

ASX ANNOUNCEMENT

21 February 2018

2018 Half Year Financial Report for Lendlease Trust

Attached is the Half Year Financial Report for Lendlease Trust, for the half year ended 31 December 2017.

ENDS

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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

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Half Year
Financial Report
Lendlease Trust
December
2017

Lendlease Trust Half Year Financial Report

December 2017

ARSN 128 052 595

Table of Contents

Directors' Report	1
Statement of Comprehensive Income	3
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	4
Notes to the Financial Statements	5

Notes Index

Section A: Performance

1. Distributions	6
2. Earnings per Unit	6
3. Revenue and Other Income	6
4. Finance Revenue	6
5. Share of Profit of Equity Accounted Investments	7
6. Events Subsequent to Balance Date	7

Section B: Investment

7. Other Financial Assets	8
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Section C: Liquidity and Working Capital

8. Issued Capital	9
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Section D: Other Notes

9. Fair Value Measurement	9
10. Contingent Liabilities	9

Directors' Declaration	10
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Lendlease Responsible Entity Limited ABN 72 122 883 185 AFSL No. 308983 is the responsible entity of the Lendlease Trust ARSN 128 052 595. Lendlease Trust (LLT) is domiciled in Australia. LLT is a for-profit entity. Further information about LLT's primary activities is included in the Directors' Report.

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

The financial report for the half year ended 31 December 2017 was authorised for issue by the Directors on 21 February 2018.

Directors' Report

The Directors of Lendlease Responsible Entity Limited (ABN 72 122 883 185), the Responsible Entity of Lendlease Trust (the Trust), present their Report together with the Half Year Financial Report of the Trust, for the six months ended 31 December 2017 and the Auditor's Report thereon.

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

1. Governance

a. Board/Directors

The name of each person who has been a Director of the Responsible Entity between 1 July 2017 and the date of this Report are:

D A Crawford, AO	Chairman and Director since 2009
S B McCann	Chief Executive Officer & Managing Director since 2009
C B Carter, AM	Director since 2012
P M Coffey	Director since 2017
P M Colebatch	Director since 2009
D P Craig	Director since 2016
S B Dobbs	Director since 2015
J S Hemstrich	Director since 2011
E M Proust, AO	Appointed 1 February 2018
D J Ryan, AO	Director since 2009 (retired November 2017)
M J Ullmer	Director since 2011
N M Wakefield Evans	Director since 2013

2. Review and Results of Operations

For the six months ended 31 December 2017, the Trust reported a profit after tax of A\$111,246,000 (December 2016: A\$56,212,000).

Key transactions during the period include:

- Further investment of A\$49,600,000 relating to Australian Prime Property Fund - Commercial; and
- An interim distribution of A\$26,675,000 (December 2016: A\$18,875,000) has been approved by the Directors and is payable on 22 March 2018.

3. Events Subsequent to Balance Date

On 21 February 2018, the Group announced the on-market buyback of up to A\$500.0 million of the Group's stapled securities. The on-market buyback is subject to the ongoing assessment of the Group's surplus capital position, market conditions and growth opportunities.

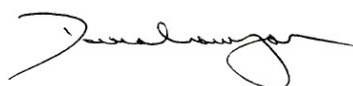
4. Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

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 2017.

5. Rounding Off

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

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



D A Crawford, AO

Chairman

Sydney, 21 February 2018



S B McCann

Chief Executive Officer and Managing Director



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

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

I declare that, to the best of my knowledge and belief, in relation to the review for the
half-year ended 31 December 2017 there have been:

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

A handwritten signature in black ink that reads 'KPMG' in a stylized, cursive font.

KPMG

A handwritten signature in black ink that reads 'Duncan McLennan' in a cursive font.

