ASX ANNOUNCEMENT

17 February 2016

Appendix 4D and Consolidated Financial Report for Lendlease Group

Lendlease Group today announced its results for the half year ended 31 December 2015. Attached are the following documents:

- Final Report (Appendix 4D)
- Full Year Consolidated Financial Report
  - Directors' Report
  - Five Year Profile
  - Consolidated Financial Statements

ENDS

For further information, please contact:

Investors:
Suzanne Evans
Tel: 02 9236 6464
Mob: 0407 165 254

Media:
Nadeena Whitby
Tel: 02 9236 6865
Mob: 0467 773 032

Lendlease Corporation Limited ABN 32 000 226 228 and
Lendlease Responsible Entity Limited ABN 72 122 883 185 AFS Licence 308983
as responsible entity for **Lendlease Trust** ABN 39 944 184 773 ARSN 128 052 595

Level 4, 30 The Bond
30 Hickson Road, Millers Point
NSW 2000 Australia

Telephone +61 2 9236 6111
Facsimile +61 2 9252 2192
lendlease.com

Lendlease Group

Appendix 4D

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

Preliminary Half Year Report for the period ended 31 December 2015
(previous corresponding period being the period ended 31 December 2014)

Results for Announcement to the Market

Profit After Tax

	6 months December 2015 A$m	6 months December 2014 A$m	% Change
Revenue	7,340.0	5,897.8	24.5%
Profit after tax attributable to securityholders	353.8	315.6	12.1%

Stapling of the Company Shares and LLT Units

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

Dividends/Distributions

	Amount per security	Franked amount per security
Interim dividend/distribution – payable 15 March 2016	30.0 cents	0.0 cents

The interim dividend/distribution is comprised of an unfranked dividend of 21.350462 cents per share payable by the Company, sourced from the Conduit Foreign Income (CFI) account, and a trust distribution of 8.649538 cents per unit payable by LLT.

The record date for determining entitlement to the interim distribution is 25 February 2016 (Record Date) and the distribution is payable on 15 March 2016.

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 26 February 2016. Subject to the rules of the DRP, the issue price is the arithmetic average of the daily volume weighted average price of Lendlease stapled securities traded on the Australian Securities Exchange for the period of five consecutive business days immediately following the Record Date. Stapled securities issued under the DRP rank equally with all other stapled securities on issue.

Additional Information

	December 2015	June 2015
Net tangible assets per security	A$6.72	A$6.41

The remainder of the information requiring disclosure to comply with listing rule 4.2A.3 is contained in the Operating and Financial Review section of the December 2015 Directors' Report and the December 2015 Half Year Consolidated Financial Report.

lendlease

Half Year Consolidated Financial Report December

2015

Five Year Profile

Profitability		Half Year 31 December 2015	Half Year 31 December 2014	Half Year 31 December 2013	Half Year 31 December 2012[1]	Half Year 31 December 2011
Revenue	A$m	7,340	5,898	6,507	6,754	5,788
Profit before Tax	A$m	426	368	296	347	280
Profit after Tax	A$m	354	316	252	301	218
EBITDA	A$m	512	467	398	426	350
Earnings per stapled security on Profit after Tax[2]	cents	60.9	54.5	43.7	52.5	38.1
Profit after Tax to securityholders' equity for the period (ROE)[3]	%	13.4	12.9	11.6	15.4	12.0
Dividend/Distribution payout ratio on Profit after Tax	%	49	50	50	42	42
Dividend/Distribution per stapled security	cents	30.0	27.0	22.0	22.0	16.0
Corporate Strength						
Total assets	A$m	19,084	16,816	15,409	13,169	12,027
Cash	A$m	570	777	1,067	1,082	1,251
Borrowings	A$m	2,593	2,524	2,591	1,447	1,332
Current assets	A$m	5,833	4,929	4,360	4,017	3,682
Non current assets	A$m	13,251	11,887	11,048	9,152	8,345
Current liabilities[4]	A$m	9,505	8,010	7,168	6,611	6,029
Non current liabilities	A$m	4,205	3,852	3,772	2,536	2,280
Total equity	A$m	5,374	4,954	4,469	4,022	3,718
Operating cash flow	A$m	201	(497)	(211)	(48)	208
Net asset backing per security	A$	9.25	8.55	7.75	7.00	6.50
Ratio of current assets to current liabilities[4]	times	0.6	0.6	0.6	0.6	0.6
Ratio of current assets to current liabilities (excluding resident and accommodation bond liabilities)[4]	times	1.1	1.1	1.1	1.0	1.0
Net debt to total tangible assets, less cash[5]	%	12.1	12.4	12.5	5.8	3.4
Borrowings to total equity	%	48.2	50.9	58.0	36.0	35.8
Borrowings to total equity plus borrowings	%	32.5	33.7	36.7	26.5	26.4
Gross borrowings to total tangible assets[5]	%	14.9	16.8	19.1	14.5	14.7
Securities on issue	m	581	580	577	574	572
Number of securityholders	no.	60,678	55,737	55,136	52,939	53,728
Number of equivalent full time employees[6]	no.	11,875	12,665	13,729	17,442	17,349
Securityholders' Returns and Statistics						
Proportion of securities on issue to top 20 securityholders	%	73.5	76.3	75.3	76.5	77.0
Security holdings relating to employees[7]	%	5.6	5.7	6.0	6.3	6.5
Weighted average number of securities	m	580.9	578.6	576.1	573.6	571.4
Total dividends/distributions[8]	A$m	174	157	127	126	92
Security price as at 31 December as quoted on the Australian Securities Exchange	A$	14.26	16.40	11.14	9.28	7.16

1 December 2012 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.
2 Calculated using the weighted average number of securities on issue including treasury securities.
3 Return on equity (ROE) is calculated on an annualised basis, using the half year profit/(loss) after tax divided by the arithmetic average of beginning and half year securityholders' equity.
4 Ratio includes resident and accommodation bond liabilities related to the Retirement Living business. Under the current interpretation of accounting standards, these are required to be classified as current liabilities as any resident may choose to 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. Although a resident may choose to depart within 12 months, the Group's commercial history has shown that the majority of resident contracts are not due for a period greater than 12 months, which means these liabilities are effectively non current.
5 Net debt and gross borrowings include certain other financial liabilities of A$40.6 million (December 2014: A$73.0 million).
6 Casual and third party workers are excluded from full time equivalent employees at December 2015 and 2014; comparative periods 2013, 2012 and 2011 have been restated to conform with current period disclosure. The reduction from December 2014 mainly relates to restructure of the Australian Construction business. The reduction from December 2013 mainly relates to the restructure of the Australian Construction business and the sale of the European Facilities Management business. The reduction from December 2012 mainly relates to the sale of the Aged Care business.
7 Securities held through employee benefit vehicles.
8 A$124.1 million Company dividend was declared subsequent to the reporting date for December 2015.

Directors' Report

Table of Contents

Directors' Report

The Directors present their Report together with the Half Year Consolidated Financial Report of the consolidated entity, being Lendlease Corporation Limited (the Company) and its controlled entities including Lendlease Trust (together referred to as the consolidated entity or the Group), for the six months ended 31 December 2015 and the Auditor's Report thereon.

1. Directors

The name of each person who has been a Director of the Company at any time between 1 July 2015 and the date of this Report are:

D A Crawford, AO	Director since 2001, Chairman since 2003
S B McCann	Group Chief Executive Officer since 2008 and Managing Director since 2009
C B Carter, AM	Director since 2012
P M Colebatch	Director since 2005
S B Dobbs	Director since 2015
J S Hemstritch	Director since 2011
D J Ryan, AO	Director since 2004
M J Ullmer	Director since 2011
N M Wakefield Evans	Director since 2013

2. Dividends/Distributions

An unfranked interim distribution of A$174.4 million (December 2014: A$156.5 million unfranked) has been approved by the Directors. The interim distribution comprising of an unfranked dividend of 21.4 cents per share from the Company and a trust distribution of 8.6 cents per unit from Lendlease Trust will be paid on 15 March 2016 (December 2014: 24.0 cents per share from the Company and 3.0 cents per unit from Lendlease Trust paid on 18 March 2015).

3. Events Subsequent to Balance Date

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

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

The Lead Auditor's Independence Declaration is set out at the end of this report and forms part of the Directors' Report for the six months ended 31 December 2015.

5. Rounding Off

The Group is of a 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 Half Year Consolidated Financial 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 otherwise.

6. Operating and Financial Review

The Operating and Financial Review is based on the Lendlease Group (the Group) Consolidated Financial Statements for the six months ended 31 December 2015 and should be read in conjunction with those financial statements. All currency amounts are expressed in Australian dollars unless otherwise specified.

a. About Lendlease

Our vision, to create the best places, supports our strategic direction 'to be the leading international property and infrastructure group'.

These statements guide every single project we are a part of, big and small. We work closely with clients, investors and communities in Australia, Asia, Europe and the Americas to create unique places. Places that leave a positive legacy and inspire and enrich the lives of people around the world. We do this through putting safety first and delivering innovative and efficient solutions which provide long term sustainable outcomes for a range of stakeholders.

Our Business Activities

The principal activities of the Group include designing, developing, constructing, funding, owning, co-investing in, operating and managing property and infrastructure assets. The Group delivers these activities through a regional management structure focused 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 as presented below:

Integrated Model

Development

Property

- Core Capability: we acquire inner and outer urban development sites in key global cities; we create the best places for clients such as governments, businesses and consumers which will be ultimately used and enjoyed by people.
- Core Product: apartments, commercial offices, retail centres, communities, healthcare facilities and retirement villages.
- Core Returns: value created through the development of projects, the sale of assets and development management fees received from external co-investors.

Infrastructure

- Core Capability: we arrange the development of Public Private Partnership (PPP) projects for key government clients.
- Core Product: we manage and invest in infrastructure projects.
- Core Returns: origination fees for facilitation of PPP transactions, asset management fees, investment income and capital growth on capital contributions.

Construction

- Core Capability: we provide project management and construction services in key global cities to produce the best places for governments, businesses and consumers.
- Core Segment: building, engineering and construction services.
- Core Products: commercial, retail, apartments, health, education, defence, roads, rail, bridges, tunnels, water, energy and telecommunications.
- Core Returns: project management and construction management fees.

Investment Management

- Core Capability: we are a trusted global investment manager and we provide property and asset management solutions. Our integrated model also allows us to provide investors with access to new high quality product.
- Core Products: property and infrastructure funds and mandates. This also includes managing the Group's property and infrastructure investments.
- Core Returns: fund and property management fees in addition to investment yields and capital growth on co-investments.

Directors' Report continued

6. Operating and Financial Review continued

a. About Lendlease continued

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 regions.	Focus on four core regions with defined geographies across Australia, Asia, Europe and the Americas.	• Commercial • Residential • Retail • Retirement • Industrial	• Social (e.g. health and education) • Economic (e.g. road, rail and telecommunications)

Strategy Update

Since 2009, Lendlease has delivered on its strategy to become a leading international property and infrastructure group in the core markets in which we operate. Successful delivery of the previous five year strategy has placed the Group in a strong position where we must focus on delivering the value from our large development pipeline and construction backlog safely while also leveraging our integrated model and taking a disciplined approach to growing the business further in specific target sectors. To take advantage of this strong position and the changing global market context, the Group strategy has evolved. The current strategy is defined by two core concepts:

Focus: we focus on delivering optimal performance safely at our target margins. This means investing in our people; remaining disciplined in our delivery; maximising opportunities around our integrated model and delivering on strong risk management.

Grow: this is about targeting disciplined growth in sectors, aligned with our six major trends, where we already have deep skills as a developer, contractor, or investment manager. The opportunity lies in either taking these skills into new markets or bringing them together to create innovative integrated solutions in response to customer needs.

To support this strategy, we have also codified four principles. These principles define the way in which Lendlease conducts business. They include:

Safety: always our number one priority;

Sustainability: a crucial responsibility and a competitive differentiator;

Diversity and Inclusion: employing the best talent, wherever it is found and being an engaged partner to the communities in which we operate; and

Customer-Focus: always placing our customers, stakeholders, and end-users front-of-mind.

The strategy is underpinned by a focus on six major trends, which drive long term demand in areas which the Group has existing capabilities:

Urban Regeneration	Urbanisation creates increasing pressure to plan for, and accommodate a denser population.
Infrastructure	Urbanisation and population growth are driving the need for improved productivity, creating strong demand for infrastructure at both the social and economic levels.
Ageing Population	An ageing population requiring different housing solutions and greater healthcare support services in all of our major markets.
Funds Growth	Continuing growth in funds under management (FUM), consolidation of large pension funds and emergence of sovereign wealth funds as dominant investors.
Sustainability	Sustainability remains imperative for many governments, investors and consumers who demand defined standards to improve environmental and social outcomes.
Technology	Technology is rapidly changing the operating environment of business and will impact property and infrastructure ownership, utilisation and services.

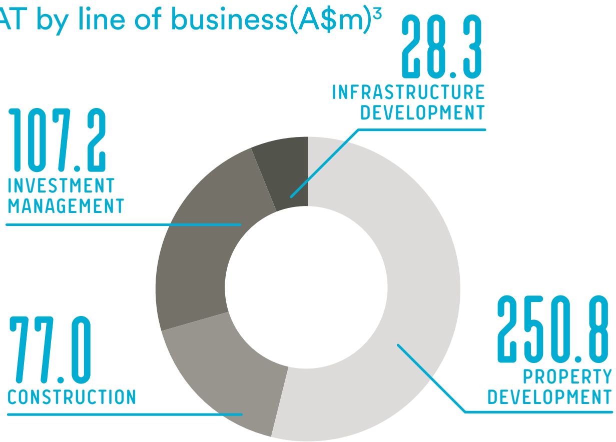
Overall, this strategy will deliver a portfolio with strong earnings visibility, geographic and sector diversification, and growth in our identified target areas.

