceases for redundancy or other circumstances as determined by the Board, based on the recommendation of the Personnel and Organisation Committee, a pro rata award may be retained subject to the original vesting date and performance conditions.

Arrangements for LTI awards in the June 2014 Financial Year

For performance securities granted 1 September 2013 the award is 50% subject to Lend Lease's total securityholder return (TSR) compared to the companies in the S&P/ASX 100 Index and 50% subject to Return on Equity (ROE).

The Relative TSR component vests 50% at median performance, rising proportionately to 100% on reaching 75th percentile performance). 50% of the Relative TSR component is tested after three years and 50% after four years.

The ROE component vests 50% when the ROE is 11% and progressively vests to 100% when ROE is 15%.

The executive must remain with the Group until vesting date for the award to vest. The period may be shortened if an executive leaves employment by reason of death or total and permanent disability. Where employment ceases for redundancy or other circumstances as determined by the Board, based on the recommendation of the Personnel and Organisation Committee, a pro rata award may be retained subject to the original vesting date and performance conditions.

Other LTI Awards

A limited number of other LTI awards have been granted to executives by the Board, based on the recommendation of the Personnel and Organisation Committee. These awards tend to have performance hurdles based on internal business unit performance targets, such as earnings before tax, operating margins and funds under management. The relevant performance hurdles must be satisfied in order for awards to vest, but the hurdles can vest independently. The executive must remain with the Group until vesting date for the award to vest.

Amounts Recognised in the Financial Statements

LTI awards are valued using a Monte-Carlo simulation methodology where the security price can be projected based on the assumptions underlying the Black-Scholes formula. Retention awards are valued by discounting the security price by the expected dividends assumed to be paid from the valuation date until the vesting date (if applicable). The model inputs include the Lend Lease Group security price, a risk free interest rate, expected volatility and dividend yield.

During the financial year ended 30 June 2014, a A\$33.9 million expense was recognised in the Income Statement in relation to equity settled security based payment awards (June 2013: A\$30.1 million). This was partially offset by a net accrual reversal of A\$1.5 million (June 2013: A\$0.2 million) relating to previously accrued expenses.

Notes to the Consolidated Financial Statements continued

31. Key Management Personnel Disclosures

Key Management Personnel Compensation

The key management personnel compensation included in 'Employee Benefit Expenses' (refer to Note 4 'Other Expenses') is as follows.

	June 2014 A\$000s	June 2013 A\$000s
Short term employee benefits	16,513	15,627
Post employment benefits	472	447
Security based payments	7,554	7,111
Other long term benefits	91	82
Total	24,630	23,267

32. Non Key Management Personnel Related Party Information

Consolidated Entities

Lend Lease Corporation Limited

Lend Lease Corporation Limited provides a wide range of corporate services to its consolidated entities. Corporate management fees and/or guarantee fees are charged to these entities for these services. These services principally relate to:

- Administration, company secretarial, accounting, legal, tax, insurance, information technology and public relations;
- Human resources and employee services including the administration of salaries and superannuation, the provision of a defined benefit plan for a number of Australian employees and employee security based payment plans (refer to Note 4 'Other Expenses' and Note 30 'Employee Benefits'); and
- Financing and treasury services, which includes working capital facilities and long term financing. Interest is earned or incurred only on long term loans provided to or drawn with subsidiaries based on project specific risks and returns. Outstanding balances arising from working capital facilities and long term financing are typically unsecured and repayable on demand. In addition, guarantees are provided to particular Group entities in respect of their obligations. These include bonding and bank guarantee facilities used primarily by the Construction business as well as performance guarantees for certain Development business commercial built-form developments. Guarantee fees are charged under normal terms and conditions.

The following represents the transactions that occurred during the financial year and the balances outstanding at year end between Lend Lease Corporation Limited and its consolidated entities.

	Company June 2014 A\$000s	June 2013 A\$000s
Transactions		
Corporate management fees	31,261	44,381
Guarantee fees	13,797	10,172
Dividend income	384,729	221,634
Interest income	15,266	14,187
Interest expense	85,181	73,611
Outstanding Balances (Net of Provisions Raised)		
Receivables	4,237,648	3,985,088
Payables	3,340,380	2,958,186

Transactions that occurred during the financial year between entities in the Lend Lease Group included:

- Provision of project management, design services, construction management and engineering services to development projects;
- Provision of development management services;
- Provision of investment management services;
- Provision of payroll, transaction and management services;
- Receipt and payment of superannuation contributions;
- Reimbursement of expenses made on behalf of subsidiaries;
- Loan advances and repayments between subsidiaries;
- Premium payments and receipts for the Group's insurance policies; and
- Dividends received or due and receivable from subsidiaries.