Duncan McLennan
Partner

Sydney
21 February 2018

Financial Statements

Statement of Comprehensive Income

Half Year Ended 31 December 2017

	Note	6 months December 2017 A\$'000	6 months December 2016 A\$'000
Revenue and other income	3	108,971	35,781
Share of profit of equity accounted investments	5		17,305
Other expenses		(375)	(469)
Results from operating activities		108,596	52,617
Finance revenue	4	2,650	3,595
Net finance revenue		2,650	3,595
Profit before tax		111,246	56,212
Income tax expense			
Profit after tax		111,246	56,212
Other comprehensive income net of tax			
Total comprehensive income after tax		111,246	56,212
Basic/diluted earnings per unit (cents)	2	19.06	9.65

Statement of Financial Position

As at 31 December 2017

	Note	December 2017 A\$'000	June 2017 A\$'000
Current Assets			
Cash and cash equivalents		43,173	90,595
Loans and receivables		135,674	139,449
Total current assets		178,847	230,044
Non Current Assets			
Other financial assets	7	1,050,975	913,746
Total non current assets		1,050,975	913,746
Total assets		1,229,822	1,143,790
Current Liabilities			
Trade and other payables		25	60
Distributions payable	1	26,675	26,726
Total current liabilities		26,700	26,786
Total liabilities		26,700	26,786
Net assets		1,203,122	1,117,004
Equity			
Issued capital	8	920,441	918,894
Retained earnings		282,681	198,110
Total equity attributable to unitholders		1,203,122	1,117,004

The accompanying notes form part of these financial statements.

Financial Statements continued

Statement of Changes in Equity Half Year Ended 31 December 2017

	Issued Capital A\$'000	Retained Earnings A\$'000	Total Equity A\$'000
Balance as at 1 July 2016	915,820	130,818	1,046,638
Total Comprehensive Income			
Profit for the period		56,212	56,212
Other Comprehensive Income (Net of tax)			
Total Comprehensive Income		56,212	56,212
Transactions with owners of the Trust			
Distribution reinvestment plan (DRP)	1,746		1,746
Distributions paid and provided for		(18,875)	(18,875)
Total other movements	1,746	(18,875)	(17,129)
Balance as at 31 December 2016	917,566	168,155	1,085,721
Balance as at 1 July 2017	918,894	198,110	1,117,004
Total Comprehensive Income			
Profit for the period		111,246	111,246
Other Comprehensive Income (Net of tax)			
Total Comprehensive Income		111,246	111,246
Transactions with owners of the Trust			
Distribution reinvestment plan (DRP)	1,547		1,547
Distributions provided for		(26,675)	(26,675)
Total other movements	1,547	(26,675)	(25,128)
Balance as at 31 December 2017	920,441	282,681	1,203,122

Statement of Cash Flows Half Year Ended 31 December 2017

	6 months December 2017 A\$'000	6 months December 2016 A\$'000
Cash Flows from Operating Activities		
Cash receipts in the course of operations	44	513
Cash payments in the course of operations	(409)	(754)
Interest received	2,660	3,315
Distributions received	25,062	13,388
Net cash provided by operating activities	27,357	16,462
Cash Flows from Investing Activities		
Proceeds from sale of equity accounted investments		39,013
Acquisition of investments	(49,600)	(73,750)
Net cash used in investing activities	(49,600)	(34,737)
Cash Flows from Financing Activities		
Loan repayment by related party		80,000
Distributions paid	(25,179)	(12,957)
Net cash (used in)/provided by financing activities	(25,179)	67,043
Net (decrease)/increase in cash and cash equivalents	(47,422)	48,768
Cash and cash equivalents at beginning of financial period	90,595	59,589
Cash and cash equivalents at end of financial period	43,173	108,357

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

Basis of Preparation

The half year financial report is a general purpose financial report, which:

- has been prepared in accordance with AASB 134 *Interim Financial Reporting*, and the *Corporations Act 2001*;
- complies with the recognition and measurement requirements of the International Financial Reporting Standards (IFRSs) and Interpretations adopted by the International Accounting Standards Board;
- should be read in conjunction with the 30 June 2017 annual financial report and any public announcements by the Trust during the half year in accordance with continuous disclosure obligations arising under the *Corporations Act 2001*. The half year financial report does not contain all the information required for a full financial report;
- is presented in Australian dollars, with all values rounded off to the nearest thousand dollars unless otherwise indicated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191; and
- is prepared under the historical cost basis except for the following assets, which are stated at their fair value: fair value through profit or loss investments.

The preparation of an interim report that complies with AASB 134 requires management to make judgements, estimates and assumptions.