6. Operating and Financial Review continued

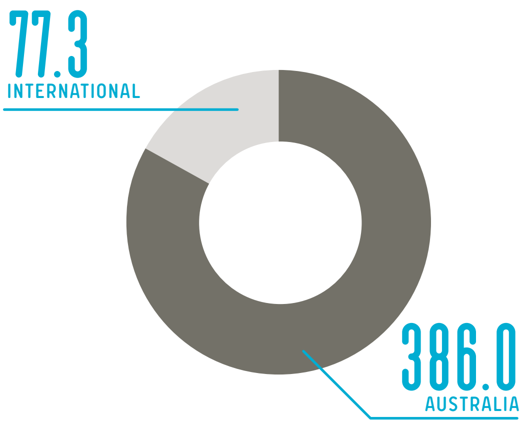
b. Review of Group Performance

Financial		December 2015	December 2014	Percentage Movement
Key Metrics				
Revenue[1]	A$m	7,354.8	5,908.3	24%
EBITDA	A$m	512.0	467.3	10%
Profit after Tax (PAT)	A$m	353.8	315.6	12%
Operating Cash Flow	A$m	200.7	(496.8)	Large
Total Assets[2]	A$m	19,083.9	18,959.2	1%
Net Debt[2]	A$m	2,063.1	1,758.5	17%
Key Ratios				
Effective Tax Rate	%	16.9	14.2	19%
Gearing[2]	%	12.1	10.5	15%
Return on Equity	%	13.4	12.9	4%
Key Returns				
Earnings per security	cents	60.9	54.5	12%
Weighted avg security	m.	580.9	578.6	
Payout ratio	%	49	50	(2%)
Distribution	cents	30.0	27.0	11%

PAT by line of business(A$m)[3]



PAT by region (A$m)[3]



The Group has delivered a strong performance with significant contributions from the Australian Property Development and Investment Management businesses and the Property Development business in Europe:

- **Profit after Tax** of A$353.8 million is up 12% on the prior corresponding period, key contributors including the sale of 25% of the Group's investment in Lend Lease One International Towers Sydney Trust, the forward sale of the two commercial buildings at The International Quarter and settlements on completion of a number residential built-form projects in Australia;
- **Operating cash flow** increased to a A$200.7 million inflow. This was primarily due to the receipt of cash proceeds from the sale of Tower One, the completion of Tower Two at Barangaroo South, in addition to the sale of the Kings Gate commercial building at Brisbane Showgrounds;
- **Effective tax rate** has increased to 16.9% (December 2014: 14.2%) primarily due to movements in the geographic mix of income;
- **Return on equity** of 13.4% is within the 11-15% target ROE range;
- **Payout ratio** 49% resulting from an interim distribution to security holders of 30.0 cents per stapled security;
- **Earnings per security** of 60.9 cents, an 12% increase on the prior corresponding period;
- **Australia** contributed A$386.0 million profit after tax driven by a strong performance from Property Development, Construction and Investment Management activities; Property Development performance was driven by settlements on completion of a number of residential built-form projects and the forward sale of the commercial office building at Darling Square; Construction benefited from an improved operational performance and reduction in the overhead cost base; whilst the strong result in the Investment Management segment was primarily due to the sale of 25% of the Group's investment in Lend Lease One International Towers Sydney Trust and capital growth across the Group's co-investments;
- **International** contributed $77.3 million profit after tax, comprised of:
  - **Asia** incurred a A$29.3 million loss after tax primarily due to the revaluation of the Group's investment in 313@somerset during the period and the region's continued focus on the origination of new urban regeneration developments;
  - **Europe** contributed A$73.2 million profit after tax, which included the forward sale of the first two commercial buildings at The International Quarter and;
  - The **Americas** contributed A$33.4 million profit after tax, with improved development management and equity earnings within the Infrastructure Development segment being offset by the increased investment in the origination of Property Development opportunities and reduced Construction earnings with a lower contribution from the military housing sector due to project completions;
- **Group Services** costs of A$59.8 million after tax were slightly lower than the prior corresponding period; and
- **Net Treasury** costs of A$49.7 million after tax reduced by A$3.1 million due to lower average interest rates and debt margins compared to the prior corresponding period.

1 Operating & finance revenue.
2 June 2015 comparative.
3 Excluding Corporate segment.

Directors' Report continued

6. Operating and Financial Review continued

b. Review of Group Performance continued

Property Development

		December 2015	December 2014	Percentage Movement
Pipeline[1, 2]	A$b	46.6	44.9	4%
Settlements[2, 3]	units	2,128	1,468	45%
Pre Sales[2, 3, 4]	A$m	5,387	3,618	49%
EBITDA	A$m	324.8	167.2	94%
EBITDA margin	%	26.4	40.7	(35%)

The Property Development segment performed strongly, delivering profit after tax of A$250.8 million led by residential apartment completions and the sale of commercial office buildings in Australia and Europe. Key achievements included:

- **Forward sale** of the commercial office building at Darling Square to APPF Commercial and First State Super;
- **Forward sale** of the first two commercial buildings at The International Quarter, Stratford with one building sold to Legal & General and the other to Deutsche Bank's asset management arm;
- **Commercial leasing**: an Agreement for Lease was executed with the Commonwealth Bank of Australia for the commercial office building at Darling Square;
- **Completion** of nine apartment buildings in Australia and Europe in line with expectations, as the Group successfully delivers its residential apartment development pipeline with total apartment buildings in conversion/delivery of 17 at period end;
- **Residential settlements** increased by 45% to 2,128 units reflecting the completion of the residential apartment buildings in Australia and the UK and continued strong trading conditions in the Communities business in Australia;
- **Residential pre sales** were up 49% on the prior corresponding period, driven by the ongoing delivery of the Group's residential apartment pipeline in Australia and the UK; and
- **Retirement portfolio** traded strongly with an increase in settlement units and average price.

Infrastructure Development

		December 2015	December 2014	Percentage Movement
Invested Equity[1, 5]	A$m	362.0	320.4	13%
Committed Equity[1, 6]	A$m	52.6	90.6	(42%)
EBITDA	A$m	39.8	88.9	(55%)
EBITDA margin	%	67.5	74.0	(9%)

The Infrastructure Development segment delivered profit after tax of A$28.3 million, a decrease of A$42.4 million. The prior corresponding period included origination fees received in Australia, in addition to profit on the sale of the UK Facilities Management business. The business is well positioned in both the Australian and American markets to contribute to future earnings. Key achievements included:

- **Concession signing** of the Treviso Hospital in Italy with the local authority. Financial close will occur once financing and construction contracts have been finalised; and
- **Ongoing equity investment** as infrastructure projects progress towards completion within Australia and Europe.

1 June 2015 comparative.
2 Includes 100% of joint venture projects and therefore will not necessarily correlate with the Group's profit after tax.
3 Residential Land Lots and Built-Form units.
4 Pre sales do not form part of profit after tax in the current period and are expected to be recognised in future years.
5 Invested equity refers to the equity contributed for each project.
6 Committed equity refers to equity the Group has a future commitment to invest.

6. Operating and Financial Review continued

b. Review of Group Performance continued

Construction

		December 2015	December 2014	Percentage Movement
New Work Secured[2]	A$b	6.1	4.7	30%
Backlog[1, 3]	A$b	18.6	17.3	8%
EBITDA	A$m	117.3	152.0	(23%)
EBITDA margin	%	2.0	2.9	(31%)

The Construction segment delivered profit after tax of A$77.0 million, a decrease of A$8.6 million from the prior comparative period with strong performance from the Australian Construction business offset by a lower contribution from the international business due to project completions in these regions. Key achievements included:

- **New work secured** increased by 30% from the prior corresponding period to A$6.1 billion with key engineering, commercial, residential and healthcare projects secured across: Australia (A$3.7 billion), Asia (A$0.1 billion), Europe (A$0.6 billion) and the Americas (A$1.7 billion);
- **Closing backlog revenue** increased by A$1.3 billion to A$18.6 billion on the strength of new projects secured in Australia, Europe and the Americas and is comprised of Building (A$14.1 billion), Engineering (A$3.0 billion) and Services (A$1.5 billion); and
- **Preferred bidder** on ~A$8 billion of new work, including the delivery of our internal development pipeline.

Investment Management

		December 2015	December 2014	Percentage Movement
Funds under management[1, 4]	A$b	22.0	21.3	3%
Asset under management[1, 4]	A$b	11.5	11.4	1%
Investments[1, 4]	A$m	1,361.8	1,410.3	(3%)
EBITDA	A$m	114.6	145.4	(21%)
EBITDA margin	%	116.5	136.8	(15%)

The Investment Management business delivered profit after tax of A$107.2 million, which included profit achieved on the sale of 25% of the Group's co-investment in Lend Lease One International Towers Sydney Trust, offset by the devaluation of the Group's investment in 313@somerset.

Key achievements included:

- A$1.2 billion of third party capital raised during the period, including the introduction of a new international investor to Lend Lease One International Towers Sydney Trust and a capital raising completed by APPF Commercial;
- **Funds under management** increased due to capital growth and capital expenditure incurred, in addition to the acquisition of the commercial office building at Darling Square by Australian Prime Property Fund Commercial and First State Super;
- Australian Prime Property Fund Commercial was ranked as the world's most sustainable real estate fund in the Global Real Estate Sustainability Benchmark for the second year running;
- **Assets under management** were in line with the prior corresponding period; and
- **Investments** decreased due to the divestment of a share of the Group's co-investments in Lend Lease One International Towers Sydney Trust and Lend Lease PFI/PPP Infrastructure Fund LP.

1 June 2015 comparative.
2 New work secured revenue is the total revenue to be earned from projects secured during the period.
3 Current period backlog revenue is the total revenue to be earned in future financial years, based on projects secured at December 2015.
4 Represents the Group's assessment of the market value.

Directors' Report continued

6. Operating and Financial Review continued

b. Review of Group Performance continued

Financial Performance

	December 2015 A$m	December 2014 A$m	Percentage Movement
Revenue and other income	7,425.1	6,085.5	22%
Cost of sales and other expenses	(7,034.5)	(5,609.2)	(25%)
Share of profit of equity accounted investments	121.4	(9.0)	Large
EBITDA	**512.0**	**467.3**	**10%**
Depreciation and amortisation	(40.8)	(40.0)	(2%)
EBIT	**471.2**	**427.3**	**10%**
Net finance costs	(45.7)	(59.6)	23%
Operating Profit before Tax	**425.5**	**367.7**	**16%**
Income tax expense	(71.9)	(52.4)	(37%)
External non controlling interests	0.2	0.3	(33%)
Profit after Tax attributable to securityholders	**353.8**	**315.6**	**12%**

- **EBITDA** has increased by A$44.7 million, key contributors including the sale of 25% of the Group's investment in Lend Lease One International Towers Sydney Trust, the forward sale of the first two commercial buildings at The International Quarter, Stratford and settlements on completion of a number residential built-form projects in Australia;
- **Net finance cost** decrease is due to lower average interest rates and debt margins compared to the prior corresponding period; and
- **Income tax expense** increase is due to higher pre-tax earnings, while the effective tax rate has increased primarily due to movements in the geographic mix of income.

Financial Position

	December 2015 A$m	June 2015 A$m	Percentage Movement
Cash and cash equivalents	570.0	750.1	(24%)
Inventories	4,639.6	4,104.2	13%
Equity accounted investments	1,275.2	1,235.8	3%
Investment properties	6,312.7	5,994.9	5%
Other financial assets	675.7	668.4	1%
Other assets	5,610.7	6,205.8	(10%)
Total assets	**19,083.9**	**18,959.2**	**1%**
Borrowings and financing arrangements	2,592.5	2,450.3	6%
Other financial liabilities	51.2	66.0	(22%)
Other liabilities	11,066.0	11,274.7	(2%)
Total liabilities	**13,709.7**	**13,791.0**	**(1%)**
Net assets	**5,374.2**	**5,168.2**	**4%**

- **Cash and cash equivalents** decreased by A$180.1 million to A$570.0 million due to the Group's ongoing investment into Property Development production during the period, including funding contributed through investments in Lend Lease One International Towers Sydney Trust and The International Quarter JV (Stratford City Business District Limited). Additionally, repayments were made on the US private placement and club revolving credit facilities during the period;
- **Inventories** increased by A$535.4 million to A$4,639.6 million, largely due to an increase in work in progress in relation to key development projects, including Darling Square A$111.4 million, Elephant & Castle A$114.6 million and Toorak Park A$31.8 million;
- **Investment properties** increased by A$317.8 million to A$6,312.7 million, primarily due to capital expenditure and the increased valuations received on the Retirement Living properties on a gross basis; and
- **Other assets** decreased by A$595.1 million to A$5,610.7 million, primarily due to the receipt of the receivable balances associated with Barangaroo South during the period.

6. Operating and Financial Review continued

b. Review of Group Performance continued

Cash Flow

	December 2015 A$m	December 2014 A$m	Percentage Movement
Cash flows from operating activities	200.7	(496.8)	140%
Cash flows from investing activities	(369.5)	(312.0)	(18%)
Cash flows from financing activities	(13.6)	(152.8)	91%
Effect of foreign exchange rate movements on cash and cash equivalents	2.3	22.3	(90%)
Total cash flows	**(180.1)**	**(939.3)**	**81%**

- **Operating** cash flows increased to a A$200.7 million inflow. This was primarily due to the receipt of proceeds on sale of Tower One, completion of Tower Two and increased activity at Barangaroo South, combined with the proceeds on sale of the Kings Gate commercial building at Brisbane Showgrounds and settlements received on a number of residential built-form projects;
- **Investing** cash outflows of A$369.5 million include capital contributions for the Barangaroo South and The International Quarter projects through the Group's investments in Lend Lease One International Towers Sydney Trust and The International Quarter JV (Stratford City Business District Limited) respectively; and
- **Financing** cash outflows of A$13.6 million primarily driven by the repayments on the US private placement and club revolving credit facilities, offset by drawdowns on the syndicated multi-option facility.

Group Funding

		December 2015	June 2015	Percentage Movement
Net debt[1]	A$m	2,063.1	1,758.5	17%
Gross borrowings to total tangible assets[2]	%	14.9	14.3	4%
Net debt to total tangible assets, less cash	%	12.1	10.5	15%
Interest coverage[3]	times	7.7	6.6	17%
Average cost of debt including margins	%	4.8	5.2	(8%)
Average debt duration	years	3.8	3.9	(3%)
Debt mix fixed: floating	ratio	54:46	67:33	
Undrawn facilities[4]	A$m	1,059.8	1,423.5	(26%)

- The increase in the Group's net debt and gearing from the prior corresponding period is as a result of the continued investment of cash balances in Property Development production during the period; and
- As at the end of the period, the available liquidity for the Group was approximately A$1.6 billion.

Debt Facilities

	Facility (Local Currency)	Facility A$[5]	Drawn December 2015[5]	Available	Expiry
Syndicated multi-option facility	A$1,500m	A$1,499.0m	A$978.9m	A$520.1m	Various[6]
UK bond issue	£300m	A$606.8m	A$606.8m	A$0.0m	Oct 21
Club revolving credit facility	£330m	A$673.5m	A$220.4m	A$453.1m	Various[7]
US private placement	US$25m	A$34.2m	A$34.2m	A$0.0m	Oct 17[8]
Singapore bond	S$275m	A$266.4m	A$266.4m	A$0.0m	July 17
Australian medium term notes	A$475m	A$475.6m	A$475.6m	A$0.0m	Various[9]

1 Borrowings, including certain other financial liabilities, less cash.
2 Borrowings, including certain other financial liabilities, divided by total tangible assets.
3 EBITDA plus interest income, divided by interest finance costs, including capitalised finance costs.
4 Undrawn facilities balance is based on gross facility, drawn at face value.
5 Gross facility adjusted for unamortised transaction costs as recorded in the financial statements.
6 A$1,500 million syndicated multi-option facility maturing in June 2019 (A$600 million) and June 2020 (A$900 million) drawn to A$980.0 million at 31 December 2015.
7 £165 million expires in December 2016 and £165 million expires in December 2017.
8 US$175 million of the US private placement matured and was repaid in October 2015.
9 A$250 million expires in November 2018 and A$225 million expires in May 2020.

Directors' Report continued

6. Operating and Financial Review continued

b. Review of Group Performance continued

Strategy Performance

Lendlease continues to deliver on its strategy to become a leading international property and infrastructure group in the core markets in which we operate.

	Targets	Current Status
Safety	• Operate incident and injury free • Operate only in regions/areas where we can ensure safety	• 83% of operations have not had a critical incident in the last 12 months • 1.95 LTIFR in the last 12 months
Returns	• Enhance returns for securityholders	• Payout ratio of 49% within 40% to 60% target range • Distribution per share increased by 11% to 30 cents per security
Profitability	• Increase profitability – sustainability and diversification of income	• PAT growth – increased 12% on prior corresponding period • ROE – delivered 13.4%, within target range
Pipeline	• Extend development pipeline across integrated mixed use projects • Broaden construction capabilities • Drive continued growth in funds under management	• Global development pipeline A$46.6 billion – urbanisation comprising ~75% • Continued progress across major international development sites • Construction backlog revenue A$18.6 billion • Funds under management A$22.0 billion
Focus	• Creating leading positions and a leading safety culture • Operational excellence and delivery	• Maintained focus on core growth initiatives including Urban Regeneration, Healthcare and Infrastructure

Outlook and Prospects

Lendlease has continued to deliver profit growth in a challenging market. Our pipeline of opportunities provides earnings visibility and a platform for a strong growth trajectory.

Property Development: an estimated pipeline end value of A$46.6 billion within the Group's Property Development business underpins our strategic direction of becoming the leading international property and infrastructure group.