Notes to the Consolidated Financial Statements continued

32. Non Key Management Personnel Related Party Information continued

Associates and Joint Ventures

Interests held in associates and joint ventures by Lend Lease are set out in Note 12 'Equity Accounted Investments'.

Transactions between the Lend Lease Group and its associates and joint ventures principally relate to:

- Development: development management services and the sale and purchase of development properties with Lend Lease managed funds;
- Construction: provision of project management, building, engineering and construction services;
- Investment Management: provision of property and infrastructure investment management, property management and asset management services; and
- Infrastructure Development: provision of project management, engineering and construction services and asset management services. Loan stock is also provided to projects on which interest is earned based upon project specific risks and returns.

A non interest bearing loan has also been provided to a joint venture and at 30 June 2014 the loan balance was A\$28.6 million (June 2013: A\$30.6 million).

Except as noted above, transactions and outstanding balances are typically on normal terms and conditions.

Revenue earned by Lend Lease during the year as a result of transactions with its associates and joint ventures is as follows.

	June 2014 A\$m	June 2013 ^{1,2} A\$m
Revenue		
Provision of services		
Associates	14.5	21.9
Joint ventures	414.4	538.3

1 June 2013 has been adjusted to reflect the impact of the first time adoption of the new AASB 11 *Joint Arrangements* standard (Joint Ventures decreased by A\$2.2 million due to reclassification as Joint Operations).

2 June 2013 has also been adjusted for the identification of additional related party transactions (Associates A\$2.9 million and Joint Ventures A\$86.8 million).

Other transactions and outstanding balances with associates and joint ventures have been disclosed in Note 2 'Revenue', Note 3 'Other Income', Note 4 'Other Expenses', Note 5 'Finance Revenue and Finance Costs', Note 10 'Loans and Receivables' and Note 17 'Trade and Other Payables'. Transactions with joint operations are included in the consolidated Income Statement and Statement of Financial Position.

33. Parent Entity Disclosures

The following summarises the financial information of the Group's parent entity, Lend Lease Corporation Limited ('the Company'), as at and for the year ended 30 June 2014.

	Company June 2014 A\$m	June 2013 ¹ A\$m
Results		
Profit after tax	301.2	61.6
Other comprehensive income after tax	6.2	11.2
Total comprehensive income after tax	307.4	72.8
Financial Position		
Current assets	4,229.6	3,915.6
Non current assets	2,135.8	1,936.1
Total assets	6,365.4	5,851.7
Current liabilities	3,408.6	3,013.7
Non current liabilities	43.5	43.0
Total liabilities	3,452.1	3,056.7
Net assets	2,913.3	2,795.0
Issued capital	1,618.2	1,599.9
Treasury securities	(117.1)	(119.0)
Reserves	224.0	221.9
Retained earnings	1,188.2	1,092.2
Total equity	2,913.3	2,795.0

1 June 2013 has been adjusted to reflect the impact of the first time adoption of the revised AASB 119 *Employee Benefits* standard (refer to Note 1.3 'Impact of New/Revised Accounting Standards').

Notes to the Consolidated Financial Statements continued

33. Parent Entity Disclosures continued

Parent Entity Contingencies

In respect of the contingent liabilities of the Group disclosed in Note 23 'Contingent Liabilities', the Company participates in the provision of guarantees of Group entities and manages the legal action in relation to the World Trade Center.

34. Events Subsequent to Balance Date

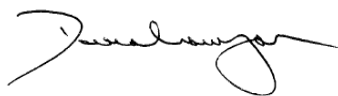
There were no material events subsequent to the end of the financial year.

Directors' Declaration

In the opinion of the Directors of Lend Lease Corporation Limited ('the Company'):

1. The financial statements and notes and the remuneration disclosures contained in the Remuneration Report in the Directors' Report are in accordance with the *Corporations Act 2001*, including:
 - a. Giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2014 and of their performance for the financial year ended on that date; and
 - b. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.1.
3. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
4. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Group Chief Executive Officer and Group Chief Financial Officer for the financial year ended 30 June 2014.

Signed in accordance with a resolution of the Directors:



D A Crawford, AO
Chairman



S B McCann
Group Chief Executive Officer & Managing Director

Sydney, 27 August 2014



Independent auditor's report to the members of Lend Lease Corporation Limited

Report on the financial report

We have audited the accompanying financial report of Lend Lease Corporation Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2014, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 34 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position, and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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



Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the remuneration report

We have audited the remuneration report included in section 3 of the directors' report for the year ended 30 June 2014. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Lend Lease Corporation Limited for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

S J Marshall
Partner

Sydney

27 August 2014