- This can affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates; and
- Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The accounting policies have been consistently applied by the Trust and are consistent with those applied in the 30 June 2017 annual financial statements other than as stated below.

Impact of New and Revised Accounting Standards

New and Revised Accounting Standards Adopted 1 July 2017

From 1 July 2017 the Trust adopted AASB 9 *Financial Instruments* and consequential amendments and AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*. There were no material financial impacts on the Trust following adoption of these amendments.

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 2017 but are available for early adoption and have not been applied in preparing this report.

Accounting Standard	Requirement	Impact on Financial Statements
AASB 15 <i>Revenue from Contracts with Customers</i> 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 <i>Revenue</i> and AASB 111 <i>Construction Contracts</i> . The standard becomes mandatory for the June 2019 financial year and will be applied retrospectively.	Based on the analysis performed, AASB 15 and consequential amendments are not expected to have a material impact on the Trust.
AASB 2014-10 <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> and consequential amendments	AASB 2014-10 amends AASB 10 and AASB 128 to clarify the requirements for recording the sale or contribution of assets between an investor and its associate or joint venture. The amendment becomes mandatory for the June 2023 financial year and will be applied prospectively.	Based on the analysis performed, the amendments are not expected to have a material impact on the Trust.
AASB 16 <i>Leases</i>	AASB 16 provides a new model for accounting for leases. The standard becomes mandatory for the June 2020 financial year and will be applied retrospectively.	Based on preliminary analysis performed, AASB 16 is not expected to have a material impact on the Trust.

Notes to the Financial Statements continued

Section A: Performance

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

1. Distributions

	Cents Per Unit	6 months December 2017 A\$'000	6 months December 2016 A\$'000
Lendlease Trust Interim Distribution			
December 2017 – provided for (payable 22 March 2018)	4.6	26,675	
December 2016 – paid 24 March 2017	3.2		18,875
		26,675	18,875
Lendlease Trust Final Distribution			
	Cents Per Unit	6 months June 2017 A\$'000	6 months June 2016 A\$'000
June 2017 – paid 20 September 2017	4.6	26,726	
June 2016 – paid 14 September 2016	2.5		14,703
		26,726	14,703

2. Earnings per Unit

		6 months December 2017	6 months December 2016
Basic/Diluted Earnings Per Unit (EPU)			
Profit after tax	A\$'000	111,246	56,212
Weighted average number of units	'000	583,752	582,704
Basic/Diluted EPU	cents	19.06	9.65

3. Revenue and Other Income

	6 months December 2017 A\$'000	6 months December 2016 A\$'000
Distribution income	18,242	6,858
Net gain on fair value remeasurement of fair value through profit or loss assets	87,629	27,041
Other income – related parties	744	513
Other income – external parties	2,356	1,369
Total revenue and other income	108,971	35,781

4. Finance Revenue

	6 months December 2017 A\$'000	6 months December 2016 A\$'000
Finance revenue – external parties	647	543
Finance revenue – related parties	2,003	3,052
Total finance revenue	2,650	3,595

5. Share of Profit of Equity Accounted Investments

	6 months December 2017 A\$'000	6 months December 2016 A\$'000
a. Joint Ventures		
Lendlease International Towers Sydney Trust ¹		17,592
Lendlease One International Towers Sydney Trust ¹		(287)
Total share of profit of equity accounted investments	-	17,305

1. As a result of reaching the operational phase in FY2016 for the three towers at International Towers Sydney, the governance structures of Lendlease International Towers Sydney Trust and Lendlease One International Towers Sydney Trust changed. Lendlease Trust has reassessed its joint control conclusions, and determined that joint control no longer exists. As a result, these investments were reclassified from Equity Accounted Investments to Other Financial Assets measured at fair value through profit or loss in the prior period. Lendlease Trust recorded its share of comprehensive income in relation to these investments for the period joint control was maintained.

b. Material Joint Ventures Summarised Financial Information

Material joint ventures are determined by comparing individual investment carrying value and share of profit with the total equity accounted investment carrying value and share of profit, along with consideration of relevant qualitative factors. At 31 December 2017, there are no individually material joint ventures requiring disclosure of financial information.