- **Urban Regeneration:** the Group has an estimated urbanisation pipeline end value of ~A$35 billion across the globe, which includes Barangaroo South, Darling Square, Victoria Harbour, the Lifestyle Quarter at Tun Razak Exchange, Paya Lebar Central, Elephant & Castle and Riverline. The significant presence globally positions the Group well for the future; and
- **Residential:** the Group currently has ~52,810 Communities units and ~24,870 apartment built-form units within closing backlog and has pre sold A$5.4 billion of residential land lot and built-form units across Australia and the United Kingdom as at December 2015. These residential pre sales are due to settle over the course of the next three to four years and provide the Group with strong earnings and cash visibility over the medium term.

Infrastructure Development: the Group has more than A$360 million of invested equity in 17 projects across the globe, an increase of 13% on the prior corresponding period. The business is well positioned in both the Australian and American markets to contribute strongly to future earnings.

Construction: the Group is continuing to drive performance and reduce volatility.

- Backlog revenue of A$18.6 billion remains robust;
- A$6.1 billion of new work was secured during the current period across our key markets; and
- Preferred bidder on ~A$8 billion of new work globally. The impact of this preferred work, along with components of integrated projects yet to move into delivery, further supports the visibility of near to medium term earnings.

Investment Management: the platform supports capital solution needs across the broader business, matching the right type of capital to risk-return profiles. The Group has successfully raised A$1.2 billion of third party capital during the period and with $22.0 billion in FUM, combined with a further ~A$3 billion of future embedded FUM growth and $1.4 billion in co-investment balances, the Group has a solid base through which to source attractive annuity earnings and return on capital enhancement.

The strength of our balance sheet and access to third party capital means the Group has the financial capacity to fund our pipeline and invest in other opportunities, in line with our strategy.

Risks

We believe Lendlease is well placed for 2016 and beyond. The Group's result for future financial years remains subject to a number of risk factors.

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 the Group's earnings in future financial years including:

Key Risk	Mitigation
Property market risk and property market values	• All Property Development project values are tested for impairment through the commercial assessment process every six months; and • The fair value for all completed properties, except those valued at less than A$10.0 million, is based on periodic, but at least triennial, valuations by qualified external independent valuers. It is the policy of the Group to review the fair value of each property every six months.
Development activity risk	• Across the Residential development portfolio, pre sales target thresholds are set on projects prior to the commencement of construction. As at 31 December 2015, the Group also has substantial pre sold stock on hand; • The Group usually requires a minimum deposit up front on transactions; • Pre leasing target thresholds are usually required to be met on commercial product prior to construction commencing, which helps to protect underlying commercial value; • The Group targets an optimal capital structure based on the risk profile of the development in order to deliver upon targeted returns; and • These, coupled with the integrated delivery model represent a mitigation in respect of development activity risk.
Construction activity risk	• Visibility of construction pipeline, with preferred positions on ~$A8 billion of work; • The Group places a strong emphasis on safety in its assessment of future pipeline opportunities, which complements the focus on delivery execution; • Regularly scheduled project reviews are carried out on all projects within the construction workbook; and • The Group has in place a set of mandatory core procedures that address all phases and aspects of its construction operations.
Investment and asset management activity risk	• Regular unit price and asset valuation reviews completed for funds, assets and investment portfolio; and • Liquidity and debt maturity monitored regularly through formal internal reporting.

6. Operating and Financial Review continued

c. Review of Regional Performance

Australia

	REVENUE			EBITDA			PROFIT/(LOSS) AFTER TAX		
	December 2015 A$m	December 2014 A$m	Percentage Movement	December 2015 A$m	December 2014 A$m	Percentage Movement	December 2015 A$m	December 2014 A$m	Percentage Movement
Property Development	1,138.6	364.2	213%	280.4	156.8	79%	201.3	132.6	52%
Infrastructure Development	18.5	71.7	(74%)	13.2	47.4	(72%)	9.3	36.3	(74%)
Construction	2,914.4	2,816.7	3%	105.4	91.2	16%	64.8	52.3	24%
Investment Management	68.5	83.8	(18%)	119.5	82.4	45%	110.6	76.4	45%
Total	**4,140.0**	**3,336.4**	**24%**	**518.5**	**377.8**	**37%**	**386.0**	**297.6**	**30%**

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

- **Property Development** profit after tax increased by A$68.7 million to A$201.3 million driven by 619 settlements on completion of a number of residential built-form apartments and continued strong residential conditions, with 1,466 residential land lot settlements. In addition, current period earnings were enhanced through the forward sale of the commercial office building at Darling Square;
- **Infrastructure Developmen**t profit after tax decreased by A$27.0 million to A$9.3 million due to origination fees received in the prior corresponding period;
- **Construction** profit after tax increased by A$12.5 million to A$64.8 million due to improved operational performance and a reduction in the overhead cost base across the business; and
- **Investment Management** profit after tax increased by A$34.2 million to A$110.6 million primarily as a result of profit on the sale of 25% of the Group's co-investment in Lend Lease One International Towers Sydney Trust and capital growth in the Group's co-investments.

Property Development

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

		RESIDENTIAL LAND LOTS			RESIDENTIAL BUILT-FORM			TOTAL		
		December 2015	December 2014	Percentage Movement	December 2015	December 2014	Percentage Movement	December 2015	December 2014	Percentage Movement
Settlements[1]										
Number of units	no.	1,466	1,442	2%	619	5	Large	2,085	1,447	44%
Gross sales value	A$m	334.9	294.7	14%	666.4	7.0	Large	1,001.3	301.7	232%
Pre sales[1,2]										
Number of units	no.	2,732	2,348	16%	3,595	2,362	52%	6,327	4,710	34%
Gross sales value	A$m	655.4	511.7	28%	3,065.0	2,055.4	49%	3,720.4	2,567.1	45%
Backlog[3,4]										
Zoned residential units	no.	48,950	51,080	(4%)	13,830	14,890	(7%)	62,780	65,970	(5%)

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

Residential land lots:

- **New work secured:** during the period the Group secured the third and final development of Lendlease and LandCorp's redevelopment of three former school sites at Coolbellup, Western Australia;
- **Settlements** increased by 2% from the prior corresponding period with increased activity in Victoria;
- **Pre sales** increased by 16% to 2,732 units demonstrating solid demand in New South Wales, Victoria and Queensland, with the first sales occurring at Calderwood Valley, New South Wales and Aurora, Victoria;
- **Gross sales:** value of settlements and pre sales are higher than the prior comparative period in line with the increase in volumes and price growth achieved during the period;
- **Average price** per unit pre sold has increased by 9% to A$240,000 from A$220,000 in the prior corresponding period, which is mainly attributable to strong price growth in Sydney and South East Queensland; and
- Agreements were entered into to sell the Melton East, Victoria and Springwood, South Australia projects during the period. Settlement of both transactions is expected in the second half of the 2016 financial year.

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 period and are expected to be recognised in future years. Pre sales land lots represent contracts entered into prior to 31 December 2015 that have not met the revenue recognition criteria. Pre sales built-form represents contracts entered into prior to 31 December 2015 for buildings that have not achieved completion. Joint venture sales are shown at 100% of sales value.
3 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.
4 June 2015 comparative.

Directors' Report continued

6. Operating and Financial Review continued

c. Review of Regional Performance continued

Australia continued

Property Development continued

Residential built-form units:

- **Settlements:** completion of apartment buildings at Alexander and Anadara at Barangaroo South, Concavo at Victoria Harbour and The Green, Brisbane Showgrounds resulted in 619 settlements in the period delivering A$666.4 million in gross sales;
- **Pre sales** increased by 52% to 3,595 units primarily driven by continued strong sales at Darling Square (100% pre sold at 31 December), 888 Collins (98% pre sold), 889 Collins (98% pre sold) and 883 Collins (92% pre sold) at Victoria Harbour, Toorak Park (82% pre sold) and The Yards (97% pre sold) at Brisbane Showgrounds; and
- **Average price** per unit pre sold of A$850,000 has decreased from A$870,000 due to the settlement of higher valued units at Barangaroo South and Concavo at Victoria Harbour during the period.

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

		December 2015	December 2014	Percentage Movement
Settlements gross sales value[2]	A$m	162.8	28.3	475%
Pre sales gross sales value[2, 3]	A$m	569.1	71.6	695%
Backlog[1, 4]	sqm/000s	5,117	5,182	(1%)

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

- **Forward sale:** the commercial office building at Darling Square was pre-leased to the Commonwealth Bank of Australia and the Group forward sold the building to APPF Commercial and First State Super contributing to current period settlements and pre sales. The pre sales value associated with the transaction will be recognised over the period of construction;
- **Commercial leasing**: agreement was reached with Arup to become the first commercial tenant at One Melbourne Quarter; and
- Continued progress on the Barangaroo South project during the period, with Westpac, the first commercial tenants taking occupancy of Tower Two. In total, the three commercial towers at Barangaroo South are 67% leased.

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

		December 2015	December 2014	Percentage Movement
Number of units settled	no.	641	597	7%
Gross sales value of units settled	A$m	254.9	205.8	24%
Number of units reserved[1, 5]	no.	355	395	(10%)
Number of retirement villages[1, 6]	no.	78	78	
Number of retirement units[1, 6]	no.	14,295	14,193	1%
Number of retirement units developed	no.	75	69	9%
Backlog units – zoned[1, 6, 7]	no.	567	666	(15%)

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

- **Settlements** of 641 units, an increase of 7% due to continued solid trading and contribution from acquisitions completed in the June 2015 financial year;
- **Average price** per unit settled was A$400,000 an increase of 16% from the prior comparative period reflecting strong residential market conditions in New South Wales, Victoria and South Australia;
- 355 units were reserved at 31 December 2015, with a gross value of A$151.1 million;
- 75 retirement units were also developed through the period, which included 23 units in New South Wales, 27 units in the ACT, 13 units in Victoria and 12 units in Western Australia; and
- Valuations of the retirement portfolio are based on discount rates between 12-17% and growth rates of between 1-5%. This period, the average discount rate for operating retirement villages was 13.3% and the average growth rate was 3.7% (no change from June 2015).

1 June 2015 comparative.
2 Includes 100% of joint venture projects and therefore will not necessarily correlate with the Group's profit after tax.
3 Pre sales do not form part of profit after tax in the current period and are expected to be recognised in future years.
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 Reserved units are where a refundable deposit has been taken.
6 Includes 100% of Group owned and managed properties. Only includes completed units.
7 Backlog units include Group owned and managed sites. The actual number of units for any particular village can vary as planning approvals are obtained.

6. Operating and Financial Review continued

c. Review of Regional Performance continued

Australia continued

Infrastructure Development		December 2015	June 2015	Percentage Movement
Number of projects[2]	no.	5	5	
Estimated capital spend[3]	A$m	4,100.0	4,100.0	
Invested equity[4]	A$m	237.2	200.9	18%
Committed equity[5]	A$m	33.7	70.0	(52%)

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

- Construction continued on four projects and ongoing asset management fees and equity accounted income were derived during the period.

Construction		December 2015	December 2014	Percentage Movement
Revenue	A$m	2,914.4	2,816.7	3%
Gross profit margin	A$m	181.3	181.6	
New work secured revenue[6]	A$m	3,715.0	3,275.2	13%
Backlog revenue[1, 7]	A$m	10,846.8	9,871.2	10%

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

- **Revenue** was 3% higher than the prior corresponding period largely due to completions at Barangaroo South in the Building business;
- **New work secured** during the period was A$3.7 billion, representing a 13% increase on the prior corresponding period and included the following key projects:
  - **Building:** A$2.1 billion; including the refurbishment of Rod Laver Arena, the RMIT New Academic Street project, and construction of the residential towers at Toorak Park, Armadale and 883 Collins at Victoria Harbour, all in Victoria, the Gosford Hospital redevelopment and construction of the commercial building to be occupied by the Commonwealth Bank of Australia at Darling Square, both in New South Wales and the redevelopment of Campbell Barracks for the Commonwealth Department of Defence in Western Australia;
  - **Engineering:** A$1.1 billion; including the design and construction of Gateway Upgrade North and Kingsford Smith Drive, both in Queensland; and
  - **Services:** A$0.5 billion; including construction of NBN multi-technology infrastructure as well as maintenance services for Transurban on its Citylink road infrastructure in Melbourne in Victoria;
- **Backlog revenue** has increased by 10% to A$10.8 billion, including: Building: A$6.4 billion; Engineering: A$2.9 billion; Services: A$1.5 billion; and
- **Preferred bidder** ~A$2 billion of new work, including projects which have been announced post balance date.

Investment Management		December 2015	June 2015	Percentage Movement
Funds under management[8]	A$b	15.0	13.8	9%
Assets under management[8]	A$b	6.2	6.1	2%
Investments[8]	A$m	771.1	814.0	(5%)

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

- A$1.2 billion of third party capital raised during the period including the sale of 25% of the Group's co-investment in Lend Lease One International Towers Sydney Trust to one of Asia's largest institutional investors, in addition to an equity raising completed by APPF Commercial and the establishment of a managed investment mandate with First State Super to fund the purchase of the commercial office building at Darling Square;
- **FUM** increased by 9% to A$15.0 billion largely due to capital growth and capital expenditure incurred on assets under development, in addition to the agreement entered into by APPF Commercial and First State Super to purchase the commercial office building at Darling Square. This was partially offset by the divestment of Stud Park, Victoria, which was the sole remaining asset in the Lend Lease Retail Partners - Australia Fund;
- **Investments** decreased by 5% to $771.1 million due to the sale of 25% of the co-investment in Lend Lease One International Towers Sydney Trust, reducing the Group's interest to 12.5%. This divestment was offset by additional equity contributions to Lend Lease International Towers Sydney Trust and capital growth achieved across the portfolio; and
- Commenced a A$240.0 million, 16,000 square metre redevelopment of Macarthur Square, which will reinforce the shopping centre's position as the largest in south-west Sydney.

1 June 2015 comparative.
2 Number of projects includes projects where the Group is preferred bidder. Where a project has multiple phases, these have been combined on completion for the purposes of presentation. Excludes origination fee for service projects with no equity commitment or on-going management responsibilities for the Group. The Australian Infrastructure Development projects are managed by Capella Capital.
3 Estimated capital spend figures based on contract value.
4 Invested equity refers to the equity contributed for each project.
5 Committed equity refers to equity the Group has a future commitment to invest.
6 New work secured revenue is the total revenue to be earned from projects secured during the period.
7 Current period backlog revenue is the total revenue to be earned in future financial years, based on projects secured at December 2015.
8 Represents the Group's assessment of the market value.

Directors' Report continued

6. Operating and Financial Review continued

c. Review of Regional Performance continued

International

The International business includes the Group's operations in Asia, Europe and the Americas.

Asia

	REVENUE			EBITDA			PROFIT/(LOSS) AFTER TAX		
	December 2015 A$m	December 2014 A$m	Percentage Movement	December 2015 A$m	December 2014 A$m	Percentage Movement	December 2015 A$m	December 2014 A$m	Percentage Movement
Property Development	7.2	0.1	Large	(13.3)	(11.8)	(13%)	(10.4)	(9.7)	(7%)
Construction	138.6	139.2		0.2	(8.0)	103%	(1.8)	(7.7)	77%
Investment Management	21.1	17.0	24%	(18.5)	48.8	(138%)	(17.1)	36.5	(147%)
Total	**166.9**	**156.3**	**7%**	**(31.6)**	**29.0**	**(209%)**	**(29.3)**	**19.1**	**(253%)**

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

- **Property Development** generated a loss due to a continued investment in the origination of pipeline opportunities;
- **Construction** loss after tax decreased by A$5.9 million to A$1.8 million primarily due to overhead savings, with the slowdown in the pipeline of telecommunications work in the region the business is repositioning to focus on the internal pipeline in addition to the retail, pharmaceutical and education sectors; and
- **Investment Management** profit after tax decreased by A$53.6 million to a A$17.1 million loss after tax, primarily due to the revaluation of the Group's investment in 313@somerset during the period due to softening trading conditions.

Property Development

The Property Development business has been focused on replenishing the pipeline as we look to secure opportunities across China, Japan, Malaysia and Singapore, which includes the pursuit of large urban regeneration development projects and senior living opportunities.

Backlog		December 2015	June 2015	Percentage Movement
Zoned residential built-form units[2]	no.	2,230	2,225	
Commercial and retail[3]	sqm/000s	369	368	

Key trading events in the **Property Development** business during the period include:

- **Paya Lebar Central:** in December 2015, the Group obtained final planning permission approval from the Urban Redevelopment Authority. Construction is anticipated to commence in the second half of the June 2016 financial year; and
- **The Lifestyle Quarter at Tun Razak Exchange:** the Management Services and Development Services Agreements for the development were signed in October 2015. Construction is anticipated to commence in the second half of the June 2016 financial year.

Construction		December 2015	December 2014	Percentage Movement
Revenue	A$m	138.6	139.2	
Gross profit margin	A$m	17.0	17.3	(2%)
New work secured revenue[4]	A$m	62.8	66.9	(6%)
Backlog revenue[1, 5]	A$m	338.3	396.7	(15%)

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

- **Revenue** and gross profit margin are in line with prior corresponding period;
- **New work secured** of A$62.8 million has decreased as a result of a slowdown in new work in the telecommunications sector; and
- **Preferred bidder** on ~A$1 billion of new work, including the main stage of construction at Paya Lebar Central and the Lifestyle Quarter at Tun Razak Exchange.

Investment Management		December 2015	June 2015	Percentage Movement
Funds under management[6]	A$b	5.3	5.3	
Assets under management[6]	A$b	4.3	4.3	
Investments[6]	A$m	515.3	520.2	(1%)

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

- **FUM** remained stable for the period at A$5.3 billion, however revenue for the period increased due to the Paya Lebar Central Fund, which was launched in the second half of the 2015 financial year; and
- **Investments** decreased by A$4.9 million to A$515.3 million, primarily relating to a decrease in the valuation of the Group's investment in 313@somerset. This has been partially offset by capital contributions made to the Paya Lebar Central Fund during the period.

1 June 2015 comparative.
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 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 New work secured revenue is the total revenue to be earned from projects secured during the period.
5 Current period backlog revenue is the total revenue to be earned in future financial years, based on projects secured at December 2015.
6 Represents the Group's assessment of the market value.

6. Operating and Financial Review continued

c. Review of Regional Performance continued

Europe

	REVENUE			EBITDA			PROFIT/(LOSS) AFTER TAX		
	December 2015 A$m	December 2014 A$m	Percentage Movement	December 2015 A$m	December 2014 A$m	Percentage Movement	December 2015 A$m	December 2014 A$m	Percentage Movement
Property Development	70.0	35.2	99%	65.3	24.2	170%	64.2	23.1	178%
Infrastructure Development	5.2	26.1	(80%)	5.0	22.8	(78%)	1.4	23.7	(94%)
Construction	689.6	616.1	12%	(2.8)	18.6	(115%)	(6.1)	13.5	(145%)
Investment Management	8.8	5.5	60%	13.6	14.2	(4%)	13.7	15.0	(9%)
Total	**773.6**	**682.9**	**13%**	**81.1**	**79.8**	**2%**	**73.2**	**75.3**	**(3%)**

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

- **Property Development** profit after tax increased by A$41.1 million to A$64.2 million. Current period profit after tax was driven by the forward sale of the first two commercial buildings at The International Quarter in addition to settlements at Cobalt Place at Wandsworth, both in London;
- **Infrastructure Development** profit after tax decreased by A$22.3 million to A$1.4 million as a result of the sale of the UK Facilities Management business during the prior corresponding period;
- **Construction** profit after tax decreased by A$19.6million to a A$6.1 million loss after tax. The prior corresponding period included the contribution from the close out and settlement of the Global Renewables Project in Lancashire. Despite contributions from new projects secured and the quality of the backlog revenue that includes the integrated pipeline, market conditions remain challenging; and
- **Investment Management** profit after tax decreased by A$1.3 million to A$13.7 million primarily due to reduced earnings from the Group's investments in the current period.

Property Development

Residential		December 2015	December 2014	Percentage Movement
Settlements[1]				
Number of units settled (built-form)	no.	43	21	105%
Gross sales value of units settled	A$m	58.0	30.4	91%
Residential land settlements	sqm/000s	20.4	9.0	127%
Pre sales[1,2]				
Number of pre sales	no.	1,797	1,337	34%
Gross sales value of pre sales	A$m	1,666.5	1,050.8	59%
Backlog				
Zoned residential units[3,4]	no.	4,765	4,796	(1%)
Unzoned residential units[3,4]	no.	520	519	
Residential land[4]	sqm/000s	16	44	(64%)

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

- **Settlements** have increased by 105% on the prior corresponding period, in line with expectations, due to the practical completion of Cobalt Place at Wandsworth. Additionally, settlement gross sales value includes the sale of a number of residential land sites;
- **Pre sales** progressed strongly on London integrated developments at One the Elephant (100% of units presold at 31 December), South Gardens (85% presold) and West Grove (65% presold), all at Elephant & Castle, Hungate (63% pre sold) and the residential units at Glasshouse Gardens (98% presold) at The International Quarter in Stratford;
- **Average price** per built form unit sold of A$930,000, an increase of 18% from the prior corresponding period is primarily due to exchange rate movements; and
- **Residential land backlog** has decreased during the period due to land sales completed in line with the Group's strategy to divest the UK Regional Residential portfolio, as the Group focuses on delivering our urban regeneration pipeline.

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 period and are expected to be recognised in future years.
3 Backlog includes Group owned, joint venture and managed projects. The actual number of units for any particular project can vary as planning approvals are approved.
4 June 2015 comparative.

Directors' Report continued

6. Operating and Financial Review continued

c. Review of Regional Performance continued

Europe continued

Property Development continued

Commercial		December 2015	June 2015	Percentage Movement
Settlements gross sales value[2]	A$m	426.5	0.3	Large
Pre sales gross sales value[1,2,3]	A$m	875.3		Large
Backlog[4]	sqm/000s	231	311	(26%)

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

- **Forward sale** of the first two commercial buildings at The International Quarter to Legal & General and Deutsche Bank's asset management arm, contributing to current period settlements and pre sales. The presales value associated with the transaction will be recognised over the period of construction. The two buildings comprise ~73,000sqm, with Agreements for Lease in place with Transport for London and the Financial Conduct Authority.

Infrastructure Development		December 2015	June 2015	Percentage Movement
Number of projects[5]	no.	3	3	
Invested equity[6]	A$m	12.3	10.3	19%
Committed equity[7]	A$m	12.1	14.1	(14%)

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

- **Concession signing** of the Treviso Hospital in Italy with the local authority took place in December 2015. Financial close will occur once financing and construction contracts have been finalised.

Construction		December 2015	December 2014	Percentage Movement
Revenue	A$m	689.6	616.1	12%
Gross profit margin	A$m	42.8	56.3	(24%)
New work secured revenue[8]	A$m	623.7	276.5	126%
Backlog revenue[1, 9]	A$m	1,588.2	1,463.4	9%

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

- **Gross profit margin** in the prior corresponding period included the contribution from the close out and settlement of the Global Renewables Project in Lancashire. Despite contributions from new projects secured, and the quality of the backlog revenue that includes the integrated pipeline, market conditions remain challenging;
- **New work secured revenue** increased by 126% on the prior corresponding period to A$0.6 billion and includes the two commercial buildings at The International Quarter;
- **Backlog revenue** has increased to A$1.6 billion and includes significant projects: Rathbone Square, North Wales Prison, commercial and residential buildings at The International Quarter and the South Gardens residential units at Elephant & Castle; and
- **Preferred bidder** on over ~A$1 billion of additional work to deliver the Group's development pipeline at Elephant & Castle, The International Quarter and Deptford, as well as a number of external commercial and residential projects which are expected to be secured in future periods.

Investment Management		December 2015	June 2015	Percentage Movement
Funds under management[10]	A$b	1.7	2.2	(23%)
Assets under management[10]	A$b	1.0	1.0	
Investments[10]	A$m	75.4	76.1	(1%)

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

- **FUM** decreased primarily due to the divestment of the management rights for the Lend Lease PFI/PPP Infrastructure Fund LP in December 2015; and
- **Investments** decreased by A$0.7 million to A$75.4 million following the sale of the Group's remaining investment in the Lend Lease PFI/PPP Infrastructure Fund LP in December 2015.

1 June 2015 comparative.
2 These values include 100% of joint venture projects and therefore will not necessarily fully correlate to the Group's profit after tax.
3 Pre sales do not form part of profit after tax in the current period and are expected to be recognised in future years.
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 Number of projects includes projects where the Group is preferred bidder. Where a project has multiple phases, these have been combined on completion for the purposes of presentation. Excludes origination fee for service projects with no equity commitment or on-going management responsibilities for the Group.
6 Invested equity refers to the equity contributed for each project.
7 Committed equity refers to equity the Group has a future commitment to invest.
8 New work secured revenue is the total revenue to be earned from projects secured during the period.
9 Current period backlog revenue is the total revenue to be earned in future financial years, based on projects secured at December 2015.
10 Represents the Group's assessment of the market value.

6. Operating and Financial Review continued

c. Review of Regional Performance continued

Americas

	REVENUE			EBITDA			PROFIT/(LOSS) AFTER TAX		
	December 2015 A$m	December 2014 A$m	Percentage Movement	December 2015 A$m	December 2014 A$m	Percentage Movement	December 2015 A$m	December 2014 A$m	Percentage Movement
Property Development	13.0	10.9	19%	(7.6)	(2.0)	(280%)	(4.3)	(1.0)	(330%)
Infrastructure Development	35.3	22.3	58%	21.6	18.7	16%	17.6	10.7	64%
Construction	2,218.7	1,688.3	31%	14.5	50.2	(71%)	20.1	27.5	(27%)
Total	**2,267.0**	**1,721.5**	**32%**	**28.5**	**66.9**	**(57%)**	**33.4**	**37.2**	**(10%)**

In the **Americas**, key movements in Profit after Tax included:

- **Property Development** profit after tax decreased by A$3.3 million to A$4.3 million loss after tax as the Group continues to invest in the origination of urban regeneration opportunities;
- **Infrastructure Development** profit after tax increased by A$6.9 million to A$17.6 million due to improved development management and equity earnings; and
- **Construction** profit after tax decreased by A$7.4 million to A$20.1 million with a lower contribution from the military housing sector due to project completions.

Property Development

Residential		December 2015	June 2015	Percentage Movement
Backlog[1]				
Zoned residential units	no.	130	130	
Unzoned residential units	no.	3,395	3,400	

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

- Planning is progressing on the three urban regeneration and residential development projects secured in the prior financial year; and
- The Group is continuing to explore further new pipeline opportunities leveraging our urban regeneration and residential development capabilities.

Healthcare		December 2015	June 2015	Percentage Movement
Number of projects[2]	no.	2	3	(33%)
Commercial backlog[3]	sqm/000s	14	47	(70%)

Key trading events in the **Healthcare** sector during the period include:

- **Construction completed** and handover achieved on the Winston-Salem Veteran Affairs Healthcare Center in North Carolina.

Infrastructure Development		December 2015	June 2015	Percentage Movement
Backlog revenue[4]	A$m	481.7	467.3	3%
Backlog (number of units under management)	no.	53,105	54,205	(2%)
New work secured revenue	A$m	45.8	56.6	(19%)
Invested equity[5]	A$m	112.5	109.2	3%
Committed equity[6]	A$m	6.8	6.5	5%

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

- **New work secured**: additional work of A$45.8 million originated from existing projects, including conversion of additional PAL C locations for Fort Lee & Benning; and
- The military housing portfolio continues to reach stabilisation as initial development periods on existing projects reach completion. Opportunities remain for further development over the remaining term of the ground leases on existing projects.

1 Backlog includes Group owned, joint venture and managed projects. The actual number of units for any particular project can vary as planning approvals are approved. Excludes the Horizon Uptown project in Colorado.
2 Number of projects includes projects where the Group is preferred bidder.
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 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 period 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$347.0 million (June 2015: US$360.0 million).
5 Invested equity refers to the equity contributed for each project.
6 Committed equity refers to equity the Group has a future commitment to invest.

Directors' Report continued

6. Operating and Financial Review continued

c. Review of Regional Performance continued

Americas continued

Construction		December 2015	December 2014	Percentage Movement
Revenue	A$m	2,218.7	1,688.3	31%
Gross profit margin	A$m	57.4	92.0	(38%)
New work secured revenue[2]	A$m	1,654.0	1,033.1	60%
Backlog revenue[1, 3]	A$m	5,799.2	5,524.9	5%

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

- **Revenue** increased by 31% due to continued strong conditions in key commercial markets of New York, Chicago, San Francisco and Los Angeles;
- **Gross profit margin** decreased with a lower contribution from the military housing sector due to project completions;
- **New work secured** has increased by 60% from the prior corresponding period to A$1.7 billion and includes a number of residential and commercial buildings in our targeted gateway cities;
- **Backlog revenue** remains strong at A$5.8 billion and includes a number of major projects in our core markets, including ~A$1.1 billion of construction related to military housing projects; and
- **Preferred bidder** for an additional ~A$4 billion of new residential and commercial construction contracts.

Corporate

Group Services costs of A$59.8 million after tax were slightly lower than the prior corresponding period;

Group Treasury costs reduced by A$3.1 million after tax, primarily due to lower average interest rates and debt margins compared to the prior corresponding period.

	PROFIT/(LOSS) BEFORE TAX			PROFIT/(LOSS) AFTER TAX		
	December 2015 A$m	December 2014 A$m	Percentage Movement	December 2015 $m	December 2014 A$m	Percentage Movement
Interest revenue	2.7	7.8	(65%)	2.6	5.7	(54%)
Interest expense and other costs	(67.1)	(68.6)	(2%)	(48.5)	(51.5)	(6%)
Net hedge cost	(5.4)	(10.5)	(49%)	(3.8)	(7.0)	(46%)
Total Group Treasury	**(69.8)**	**(71.3)**	**(2%)**	**(49.7)**	**(52.8)**	**(6%)**

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 period include:

- Reduction in interest revenue of A$3.1 million after tax is due to lower interest rates in Australia, lower cash balances in Australia due to a focus on repaying debt and a higher proportion of cash offshore with zero or near zero rates. The interest rate on global consolidated cash averaged 1.4% per annum for the period (December 2014: 2.5%); and
- Decrease in interest expense of A$3.0 million after tax is also due to lower average interest rates and debt margins compared to the prior corresponding period. The Group's weighted average cost of debt at 31 December 2015 is 4.8% (December 2014: 5.4%).

1 June 2015 comparative
2 New work secured revenue is the total revenue to be earned from projects secured during the period.
3 Current period backlog revenue is the total revenue to be earned in future financial years, based on projects secured at December 2015.