6. Events Subsequent to Balance Date

On 21 February 2018, the Group announced the on-market buyback of up to A\$500.0 million of the Group's stapled securities. The on-market buyback is subject to the ongoing assessment of the Group's surplus capital position, market conditions and growth opportunities.

Notes to the Financial Statements continued

Section B: Investment

This section includes disclosures for indirect property assets such as Other Financial Assets contained within the Statement of Financial Position. The measurement basis of these assets is fair value. Refer to Note 9 'Fair Value Measurement' for details on basis of determining fair value and valuation technique.

7. Other Financial Assets

	Fair Value Level	December 2017 A\$'000	June 2017 A\$'000
Non Current Measured at Fair Value			
Fair Value Through Profit or Loss – Designated at Initial Recognition			
Lendlease International Towers Sydney Trust	Level 3	446,585	411,552
Lendlease One International Towers Sydney Trust	Level 3	230,153	202,697
Australian Prime Property Fund – Industrial	Level 3	68,070	66,729
Australian Prime Property Fund – Commercial	Level 3	277,300	205,316
Australian Prime Property Fund – Retail	Level 3	28,867	27,452
Total other financial assets		1,050,975	913,746

a. Fair Value Reconciliation

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

	December 2017 Unlisted Equity Investments A\$'000	June 2017 Unlisted Equity Investments A\$'000
Carrying amount at beginning of financial period	913,746	264,712
Additions	49,600	102,302
Return of capital distribution		(5,136)
Transfer from equity accounted investments		497,930 ¹
Gains recognised in Statement of Comprehensive Income – revenue and other income	87,629	53,938
Carrying amount at end of financial period	1,050,975	913,746

1. Includes transfers from Equity Accounted Investments in the prior year for investments in Lendlease International Towers Sydney Trust and Lendlease One International Towers Sydney Trust.

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

Section C: Liquidity and Working Capital

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

8. Issued Capital

	December 2017 No of units '000s	December 2017 A\$'000	June 2017 No of units '000s	June 2017 A\$'000
Beginning of financial period	583,470	918,894	582,317	915,820
Distribution Reinvestment Plan (DRP)	513	1,547	1,153	3,074
End of financial period	583,983	920,441	583,470	918,894

a. Issuance of Securities

As at 31 December 2017, Lendlease Trust had 583,983,339 units on issue, equivalent to the number of Lendlease Corporation shares on issue. The issued units of the Trust and shares on issue by Lendlease Corporation Limited are stapled securities.

b. Security Accumulation Plans

The Distribution Reinvestment Plan (DRP) was reactivated in February 2011. The last date for receipt of an election notice for participation in the DRP is 1 March 2018. The Group intends to neutralise stapled securities issued under the DRP for the upcoming dividend by acquiring an equivalent number of stapled securities on market. 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 commencing 5 March 2018. If that price is less than 50 cents, the issue price will be 50 cents. Stapled securities issued under the DRP rank equally with all other stapled securities on issue.

c. Terms and Conditions

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

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

Section D: Other Notes

9. Fair Value Measurement

a. Basis of Determining Fair Value

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

b. Fair Value Measurements

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

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

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

10. Contingent Liabilities

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

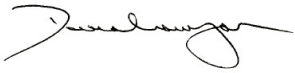
The Trust does not have any other contingent liabilities at 31 December 2017.

Directors' Declaration

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

1. The financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - a. Giving a true and fair view of the financial position of the Trust as at 31 December 2017 and of its performance for the half year ended on that date; and
 - b. Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
2. There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



D A Crawford, AO
Chairman



S B McCann
Chief Executive Officer and Managing Director

Sydney, 21 February 2018



Independent Auditor's Review Report

To the unitholders of Lendlease Trust

Report on the Half-year Financial Report

Conclusion

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

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

- giving a true and fair view of the Trust's financial position as at 31 December 2017 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*

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

- Statement of financial position as at 31 December 2017;
- Statement of comprehensive income, statement of changes in equity and statement of cash flows for the Half-year ended on that date;
- Notes 1 to 10 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Lendlease Responsible Entity Limited, the Responsible Entity for Lendlease Trust, are responsible for:

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



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

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Trust's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Lendlease Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG

Duncan McLennan

Partner

Sydney

21 February 2018