6. Operating and Financial Review continued

d. Appendix

Appendix 1

Results by Region Detail

	REVENUE[1]		EBITDA[1]		PROFIT/(LOSS) BEFORE TAX[1,2]		PROFIT/(LOSS) AFTER TAX[1,3]	
	December 2015 A$m	December 2014 A$m	December 2015 A$m	December 2014 A$m	December 2015 A$m	December 2014 A$m	December 2015 A$m	December 2014 A$m
Australia								
Property Development	1,138.6	364.2	280.4	156.8	278.6	154.4	201.3	132.6
Infrastructure Development	18.5	71.7	13.2	47.4	13.2	47.4	9.3	36.3
Construction	2,914.4	2,816.7	105.4	91.2	91.0	72.3	64.8	52.3
Investment Management	68.5	83.8	119.5	82.4	118.0	82.0	110.6	76.4
Total Australia	**4,140.0**	**3,336.4**	**518.5**	**377.8**	**500.8**	**356.1**	**386.0**	**297.6**
Asia								
Property Development	7.2	0.1	(13.3)	(11.8)	(13.8)	(11.8)	(10.4)	(9.7)
Construction	138.6	139.2	0.2	(8.0)	(0.3)	(8.6)	(1.8)	(7.7)
Investment Management	21.1	17.0	(18.5)	48.8	(18.6)	48.7	(17.1)	36.5
Total Asia	**166.9**	**156.3**	**(31.6)**	**29.0**	**(32.7)**	**28.3**	**(29.3)**	**19.1**
Europe								
Property Development	70.0	35.2	65.3	24.2	65.1	23.5	64.2	23.1
Infrastructure Development	5.2	26.1	5.0	22.8	5.1	22.9	1.4	23.7
Construction	689.6	616.1	(2.8)	18.6	(3.8)	16.6	(6.1)	13.5
Investment Management	8.8	5.5	13.6	14.2	13.5	14.0	13.7	15.0
Total Europe	**773.6**	**682.9**	**81.1**	**79.8**	**79.9**	**77.0**	**73.2**	**75.3**
Americas								
Property Development	13.0	10.9	(7.6)	(2.0)	(7.7)	(2.0)	(4.3)	(1.0)
Infrastructure Development	35.3	22.3	21.6	18.7	31.1	19.2	17.6	10.7
Construction	2,218.7	1,688.3	14.5	50.2	11.7	47.8	20.1	27.5
Total Americas	**2,267.0**	**1,721.5**	**28.5**	**66.9**	**35.1**	**65.0**	**33.4**	**37.2**
Total operating businesses	**7,347.5**	**5,897.1**	**596.5**	**553.5**	**583.1**	**526.4**	**463.3**	**429.2**
Corporate								
Group Services	4.6	3.4	(72.0)	(76.7)	(87.8)	(87.4)	(59.8)	(60.8)
Group Treasury	2.7	7.8	(12.5)	(9.5)	(69.8)	(71.3)	(49.7)	(52.8)
Total Corporate	**7.3**	**11.2**	**(84.5)**	**(86.2)**	**(157.6)**	**(158.7)**	**(109.5)**	**(113.6)**
Total	**7,354.8**	**5,908.3**	**512.0**	**467.3**	**425.5**	**367.7**	**353.8**	**315.6**

1 The foreign exchange rates applied to the Income Statement for the period to 31 December 2015 are A\$1 = £0.47 (December 2014: A\$1 = £0.55), A\$1 = US\$0.72 (December 2014: A\$1 = US\$0.88) and A\$1 = S\$1.01 (December 2014: A\$1 = S\$1.13).
2 Profit/(loss) before tax is before adjusting for the amount attributable to external non controlling interests.
3 Profit/(loss) after tax is after adjusting for the profit after tax attributable to external non controlling interests of A\$0.2 million (December 2014: A\$0.3 million).

Directors' Report continued

6. Operating and Financial Review continued

d. Appendix continued

Appendix 2

Results by Line of Business Detail

	REVENUE[1]		EBITDA[1]		PROFIT/(LOSS) BEFORE TAX[1,2]		PROFIT/(LOSS) AFTER TAX[1,3]	
	December 2015 A$m	December 2014 A$m	December 2015 A$m	December 2014 A$m	December 2015 A$m	December 2014 A$m	December 2015 A$m	December 2014 A$m
Property Development								
Australia	1,138.6	364.2	280.4	156.8	278.6	154.4	201.3	132.6
Asia	7.2	0.1	(13.3)	(11.8)	(13.8)	(11.8)	(10.4)	(9.7)
Europe	70.0	35.2	65.3	24.2	65.1	23.5	64.2	23.1
Americas	13.0	10.9	(7.6)	(2.0)	(7.7)	(2.0)	(4.3)	(1.0)
Total Property Development	**1,228.8**	**410.4**	**324.8**	**167.2**	**322.2**	**164.1**	**250.8**	**145.0**
Infrastructure Development								
Australia	18.5	71.7	13.2	47.4	13.2	47.4	9.3	36.3
Europe	5.2	26.1	5.0	22.8	5.1	22.9	1.4	23.7
Americas	35.3	22.3	21.6	18.7	31.1	19.2	17.6	10.7
Total Infrastructure Development	**59.0**	**120.1**	**39.8**	**88.9**	**49.4**	**89.5**	**28.3**	**70.7**
Construction								
Australia	2,914.4	2,816.7	105.4	91.2	91.0	72.3	64.8	52.3
Asia	138.6	139.2	0.2	(8.0)	(0.3)	(8.6)	(1.8)	(7.7)
Europe	689.6	616.1	(2.8)	18.6	(3.8)	16.6	(6.1)	13.5
Americas	2,218.7	1,688.3	14.5	50.2	11.7	47.8	20.1	27.5
Total Construction	**5,961.3**	**5,260.3**	**117.3**	**152.0**	**98.6**	**128.1**	**77.0**	**85.6**
Investment Management								
Australia	68.5	83.8	119.5	82.4	118.0	82.0	110.6	76.4
Asia	21.1	17.0	(18.5)	48.8	(18.6)	48.7	(17.1)	36.5
Europe	8.8	5.5	13.6	14.2	13.5	14.0	13.7	15.0
Total Investment Management	**98.4**	**106.3**	**114.6**	**145.4**	**112.9**	**144.7**	**107.2**	**127.9**
Total operating businesses	**7,347.5**	**5,897.1**	**596.5**	**553.5**	**583.1**	**526.4**	**463.3**	**429.2**
Corporate								
Group Services	4.6	3.4	(72.0)	(76.7)	(87.8)	(87.4)	(59.8)	(60.8)
Group Treasury	2.7	7.8	(12.5)	(9.5)	(69.8)	(71.3)	(49.7)	(52.8)
Total Corporate	**7.3**	**11.2**	**(84.5)**	**(86.2)**	**(157.6)**	**(158.7)**	**(109.5)**	**(113.6)**
Total	**7,354.8**	**5,908.3**	**512.0**	**467.3**	**425.5**	**367.7**	**353.8**	**315.6**

1 The foreign exchange rates applied to the Income Statement for the period to 31 December 2015 are A$1 = £0.47 (December 2014: A$1 = £0.55), A$1 = US$0.72 (December 2014: A$1 = US$0.88) and A$1 = S$1.01 (December 2014: A$1 = S$1.13).
2 Profit/(loss) before tax is before adjusting for the amount attributable to external non controlling interests.
3 Profit/(loss) after tax is after adjusting for the profit after tax attributable to external non controlling interests of A$0.2 million (December 2014: A$0.3 million).

6. Operating and Financial Review continued

d. Appendix continued

Appendix 3

Results by Region Detail in Local Currency

	REVENUE[1]		EBITDA[1]		PROFIT/(LOSS) BEFORE TAX[1,2]		PROFIT/(LOSS) AFTER TAX[1,3]	
	December 2015 A$m	December 2014 A$m	December 2015 A$m	December 2014 A$m	December 2015 A$m	December 2014 A$m	December 2015 A$m	December 2014 A$m
Australia								
Property Development	1,138.6	364.2	280.4	156.8	278.6	154.4	201.3	132.6
Infrastructure Development	18.5	71.7	13.2	47.4	13.2	47.4	9.3	36.3
Construction	2,914.4	2,816.7	105.4	91.2	91.0	72.3	64.8	52.3
Investment Management	68.5	83.8	119.5	82.4	118.0	82.0	110.6	76.4
Group Services	4.6	3.4	(72.0)	(76.7)	(87.8)	(87.2)	(59.8)	(60.8)
Group Treasury	2.5	6.8	(11.8)	(9.6)	(43.5)	(48.7)	(29.8)	(32.3)
Total Australia	**4,147.1**	**3,346.6**	**434.7**	**291.5**	**369.5**	**220.2**	**296.4**	**204.5**

	REVENUE[1]		EBITDA[1]		PROFIT/(LOSS) BEFORE TAX[1,2]		PROFIT/(LOSS) AFTER TAX[1,3]	
	December 2015 A$m	December 2014 A$m	December 2015 A$m	December 2014 A$m	December 2015 A$m	December 2014 A$m	December 2015 A$m	December 2014 A$m
Asia								
Property Development	7.2	0.1	(13.3)	(11.8)	(13.8)	(11.8)	(10.4)	(9.7)
Construction	138.6	139.2	0.2	(8.0)	(0.3)	(8.6)	(1.8)	(7.7)
Investment Management	21.1	17.0	(18.5)	48.8	(18.6)	48.7	(17.1)	36.5
Group Treasury	0.1	0.1	0.0	0.0	0.1	0.1	0.1	0.1
Total Asia	**167.0**	**156.4**	**(31.6)**	**29.0**	**(32.6)**	**28.4**	**(29.2)**	**19.2**

	REVENUE[1]		EBITDA[1]		PROFIT/(LOSS) BEFORE TAX[1,2]		PROFIT/(LOSS) AFTER TAX[1,3]	
	December 2015 £m	December 2014 £m	December 2015 £m	December 2014 £m	December 2015 £m	December 2014 £m	December 2015 £m	December 2014 £m
Europe								
Property Development	32.9	19.4	30.7	13.3	30.6	12.9	30.2	12.7
Infrastructure Development	2.4	14.4	2.4	12.5	2.4	12.6	0.7	13.0
Construction	324.1	338.8	(1.3)	10.3	(1.8)	9.2	(2.9)	7.4
Investment Management	4.1	3.0	6.4	7.8	6.3	7.7	6.4	8.3
Group Treasury	0.1	0.5	(0.5)	0.1	(9.8)	(8.6)	(7.8)	(9.1)
Total Great British pounds	**363.6**	**376.1**	**37.7**	**44.0**	**27.7**	**33.8**	**26.6**	**32.3**
Total Australian dollars[4]	**773.7**	**683.8**	**80.2**	**80.0**	**59.0**	**61.4**	**56.5**	**58.8**

	REVENUE[1]		EBITDA[1]		PROFIT/(LOSS) BEFORE TAX[1,2]		PROFIT/(LOSS) AFTER TAX[1,3]	
	December 2015 US$m	December 2014 US$m	December 2015 US$m	December 2014 US$m	December 2014 US$m	December 2014 US$m	June 2015 US$m	December 2014 US$m
Americas								
Property Development	9.4	9.6	(5.5)	(1.8)	(5.5)	(1.8)	(3.1)	(0.9)
Infrastructure Development	25.4	19.6	15.6	16.5	22.4	16.9	12.7	9.4
Construction	1,597.4	1,485.7	10.4	44.2	8.4	42.1	14.5	24.2
Group Treasury	0.0	0.0	0.2	(0.1)	(4.0)	(6.2)	(2.4)	(3.6)
Total US dollars	**1,632.2**	**1,514.9**	**20.7**	**58.8**	**21.3**	**51.0**	**21.7**	**29.1**
Total Australian dollars[4]	**2,267.0**	**1,721.5**	**28.7**	**66.8**	**29.6**	**58.0**	**30.1**	**33.1**

1 Local currency results exclude foreign exchange movements other than Great British pounds and US dollars.
2 Profit/(loss) before tax is before adjusting for the amount attributable to external non controlling interests.
3 Profit/(loss) after tax is after adjusting for the profit after tax attributable to external non controlling interests of A$0.2 million (December 2014: A$0.3 million).
4 The foreign exchange rates applied to the Income Statement for the period to 31 December 2015 are A$1 = £0.47 (December 2014: A$1 = £0.55), A$1 = US$0.72 (December 2014: A$1 = US$0.88) and A$1 = S$1.01 (December 2014: A$1 = S$1.13).

Directors' Report continued

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

D A Crawford, AO
Chairman

S B McCann
Group Chief Executive Officer and Managing Director

Sydney, 17 February 2016

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

To: the directors of Lendlease Corporation Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half year ended 31 December 2015 there have been:

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

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

KPMG

KPMG

S J Marshall
Partner

Sydney

17 February 2016

Consolidated Financial Statements

Table of Contents

Notes Index

Lendlease Corporation Limited (the Company) is incorporated and domiciled in Australia. The consolidated financial report of the Company for the half year ended 31 December 2015 comprises the Company and its controlled entities including Lendlease Trust (LLT) (together referred to as the Consolidated Entity or the Group). The Group is a for-profit entity and is an international property and infrastructure group. Further information about the Group's primary activities is included in Note 1 'Segment Reporting'.

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

The consolidated financial report was authorised for issue by the Directors on 17 February 2016.

Consolidated Financial Statements

Income Statement

Half Year Ended 31 December 2015

		Note	6 months December 2015 A$m	6 months December 2014 A$m
Revenue		4	7,340.0	5,897.8
Cost of sales			(6,522.7)	(5,163.1)
Gross profit			**817.3**	**734.7**
Other income		5	85.1	187.7
Other expenses			(552.6)	(486.1)
Results from operating activities			**349.8**	**436.3**
Finance revenue		7	14.8	10.5
Finance costs		7	(60.5)	(70.1)
Net finance costs			**(45.7)**	**(59.6)**
Share of profit/(loss) of equity accounted investments		8	121.4	(9.0)
Profit before Tax			**425.5**	**367.7**
Income tax expense		9	(71.9)	(52.4)
Profit after Tax			**353.6**	**315.3**
Profit after Tax attributable to:				
Members of Lendlease Corporation Limited			257.7	270.1
Unitholders of Lendlease Trust			96.1	45.5
Profit after Tax attributable to securityholders			**353.8**	**315.6**
External non controlling interests			(0.2)	(0.3)
Profit after Tax			**353.6**	**315.3**
Basic/Diluted Earnings per Lendlease Corporation Limited Share (EPS)				
Shares excluding treasury shares	(cents)	3	46.7	49.2
Shares on issue	(cents)	3	44.4	46.7
Basic/Diluted Earnings per Lendlease Group Stapled Security (EPSS)				
Securities excluding treasury securities	(cents)	3	64.1	57.5
Securities on issue	(cents)	3	60.9	54.5

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statement of Comprehensive Income

Half Year Ended 31 December 2015

	6 months December 2015 A$m	6 months December 2014 A$m
Profit after Tax	**353.6**	**315.3**
Other Comprehensive Income/(Expense) After Tax		
Items that may be reclassified subsequently to profit or loss:		
Movements in fair value revaluation reserve	1.9	0.3
Movements in hedging reserve	0.9	(29.3)
Movements in foreign currency translation reserve	41.8[1]	56.2[1]
Total items that may be reclassified subsequently to profit or loss	**44.6**	**27.2**
Items that will not be reclassified to profit or loss:		
Movements in non controlling interest acquisition reserve	(3.7)	(8.4)
Defined benefit plans remeasurements	3.3	(32.1)
Total items that will not be reclassified to profit or loss	**(0.4)**	**(40.5)**
Total comprehensive income after tax	**397.8**	**302.0**
Total comprehensive income after tax attributable to:		
Members of Lendlease Corporation Limited	301.4	255.5
Unitholders of Lendlease Trust	96.1	45.5
Total comprehensive income after tax attributable to securityholders	**397.5**	**301.0**
External non controlling interests	0.3	1.0
Total comprehensive income after tax	**397.8**	**302.0**

1 Includes A$0.5 million relating to external non controlling interests (December 2014: A$1.3 million).

The accompanying notes form part of these consolidated financial statements.

Statement of Financial Position

As at 31 December 2015

	Note	December 2015 A$m	June 2015 A$m
Current Assets			
Cash and cash equivalents		570.0	750.1
Loans and receivables		3,110.9	3,631.0
Inventories	11	2,016.4	1,980.0
Other financial assets	14	43.4	42.7
Current tax assets		18.4	8.6
Other assets		74.2	83.2
Total current assets		**5,833.3**	**6,495.6**
Non Current Assets			
Loans and receivables		296.0	320.1
Inventories	11	2,623.2	2,124.2
Equity accounted investments	12	1,275.2	1,235.8
Investment properties	13a	6,312.7	5,994.9
Other financial assets	14	632.3	625.7
Deferred tax assets		207.7	305.5
Property, plant and equipment		360.9	348.8
Intangible assets		1,470.9	1,444.7
Defined benefit plan asset		8.3	9.2
Other assets		63.4	54.7
Total non current assets		**13,250.6**	**12,463.6**
Total assets		**19,083.9**	**18,959.2**
Current Liabilities			
Trade and other payables		4,642.3	5,036.1
Resident liabilities	13b	4,291.3	4,080.4
Provisions		321.0	328.8
Borrowings and financing arrangements	15a	220.4	227.3
Other financial liabilities		30.1	33.7
Total current liabilities		**9,505.1**	**9,706.3**
Non Current Liabilities			
Trade and other payables		1,590.1	1,586.0
Provisions		43.2	46.0
Borrowings and financing arrangements	15a	2,372.1	2,223.0
Defined benefit plan liability		65.9	68.8
Other financial liabilities		21.1	32.3
Deferred tax liabilities		112.2	128.6
Total non current liabilities		**4,204.6**	**4,084.7**
Total liabilities		**13,709.7**	**13,791.0**
Net assets		**5,374.2**	**5,168.2**
Equity			
Issued capital	16	1,264.4	1,256.3
Treasury securities		(95.4)	(89.9)
Reserves		113.9	91.7
Retained earnings		3,071.1	2,936.0
Total equity attributable to members of Lendlease Corporation Limited		**4,354.0**	**4,194.1**
Total equity attributable to unitholders of Lendlease Trust		1,018.8	968.0
Total equity attributable to securityholders		**5,372.8**	**5,162.1**
External non controlling interests		1.4	6.1
Total equity		**5,374.2**	**5,168.2**

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statement of Changes in Equity

Half Year Ended 31 December 2015

			RESERVES											
	Issued Capital A$m	Treasury Securities[1] A$m	Fair Value Revaluation Reserve A$m	Hedging Reserve A$m	Foreign Currency Translation Reserve A$m	Non Controlling Interest Acquisition Reserve A$m	Other Reserve A$m	Equity Compensation Reserve A$m	Other Compensation Reserve A$m	Retained Earnings A$m	Members of Lendlease Corporation Limited A$m	Unitholders of Lendlease Trust A$m	External Non Controlling Interests A$m	Total Equity A$m
Balance as at 1 July 2014	1,618.2	(116.1)	48.9	(91.0)	(98.4)	(75.4)	111.7	74.2	54.4	2,824.0	4,350.5	513.3	5.0	4,868.8
Total Comprehensive Income														
Profit for the period										270.1	270.1	45.5	(0.3)	315.3
Other Comprehensive Income (Net of tax)			0.3	(29.3)	54.9	(8.4)				(32.1)	(14.6)		1.3	(13.3)
Total Comprehensive Income	**–**	**–**	**0.3**	**(29.3)**	**54.9**	**(8.4)**	**–**	**–**	**–**	**238.0**	**255.5**	**45.5**	**1.0**	**302.0**
Other Comprehensive Income (Net of tax)														
Fair value gains			6.1								6.1			6.1
Fair value hedging			(6.4)								(6.4)			(6.4)
Net investment hedging					(13.3)						(13.3)			(13.3)
Effect of foreign exchange movements			0.6	0.6	68.2	(8.4)					61.0		1.3	62.3
Effective cash flow hedges				(29.9)							(29.9)			(29.9)
Defined benefit plans remeasurements										(32.1)	(32.1)			(32.1)
Other Comprehensive Income (Net of Tax)	**–**	**–**	**0.3**	**(29.3)**	**54.9**	**(8.4)**	**–**	**–**	**–**	**(32.1)**	**(14.6)**	**–**	**1.3**	**(13.3)**
Transactions with owners of the Company														
Recapitalisation of Lendlease Trust	(400.5)										(400.5)	400.5		
Distribution reinvestment plan (DRP)	26.7										26.7	3.1		29.8
Dividends and distributions										(229.5)	(229.5)	(17.5)		(247.0)
Treasury securities acquired		(7.7)									(7.7)			(7.7)
Treasury securities vested		33.6									33.6			33.6
Fair value movement on allocation and vesting of securities								(14.5)			(14.5)			(14.5)
Asset disposal and transfers			(22.3)	13.5	(2.8)						(11.6)		(0.1)	(11.7)
Other movements					1.3					(0.2)	1.1			1.1
Total other movements through reserves	**(373.8)**	**25.9**	**(22.3)**	**13.5**	**(1.5)**	**–**	**–**	**(14.5)**	**–**	**(229.7)**	**(602.4)**	**386.1**	**(0.1)**	**(216.4)**
Balance as at 31 December 2014	**1,244.4**	**(90.2)**	**26.9**	**(106.8)**	**(45.0)**	**(83.8)**	**111.7**	**59.7**	**54.4**	**2,832.3**	**4,003.6**	**944.9**	**5.9**	**4,954.4**
Balance as at 1 July 2015	1,256.3	(89.9)	31.5	(55.3)	(39.9)	(89.4)	111.7	78.7	54.4	2,936.0	4,194.1	968.0	6.1	5,168.2
Total Comprehensive Income														
Profit for the period										257.7	257.7	96.1	(0.2)	353.6
Other Comprehensive Income (Net of tax)			1.9	0.9	41.3	(3.7)				3.3	43.7		0.5	44.2
Total Comprehensive Income	**–**	**–**	**1.9**	**0.9**	**41.3**	**(3.7)**	**–**	**–**	**–**	**261.0**	**301.4**	**96.1**	**0.3**	**397.8**
Other Comprehensive Income (Net of tax)														
Fair value gains			2.2								2.2			2.2
Fair value hedging			(0.4)								(0.4)			(0.4)
Net investment hedging					(2.3)						(2.3)			(2.3)
Effect of foreign exchange movements			0.1	(0.6)	43.6	(3.7)					39.4		0.5	39.9
Effective cash flow hedges				1.5							1.5			1.5
Defined benefit plans remeasurements										3.3	3.3			3.3
Other Comprehensive Income (Net of Tax)	**–**	**–**	**1.9**	**0.9**	**41.3**	**(3.7)**	**–**	**–**	**–**	**3.3**	**43.7**	**–**	**0.5**	**44.2**
Transactions with owners of the Company														
Distribution reinvestment plan (DRP)	8.1										8.1	1.9		10.0
Dividends and distributions										(125.9)	(125.9)	(47.2)		(173.1)
Treasury securities acquired		(45.4)									(45.4)			(45.4)
Treasury securities vested		39.9									39.9			39.9
Fair value movement on allocation and vesting of securities								(18.2)			(18.2)			(18.2)
Other movements													(5.0)	(5.0)
Total other movements through reserves	**8.1**	**(5.5)**	**–**	**–**	**–**	**–**	**–**	**(18.2)**	**–**	**(125.9)**	**(141.5)**	**(45.3)**	**(5.0)**	**(191.8)**
Balance as at 31 December 2015	**1,264.4**	**(95.4)**	**33.4**	**(54.4)**	**1.4**	**(93.1)**	**111.7**	**60.5**	**54.4**	**3,071.1**	**4,354.0**	**1,018.8**	**1.4**	**5,374.2**

1 Opening balance for number of treasury securities at 1 July 2015 was 28.8 million (1 July 2014: 32.1 million) and closing balance at 31 December 2015 was 28.9 million (31 December 2014: 28.6 million).

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statement of Cash Flows

Half Year Ended 31 December 2015

	6 months December 2015 A$m	6 months December 2014 A$m
Cash Flows from Operating Activities		
Cash receipts in the course of operations	8,079.0	5,934.6
Cash payments in the course of operations	(7,826.5)	(6,288.0)
Interest received	5.9	9.0
Interest paid	(87.5)	(90.9)
Dividends/distributions received	28.0	29.6
Income tax received/(paid) in respect of operations	1.8	(91.1)
Net cash provided by/(used in) operating activities	**200.7**	**(496.8)**
Cash Flows from Investing Activities		
Sale/redemption of investments	75.4	122.9
Acquisition of investments	(323.9)	(255.1)
Acquisition of/capital expenditure on investment properties	(7.1)	(130.6)
Net loans to associates and joint ventures	(51.5)	(2.3)
Disposal of consolidated entities (net of cash disposed and transaction costs)		8.4
Disposal of property, plant and equipment	10.3	6.9
Acquisition of property, plant and equipment	(47.2)	(27.0)
Acquisition of intangible assets	(25.5)	(33.5)
Other investing activities		(1.7)
Net cash used in investing activities	**(369.5)**	**(312.0)**
Cash Flows from Financing Activities		
Proceeds from borrowings	1,978.5	1,307.0
Repayment of borrowings	(1,847.4)	(1,200.1)
Dividends/distributions paid	(139.9)	(240.3)
Other financing activities	(4.8)	(19.4)
Net cash used in financing activities	**(13.6)**	**(152.8)**
Other Cash Flow Items		
Effect of foreign exchange rate movements on cash and cash equivalents	**2.3**	**22.3**
Net decrease in cash and cash equivalents	**(180.1)**	**(939.3)**
Cash and cash equivalents at beginning of financial period	**750.1**	**1,715.8**
Cash and cash equivalents at end of financial period	**570.0**	**776.5**

The accompanying notes form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

Basis of Preparation

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

- has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*;
- complies with the recognition and measurement requirements of the **International Financial Reporting Standards** (IFRSs) adopted by the International Accounting Standards Board (IASB);
- should be read in conjunction with the 30 June 2015 annual consolidated financial report and any public announcements by the Group during the half year in accordance with continuous disclosure obligations arising under the *Corporations Act 2001*. The half year financial report does not contain all the information required for a full financial report;
- is presented in **Australian dollars**, with all values **rounded off to the nearest tenth of a million dollars** unless otherwise indicated, in accordance with Class Order 98/100; 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 an interim financial report that complies with AASB 134 requires management to make **judgements, estimates and assumptions**.

- This can affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
- Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.
- The accounting policies have been consistently applied by the Group and are consistent with those applied in the 30 June 2015 annual financial statements other than as stated below.

Impact of New and Revised Accounting Standards

New and Revised Accounting Standards Adopted 1 July 2015

There were no new accounting standards or amendments adopted by the Group for the half year ended 31 December 2015.

New Accounting Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the half year ended 31 December 2015 but are available for early adoption, unless otherwise noted, and have not been applied in preparing this report.

Accounting Standard	Requirement	Impact on Financial Statements
AASB 9 *Financial Instruments* 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 analysis performed, AASB 9 will impact the 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 15 *Revenue from Contracts with Customers* and consequential amendments	AASB 15 provides a new five step model for recognising revenue earned from a contract with a customer and will replace the existing AASB 118 *Revenue* and AASB 111 *Construction Contracts*. The standard becomes mandatory for the June 2019 financial year and will be applied retrospectively.	The potential effect of this standard is yet to be determined.
AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations*	AASB 2014-3 amends AASB 11 *Joint Arrangements* to provide clarification that acquisition of interests in joint operations which constitute a business should apply all of the principles of accounting and disclosures in AASB 3 *Business Combinations.* The standard becomes mandatory for the June 2017 financial year and will be applied retrospectively.	Based on preliminary analysis performed, the amendments are not expected to have any significant impact on the Group as acquisitions are currently accounted for in line with the proposed amendment.
IFRS 16 *Leases*	IFRS 16 provides a new model for accounting for leases. The standard becomes mandatory for the June 2020 financial year and will be applied retrospectively. Early adoption is permitted under certain circumstances.	The potential effect of this standard is yet to be determined.

Notes to the Consolidated Financial Statements continued

Section A: Performance

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

1. Segment Reporting

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 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.

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

The regional business units generate earnings from four lines of business, as follows:

Property Development

The Property Development business involves the development of inner and outer urban developments, apartments, commercial offices, retail centres, healthcare facilities and retirement villages.

Infrastructure Development

The Infrastructure Development business arranges, manages and invests in Public Private Partnership (PPP) projects.

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.

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

	SEGMENT REVENUE[1]		PROFIT AFTER TAX[2]		GROUP TOTAL ASSETS	
	6 months December 2015 A$m	6 months December 2014 A$m	6 months December 2015 A$m	6 months December 2014 A$m	December 2015 A$m	June 2015 A$m
Australia	4,140.0	3,336.4	386.0	297.6	14,105.2	14,432.1
Asia	166.9	156.3	(29.3)	19.1	869.8	803.5
Europe	773.6	682.9	73.2	75.3	1,886.5	1,880.6
Americas	2,267.0	1,721.5	33.4	37.2	2,050.4	1,731.0
Total segment	**7,347.5**	**5,897.1**	**463.3**	**429.2**	**18,911.9**	**18,847.2**
Reconciling items						
Corporate activities	7.3	11.2	(109.5)	(113.6)	172.0	112.0
Statutory result attributable to securityholders	**7,354.8**	**5,908.3**	**353.8**	**315.6**	**19,083.9**	**18,959.2**
External non controlling interests			(0.2)	(0.3)		
Statutory result	**7,354.8**	**5,908.3**	**353.6**	**315.3**	**19,083.9**	**18,959.2**

1 Segment revenue represents revenue and finance revenue.
2 External non controlling interests are excluded from Profit after Tax in the regional segments.

2. Dividends/Distributions[1]

	Cents Per Share/Unit	Franked Amount Per Share %	COMPANY/TRUST 6 months December 2015 A$m	COMPANY/TRUST 6 months December 2014 A$m
Parent Company Interim Dividend				
December 2015 – declared subsequent to reporting date[2]	21.4		124.1	
December 2014 – paid 18 March 2015	24.0			139.0
Lendlease Trust Interim Distribution				
December 2015 – payable 15 March 2016	8.6		50.3	
December 2014 – paid 18 March 2015	3.0			17.5
			174.4	**156.5**

	Cents Per Share/Unit	Franked Amount Per Share %	COMPANY/TRUST 6 months June 2015 A$m	COMPANY/TRUST 6 months June 2014 A$m
Parent Company Final Dividend				
June 2015 – paid 18 September 2015	22.9	25	132.7	
June 2014 – paid 22 September 2014	42.0			242.3
Lendlease Trust Final Distribution				
June 2015 – paid 18 September 2015	4.1		24.0	
June 2014 – paid 22 September 2014	7.0			40.7
			156.7	**283.0**
			331.1	**439.5**

1 Interim dividends/distributions were not franked in the current and prior period. The June 2015 final dividend component was franked to 25% and was not franked in June 2014.
2 No provision for this dividend has been recognised in the Statement of Financial Position at 31 December 2015, as it was declared after the end of the half year.

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

		DECEMBER 2015		DECEMBER 2014	
		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 Lendlease Corporation Limited used in calculating basic/diluted EPS	A$m	257.7	257.7	270.1	270.1
Weighted average number of ordinary shares	m	552.1	580.9	549.0	578.6
Basic/Diluted EPS	cents	**46.7**	**44.4**	**49.2**	**46.7**
Basic/Diluted Earnings Per Stapled Security (EPSS)					
Profit attributable to securityholders of Lendlease Group used in calculating basic/diluted EPSS	A$m	353.8	353.8	315.6	315.6
Weighted average number of stapled securities	m	552.1	580.9	549.0	578.6
Basic/Diluted EPSS	cents	**64.1**	**60.9**	**57.5**	**54.5**

Notes to the Consolidated Financial Statements continued

Section A: Performance continued

4. Revenue

	6 months December 2015 A$m	6 months December 2014 A$m
Revenue from the provision of services		
Construction	5,959.7	5,259.7
Property Development	249.3	160.3
Infrastructure Development	49.0	117.6
Investment Management	76.2	81.1
Total revenue from the provision of services	**6,334.2**	**5,618.7**
Revenue from the sale of development properties	971.3	239.8
Rental revenue	5.1	3.5
Other revenue	29.4	35.8
Total revenue	**7,340.0**	**5,897.8**

5. Other Income

	6 months December 2015 A$m	6 months December 2014 A$m
Net gain on sale/transfer of investments		
Equity accounted investments	40.3	23.1
Other assets and liabilities	2.6	3.4
Consolidated entities		46.3
Available for sale financial assets	16.8	31.9
Total net gain on sale/transfer of investments	**59.7**	**104.7**
Net gain on fair value measurement		
Investment properties	6.7	
Derivative contracts held for trading	0.1	2.4
Fair value through profit or loss assets	14.4	22.3
Total net gain on fair value measurement	**21.2**	**24.7**
Other	**4.2**	**58.3**
Total other income	**85.1**	**187.7**

6. Other Expenses

	6 months December 2015 A$m	6 months December 2014 A$m
Profit before income tax includes the following other expense items:		
Net defined benefit plan expense	4.5	1.4
Expenses include impairments raised/(reversals) relating to:		
Loans and receivables	(3.3)	
Property inventories	(5.9)	(9.8)
Property, plant and equipment		7.8
Equity accounted investments	(0.6)	(4.9)
Other financial assets	3.4	1.7
Net fair value loss on investment properties		1.1
Operating lease expense	44.5	44.2
Depreciation and amortisation	40.8	40.0
Net foreign exchange loss	10.2	6.5

7. Finance Revenue and Finance Costs

	6 months December 2015 A$m	6 months December 2014 A$m
Finance Revenue		
Related parties	1.3	0.4
Other corporations	3.8	8.6
Total interest finance revenue	**5.1**	**9.0**
Interest discounting	9.7	1.5
Total finance revenue	**14.8**	**10.5**
Finance Costs		
Other corporations	67.3	74.4
Less: Capitalised interest finance costs	(12.2)	(9.5)
Total interest finance costs	**55.1**	**64.9**
Non interest finance costs	5.4	5.2
Total finance costs	**60.5**	**70.1**
Net finance costs	**(45.7)**	**(59.6)**

8. Share of Profit of Equity Accounted Investments

	6 months December 2015 A$m	6 months December 2014 A$m
Associates		
Share of profit	10.2	11.8
Joint Ventures		
Share of profit/(loss)	111.2	(20.8)
Total share of profit/(loss) of equity accounted investments	**121.4**	**(9.0)**

a. Associates

	SHARE OF PROFIT/(LOSS)[1]	
	6 months December 2015 A$m	6 months December 2014 A$m
Australia		
Lend Lease Real Estate Partners 3		6.9
Lend Lease Communities Fund 1	0.3	
Lend Lease Sub Regional Retail Fund	2.2	
Total Australia	**2.5**	**6.9**
Asia		
Lend Lease Asian Retail Investment Fund 2	(1.5)	0.4
Lend Lease Asian Retail Investment Fund 3	4.5	3.4
Total Asia	**3.0**	**3.8**
Europe		
Other	3.5	
Total Europe	**3.5**	**–**
Americas		
Other	1.2	1.1
Total Americas	**1.2**	**1.1**
Total associates	**10.2**	**11.8**

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.

Notes to the Consolidated Financial Statements continued

Section A: Performance continued

8. Share of Profit of Equity Accounted Investments continued

b. Joint Ventures

	SHARE OF PROFIT/(LOSS)[1]	
	6 months December 2015 A$m	6 months December 2014 A$m
Australia		
Lend Lease International Towers Sydney Trust	34.1	15.0
Lend Lease One International Towers Sydney Trust	(0.9)	
Sunshine Coast University Hospital	4.4	2.3
Other	3.9	(3.0)
Total Australia	**41.5**	**14.3**
Asia		
CDR JV Ltd (313@somerset)	(11.8)	2.5
Other	0.6	0.2
Total Asia	**(11.2)**	**2.7**
Europe		
Majadahonda Hospital	0.6	0.3
Global Renewables Lancashire Holdings Limited		(39.2)
Stratford City Business District Limited	72.4[2]	0.1
Other	7.9	0.7
Total Europe	**80.9**	**(38.1)**
Americas		
Other		0.3
Total Americas	**–**	**0.3**
Total joint ventures	**111.2**	**(20.8)**
Total equity accounted investments	**121.4**	**(9.0)**

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

2 A material profit was recognised in the current period relating to the sale of commercial buildings owned by the joint venture. With the exception of this transaction, the Stratford City Business District Limited joint venture is not a material joint venture for the Group.

c. Material Associates and Joint Ventures Summarised Financial Information[1]

The table below provides summarised financial information for the associates and joint ventures that are material to the Group. Refer to Note 12c 'Equity Accounted Investments' for determination of material associates and joint ventures. 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.

Income Statement	LEND LEASE INTERNATIONAL TOWERS SYDNEY TRUST		LEND LEASE ONE INTERNATIONAL TOWERS SYDNEY TRUST	
	6 months December 2015 A$m	6 months December 2014 A$m	6 months December 2015[2] A$m	6 months December 2014 A$m
Revenue from provision of services	25.9			
Interest income	0.1		0.1	
Fair value revaluations	219.2	102.2	0.4	
Interest expense	(9.9)			
Other expenses	(8.0)	(2.5)	(2.9)	
Income tax expense				
Profit/(loss) for the period[3]	**227.3**	**99.7**	**(2.4)**	–
Other comprehensive income				
Total comprehensive income	**227.3**	**99.7**	**(2.4)**	
Group's ownership interest	15.0%	15.0%	12.5%	–
Group's total share of:				
Profit/(loss)	**34.1**	**15.0**	**(0.9)[2]**	–
Other comprehensive income				
Total comprehensive income/(expense)	**34.1**	**15.0**	**(0.9)**	**–**
Distributions received from associates and joint ventures	(1.2)	–	–	–

1 Lend Lease Asian Retail Investment Fund 3 and CDR JV Ltd (313@somerset) are no longer considered to be material equity accounted investments for the Group.
2 Lendlease Trust partially disposed of a 25% interest in Lend Lease One International Sydney Trust, reducing its ownership from 37.5% to 12.5%. Under the terms of the unit transfer agreement that was executed on 22 December 2015, Lendlease Trust has recognised a 37.5% share of comprehensive income for the period 1 July 2015 to 31 December 2015.
3 There was no depreciation and amortisation expense in the current or prior period in the profit/(loss).

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

Income Statement	ASSOCIATES		JOINT VENTURES	
	6 months December 2015 A$m	6 months December 2014[1] A$m	6 months December 2015 A$m	6 months December 2014[1] A$m
Aggregate amounts of the Group's share of:				
Profit/(loss) from continuing operations	10.2	11.8	78.0	(35.8)
Other comprehensive income/(expense)	0.3	6.0	4.0	(19.1)
Aggregate amounts of Group's share of total comprehensive income/(expense) of individually immaterial equity accounted investments	**10.5**	**17.8**	**82.0**	**(54.9)**

1 December 2014 comparatives updated to include Lend Lease Asian Retail Investment Fund 3 and CDR JV Ltd (313@somerset) as they are no longer considered material to the Group.

Notes to the Consolidated Financial Statements continued

Section A: Performance continued

9. Taxation

Income Tax Expense

	6 months December 2015 A$m	6 months December 2014 A$m
Recognised in the Income Statement		
Current Tax Expense		
Current period	11.7	(99.1)
Adjustments for prior years	0.3	(5.4)
Benefits of tax losses recognised	(7.0)	(13.3)
	5.0	**(117.8)**
Deferred Tax Expense		
Origination and reversal of temporary differences	55.5	177.4
Temporary differences recognised/(recovered)	0.9	(6.6)
Net tax losses written off/(recognised)	2.2	(0.4)
Change in tax rate		2.3
Adjustments for prior years	8.3	(2.5)
	66.9	**170.2**
Total income tax expense	**71.9**	**52.4**
Reconciliation of Effective Tax Rate		
Profit before Tax	425.5	367.7
Income tax using the domestic corporation tax rate 30%	**127.7**	**110.3**
Adjustments for prior year tax claim	0.3	(5.4)
Non assessable and exempt income[1]	(55.4)	(47.6)
Non allowable expenses[2]	5.2	
Net writeoff of tax losses through income tax expense	20.8	8.7
Temporary differences recognised through income tax expense[3]	(6.2)	(6.6)
Utilisation of capital losses on disposal of assets	(6.3)	(9.8)
Effect of tax rates in foreign jurisdictions[4]	(5.6)	9.5
Other	(8.6)	(6.7)
Income tax expense	**71.9**	**52.4**

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

10. Events Subsequent to Balance Date

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

Section B: Investment

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

11. Inventories

	December 2015 A$m	June 2015 A$m
Current		
Development properties	855.0	1,115.2
Construction work in progress	1,154.2	857.9
Other	7.2	6.9
Total current	**2,016.4**	**1,980.0**
Non Current		
Development properties	2,623.2	2,124.2
Total non current	**2,623.2**	**2,124.2**
Total inventories	**4,639.6**	**4,104.2**

12. Equity Accounted Investments

	December 2015 A$m	June 2015 A$m
Associates		
Investment in associates	227.5	236.8
Less: Impairment	(9.7)	(6.3)
Total associates	**217.8**	**230.5**
Joint Ventures		
Investment in joint ventures	1,065.3	1,012.4
Less: Impairment	(7.9)	(7.1)
Total joint ventures	**1,057.4**	**1,005.3**
Total equity accounted investments	**1,275.2**	**1,235.8**

Notes to the Consolidated Financial Statements continued

Section B: Investment continued

12. Equity Accounted Investments continued

a. Associates

	INTEREST		NET BOOK VALUE	
	December 2015 %	June 2015 %	December 2015 A$m	June 2015 A$m
Australia				
Lend Lease Communities Fund 1	20.8	20.8	6.4	9.9
Lend Lease Sub Regional Retail Fund[1]	10.0	10.0	37.6	36.7
Other			0.5	0.5
Total Australia			**44.5**	**47.1**
Asia				
Lend Lease Asian Retail Investment Fund 2	35.9	35.9	22.4	28.7
Lend Lease Asian Retail Investment Fund 3	20.1	20.1	154.6	154.7
Total Asia			**177.0**	**183.4**
Europe				
Other			4.6	4.6
Total Europe			**4.6**	**4.6**
Americas				
Other			1.4	1.7
Total Americas			**1.4**	**1.7**
Total			**227.5**	**236.8**
Less: Impairment			(9.7)	(6.3)
Total associates			**217.8**	**230.5**

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

b. Joint Ventures

	INTEREST		NET BOOK VALUE	
	December 2015 %	June 2015 %	December 2015 A$m	June 2015 A$m
Australia[1]				
Lend Lease International Towers Sydney Trust	15.0	15.0	263.3	181.5
Darling Harbour Live	50.0	50.0	120.4	116.2
Lend Lease One International Towers Sydney Trust[2]	12.5	37.5	62.8	191.3
Sunshine Coast University Hospital	50.0	50.0	94.3	89.2
New Bendigo Hospital	50.0	50.0	20.2	18.2
Other			11.6	11.5
Total Australia			**572.6**	**607.9**
Asia				
CDR JV Ltd (313@somerset)	25.0	25.0	95.7	105.7
Paya Lebar Central	30.0	30.0	170.6	158.7
Other			0.8	0.7
Total Asia			**267.1**	**265.1**
Europe[1]				
Stratford City Business District Limited	50.0	50.0	94.3	26.5
Majadahonda Hospital	25.0	25.0	9.7	9.0
Treviso	50.0	49.0	7.6	0.5
Hungate (York) Regeneration Limited	50.0	50.0	5.5	6.0
Other			12.5	9.8
Total Europe			**129.6**	**51.8**
Americas				
281 Fifth Avenue	40.0	40.0	54.8	51.9
Riverline	60.0	60.0	36.7	30.9
Other			4.5	4.8
Total Americas			**96.0**	**87.6**
Total			**1,065.3**	**1,012.4**
Less: Impairment			(7.9)	(7.1)
Total joint ventures			**1,057.4**	**1,005.3**
Total equity accounted investments			**1,275.2**	**1,235.8**

1 Equity accounted profit in Note 8 'Share of Profit of Equity Accounted Investments' for certain investments has been aggregated into 'Other' as not material.
2 Disposal of 25% interest in Lend Lease One International Towers Sydney Trust did not change the assessment of joint control. Although the Group has a 12.5% ownership interest in Lend Lease One International Towers Sydney Trust, it holds joint voting rights and has joint control over the investment. As a result the Group applies equity accounting for its ownership interest.

Notes to the Consolidated Financial Statements continued

Section B: Investment continued

12. Equity Accounted Investments continued

c. Material Associates and Joint Ventures Summarised Financial Information[1]

The table below provides summarised financial information for the associates and joint ventures that are material to the Group. Material associates and joint ventures have been determined by comparing individual investment carrying value and share of profit with the total equity accounted investment carrying value and share of profit, along with consideration of relevant qualitative factors. 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 INTERNATIONAL TOWERS SYDNEY TRUST		LEND LEASE ONE INTERNATIONAL TOWERS SYDNEY TRUST	
Statement of Financial Position	December 2015 A$m	June 2015 A$m	December 2015[2] A$m	June 2015 A$m
Current assets				
Cash and cash equivalents	13.2	4.2	9.4	
Other current assets	2.6	10.3		598.9
Total current assets	**15.8**	**14.5**	**9.4**	**598.9**
Non current assets	**2,745.0**	**2,236.2**	**1,064.8**	**883.9**
Financial liabilities (excluding trade payables)	(234.6)	(458.5)	(297.5)	(150.0)
Other current liabilities	(204.7)	(275.4)	(88.8)	(650.2)
Total current liabilities	**(439.3)**	**(733.9)**	**(386.3)**	**800.2**
Non current liabilities				
Financial liabilities (excluding trade payables)	(566.5)	(306.9)	(180.3)	(172.6)
Total non current liabilities	**(566.5)**	**(306.9)**	**(180.3)**	**(172.6)**
Net assets	**1,755.0**	**1,209.9**	**507.6**	**510.0**
Reconciliation to Carrying Amounts				
Opening net assets 1 July	1,209.9	539.5	510.0	
Total comprehensive income for the period	227.3	211.4	(2.4)	
Dividends paid	(8.1)			
Acquisition/contributions	325.9	459.0		510.0
Disposal				
Closing net assets	**1,755.0**	**1,209.9**	**507.6**	**510.0**
% ownership	15.0%	15.0%	12.5%	37.5%
Group's share of net assets	**263.3**	**181.5**	**63.4**	**191.3**
Other adjustments			(0.6)[2]	
Carrying amount at end of period	**263.3**	**181.5**	**62.8**	**191.3**

1 Lend Lease Asian Retail Investment Fund 3 and CDR JV Ltd (313@somerset) are no longer considered to be material equity accounted investments for the Group.
2 Lendlease Trust partially disposed of a 25% interest in Lend Lease One International Sydney Trust, reducing its ownership from 37.5% to 12.5%. Under the terms of the unit transfer agreement that was executed on 22 December 2015, Lendlease Trust has recognised a 37.5% share of comprehensive income for the period 1 July 2015 to 31 December 2015.

There were no capital expenditure or lease commitments contracted but not provided for during the current or prior period 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[1]		JOINT VENTURES[1]	
	December 2015 A$m	June 2015 A$m	December 2015 A$m	June 2015 A$m
Aggregate carrying value of individually immaterial equity accounted investments	**217.8**	**230.5**	**731.3**	**632.5**

1 June 2015 comparatives updated to include Lend Lease Asian Retail Investment Fund 3 and CDR JV Ltd (313@somerset) as they are no longer considered material to the Group.

13. Investment Properties

a. Investment Properties – Non Current	December 2015 A$m	June 2015 A$m
Retirement living properties	6,119.4	5,803.6
Retail properties	76.6	74.9
Assets under construction	116.7	116.4
Total investment properties	**6,312.7**	**5,994.9**
Reconciliations		
Reconciliations of the carrying amount for investment properties are as follows:		
Carrying amount at beginning of financial period	5,994.9	4,832.0
Acquisition of investment properties		933.5
Capital expenditure	57.4	102.9
Fair value gain/(loss) recognised through the Income Statement	6.7	(12.1)
Increase attributable to capital gain	224.8	130.8
Foreign exchange rate/other movements	28.9	7.8
Carrying amount at end of financial period	**6,312.7**	**5,994.9**

b. Resident Liabilities[1]

Gross resident liabilities	5,011.3	4,742.8
Deferred management fees receivable on owned sites	(720.0)	(662.4)
Total resident liabilities	**4,291.3**	**4,080.4**

1 Resident liabilities are non interest bearing and are classified as current liabilities because any resident may choose to depart within 12 months. The Group's actual commercial history has shown residents stay for an average period of 11 years in independent living units (ILUs) and six years in serviced apartments (SAs). Therefore the portion of the resident liabilities that could be considered current represents 5%-10% of the total balance and non current represents 90%-95% of the total balance. This current and non current split of resident liabilities provides more useful and meaningful information as it better reflects the commercial substance of the Group's liabilities.

c. 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 13.4% (June 2015: 13.3%);
- Weighted average future growth rate of 3.7% (June 2015: 3.7%);
- Average length of stay: 11 years for independent living units (June 2015: 11 years) and six years for serviced apartments (June 2015: six years); and
- A discounted cash flow valuation model using a 50 year terminal yield.

For retirement living properties included in assets under construction, the assumptions adopted in determining the fair values at 31 December 2015 included:

- Discount rates between 14.0% and 17.0% (June 2015: 14.0% and 17.0%) based on the stage of development and the assessed project risk; and
- Growth rates are generally between 3.0% and 4.0% (June 2015: between 2.0% and 4.0%) based on price and cost escalation assumptions determined by individual property factors.

d. Fair Value Measurement

There are different levels of fair value measurements, refer to Note 17b 'Fair Value Measurements' for definitions. When fair value is calculated using inputs that are not based on observable market data, then assets are considered Level 3. The fair value measurement for net investment properties of A$1,878.8 million (June 2015: A$1,779.0 million) has been categorised as Level 3 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$1,685.5 million (June 2015: A$1,587.7 million), retail properties A$76.6 million (June 2015: A$74.9 million) and assets under construction A$116.7 million (June 2015: A$116.4 million).

There were no investment properties that were considered Levels 1 or 2.

Notes to the Consolidated Financial Statements continued

Section B: Investment continued

13. Investment Properties continued

e. Fair Value Reconciliation

Reconciliation of carrying value for Level 3 net investment properties.

	December 2015 A$m	June 2015 A$m
Carrying amount at beginning of financial period	1,779.0	1,545.0
Additions	57.4	307.8
Gains/(losses) recognised in:		
Income Statement – other income	6.7	
Income Statement – other expenses		(12.1)
Other comprehensive income – foreign currency translation	13.6	(12.0)
Other movements	22.1	(49.7)
Carrying amount at end of financial period	**1,878.8**	**1,779.0**

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

14. Other Financial Assets

	December 2015 A$m	June 2015 A$m
Current Measured at Fair Value		
Fair Value Through Profit or Loss – Designated at Initial Recognition		
Negotiable instruments	37.4	37.9
Derivatives	6.0	4.8
Total current	**43.4**	**42.7**
Non Current Measured at Fair Value		
Available for Sale		
Australian Prime Property Fund – Retail	44.3	43.5
Lend Lease Core Plus Fund	1.6	11.4
Lend Lease Retail Partnership	75.4	71.8
Lend Lease Asian Retail Investment Fund	30.6	33.7
Parkway Parade Partnership Limited	34.6	34.2
Other	132.0	133.7
	318.5	**328.3**
Fair Value Through Profit or Loss – Designated at Initial Recognition		
Australian Prime Property Fund – Industrial	73.2	71.3
Australian Prime Property Fund – Commercial	186.3	173.6
Other unlisted investments	43.7	42.3
Derivatives	0.6	
	303.8	**287.2**
Held to Maturity		
Other	10.0	10.2
	10.0	**10.2**
Total non current	**632.3**	**625.7**
Total other financial assets	**675.7**	**668.4**

Section C: Liquidity and Working Capital

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

15. Borrowings and Financing Arrangements

a. Borrowings – Measured at Amortised Cost

	December 2015 A$m	June 2015 A$m
Current		
Commercial notes		227.3
Bank credit facilities	220.4	
Total current	**220.4**	**227.3**
Non Current		
Commercial notes	1,383.0	1,378.1
Bank credit facilities	989.1	844.9
Total non current	**2,372.1**	**2,223.0**
Total borrowings	**2,592.5**	**2,450.3**

b. Finance Facilities

The Group has access to the following lines of credit:

	December 2015 A$m	June 2015 A$m
Commercial Notes		
Facility available	1,383.0	1,605.4
Amount of facility used	(1,383.0)	(1,605.4)
Amount of facility unused	**–**	**–**
Bank Credit Facilities		
Facility available	2,182.7	2,182.7
Amount of facility used	(1,209.5)	(844.9)
Amount of facility unused	**973.2**	**1,337.8**
Bank Overdrafts		
Facility available and amount unused	**86.6**	**85.7**

Commercial notes include:

- £300.0 million of guaranteed unsecured notes issued in October 2006 in the UK bond market with a 6.125% p.a. coupon maturing in October 2021;
- US$200.0 million of guaranteed unsecured senior notes issued in October 2005 in the US private placement market comprising US$175.0 million that matured in October 2015 and US$25.0 million with a 5.80% coupon maturing in 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) drawn to £108.0 million (A$220.4 million) at 31 December 2015; and
- A$1,500.0 million syndicated multi-option facility maturing in June 2019 (A$600.0 million) and June 2020 (A$900.0 million) drawn to A$980.0 million at 31 December 2015.

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.

Notes to the Consolidated Financial Statements continued

Section C: Liquidity and Working Capital continued

16. Issued Capital

	LENDLEASE CORPORATION LIMITED				LENDLEASE TRUST			
	December 2015		June 2015		December 2015		June 2015	
	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 period	580.5	1,256.3	577.5	1,618.2	580.5	911.2	577.5	504.7
Transactions with owners for the period:								
Recapitalisation of Lendlease Trust				(400.5)				400.5
Distribution Reinvestment Plan	0.7	8.1	3.0	38.6	0.7	1.9	3.0	6.0
Issued capital at end of financial period	**581.2**	**1,264.4**	**580.5**	**1,256.3**	**581.2**	**913.1**	**580.5**	**911.2**

a. Issuance of Securities

As at 31 December 2015, the Group had 581.2 million stapled securities on issue, equivalent to the number of Lendlease Corporation shares and Lendlease Trust (LLT) units on issue as at that date. The issued units of LLT are not owned by the Company and are therefore presented separately in the Consolidated Statement of Financial Position within equity.

b. Security Accumulation Plans

The Group's Distribution Reinvestment Plan (DRP) was reactivated in February 2011. The last date for receipt of an election notice for participation in the DRP is 26 February 2016. The issue price is the arithmetic average of the daily volume weighted average price of Lendlease Group stapled securities traded (on the Australian Securities Exchange) for the period of five consecutive business days immediately following the record date for determining entitlements to distribution. If that price is less than 50 cents, the issue price will be 50 cents. Stapled securities issued under the DRP rank equally with all other stapled securities on issue.

c. Terms and Conditions

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

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

Section D: Other Notes

17. Fair Value Measurement

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

		DECEMBER 2015		JUNE 2015	
	Note	Carrying Amount A$m	Fair Value A$m	Carrying Amount A$m	Fair Value A$m
Liabilities					
Current					
Commercial notes	15a	–	–	227.3	230.7
Non Current					
Commercial notes	15a	1,383.0	1,613.3	1,378.1	1,624.2

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

a. Basis of Determining Fair Value

The determination of fair values of financial assets and liabilities that are measured at fair value 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.

b. Fair Value Hierarchy

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.

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

Notes to the Consolidated Financial Statements continued

Section D: Other Notes continued

17. Fair Value Measurement continued

b. Fair Value Hierarchy continued

December 2015	Note	Level 1 A$m	Level 2 A$m	Level 3 A$m	Total A$m
		CONSOLIDATED CARRYING AMOUNT			
Financial Assets					
Available for sale investments				318.5	318.5
Fair value through profit or loss – negotiable instruments		37.4			37.4
Fair value through profit or loss – unlisted investments				303.2	303.2
Held to maturity investments				10.0	10.0
Derivatives			6.6		6.6
	14	**37.4**	**6.6**	**631.7**	**675.7**
Financial Liabilities					
Derivatives		–	**10.6**	–	**10.6**
June 2015					
Financial Assets					
Available for sale investments				328.3	328.3
Fair value through profit or loss – negotiable instruments		37.9			37.9
Fair value through profit or loss – unlisted investments				287.2	287.2
Held to maturity investments				10.2	10.2
Derivatives			4.8		4.8
	14	**37.9**	**4.8**	**625.7**	**668.4**
Financial Liabilities					
Derivatives		–	**7.7**	–	**7.7**

c. Fair Value Reconciliation

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

December 2015	Note	Available for Sale Investments A$m	Unlisted Investments A$m	Held to Maturity Investments A$m
Carrying amount at beginning of financial period		328.3	287.2	10.2
Additions/(disposals)		(15.3)	1.4	
Gains/(losses) recognised in:				
Income Statement – other income			14.6	
Income Statement – other expenses		(3.4)		
Other comprehensive income – fair value		2.7		
Other comprehensive income – foreign currency translation		6.2		
Other movements				(0.2)
Carrying amount at end of financial period	14	**318.5**	**303.2**	**10.0**
June 2015				
Carrying amount at beginning of financial year		377.4	586.7	9.2
Additions/(disposals)		(20.3)	(320.5)	
Gains/(losses) recognised in:				
Income Statement – other income			21.1	
Income Statement – other expenses		(3.7)		
Other comprehensive income – fair value		12.2		
Other comprehensive income – foreign currency translation		27.6	(0.1)	1.2
Other movements[1]		(64.9)		(0.2)
Carrying amount at end of financial year	14	**328.3**	**287.2**	**10.2**

1 Includes transfer out A$(65.1) million to 'Equity Accounted Investments' in the prior year.

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

18. Contingent Liabilities

The Group has the following contingent liabilities:

- There are a number of legal claims and exposures that arise from the normal course of business. There is significant uncertainty as to whether a future liability will arise in respect to these items. The amount of liability, if any, that may arise, cannot be measured reliably at this time. The Directors are of the opinion that all known liabilities have been brought to account and that adequate provision has been made for any anticipated losses.
- In certain circumstances, the Company guarantees the performance of particular Group entities in respect of their obligations. This includes bonding and bank guarantee facilities used primarily by the Construction business as well as performance guarantees for certain of the Company's subsidiaries.
- A contingent liability exists in relation to the Lend Lease Retirement Benefit Fund. This is disclosed in detail in the 30 June 2015 annual consolidated financial report Note 29b 'Employee Security Ownership 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 Lendlease). 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 reported at 30 June 2015, there were only three cases remaining against a WTC Captive insured beneficiary, including two cases 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 two claims were the first new claims involving LL LMB in over a year and a half when filed in 2014, and the WTC Captive is defending these claims. In November 2015, the WTC Captive advised that both cases had been settled in principal, and, subject to final settlement, are anticipated to be formally dismissed. LL LMB 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. The *Zadroga Act* also provides for healthcare coverage for 9/11 first responders and the September 11 Victim Compensation Fund (VCF). On 19 December 2015, Congress passed an extension of the *Zadroga Act*, extending the healthcare coverage for 9/11 first responders by 75 years (until 2090) and adding $4.6 billion to the VCF through to 2020. 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 and to which LL LMB responded. The inquiry by the NYSAG has been limited to projects performed pursuant to contracts with New York State agencies. LL LMB has cooperated with the inquiry but, without further communication from the NYSAG since August 2014, at this stage it is not possible to quantify what, if any, financial consequences will be associated with this matter.
- Various actions have been commenced in which damages, compensation or contribution is sought from various subsidiaries of the Company (LLP entities) in respect of transactions entered into in mid 2007 in relation to a number of retirement villages which were at that time part of the Prime Trust portfolio. The liquidator of Australian Property Custodian Holdings Limited (Receivers and Managers Appointed) (Controllers Appointed) (In Liquidation) (APCH) has commenced three proceedings in which claims are made against the LLP entities. One proceeding was permanently stayed on 22 December 2015. On 9 February 2016, the liquidator served an application for leave to appeal against the stay, which the LLP entities are vigorously defending. In the remaining two proceedings, APCH has made allegations against third parties in relation to the same transactions and those third parties have made contribution claims against the LLP entities. The LLP entities are vigorously defending these proceedings. The relevant transactions all occurred prior to the LLP entities becoming subsidiaries of the Company and at the relevant time the LLP entities were controlled by APCH or entities related to William Lewski, a director of the LLP entities at the time.

Notes to the Consolidated Financial Statements continued

Section E: Basis of Consolidation

19. Consolidated Entities

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

PARENT ENTITY

Lendlease Corporation Limited

AUSTRALIA

Capella Capital Lendlease Pty Limited
Capella Capital Partnership
Lendlease Building Pty Limited
Lendlease Building Contractors Pty Limited
Lendlease Communities (Australia) Limited
Lendlease Development Pty Limited
Lendlease Engineering Pty Limited
Lendlease Finance Limited
Lendlease Infrastructure Investments Pty Limited
Lendlease International Pty Limited
Lend Lease (Millers Point) Trust
Lendlease Primelife Limited
Lendlease Real Estate Investments Limited
Lendlease Responsible Entity Limited
Lendlease Services Pty Limited
Lendlease Trust[1]
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 Residential (CG) plc

ASIA

Lendlease 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

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

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

During the current period, there were no **disposals** of material consolidated entities. The following material disposals of consolidated entities occurred during the prior period.

December 2014	Ownership Interest Disposed %	Date Disposed	Gross Consideration Received/Receivable A$m
Europe			
Lend Lease Facilities Management (EMEA) Ltd	100	7 Jul 14	60.0

Directors' Declaration

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

1. The financial statements and notes are in accordance with the *Corporations Act 2001,* including:
   a. Giving a true and fair view of the financial position of the Company as at 31 December 2015 and of its performance for the half year ended on that date; and
   b. Complying with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

D A Crawford, AO
Chairman

S B McCann
Group Chief Executive Officer and Managing Director

Sydney, 17 February 2016

Independent auditor's review report to the members of Lendlease Corporation Limited

We have reviewed the accompanying half year financial report of Lendlease Corporation Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2015, consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, notes 1 to 19 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 half year's end or from time to time during the half year.

Directors' responsibility for the half year financial report

The directors of the Company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2015 and its performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Lendlease Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Stuart J Marshall
Partner

Sydney

17 February 2016