

ASX ANNOUNCEMENT

19 August 2016

Annual Report for Lendlease Group

Lendlease Group today announced its results for the full year ended 30 June 2016. Attached is the 2016 Annual Report, including:

- Directors' Report
- Remuneration Report
- FY16 Financial Statements

ENDS

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2016

Annual Report



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All financial amounts within this report are in Australian dollars unless otherwise specified.

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ABN 32 000 226 228 Incorporated in NSW Australia

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Annual Report

About this Report

This is Lendlease's first integrated annual report and we expect this report to evolve over time. Through this report we aim to communicate how we create long term value for our securityholders through five value pillars. The report is divided into several sections with all required elements of the Directors' Report, including the Operating and Financial Review (OFR) being covered on pages 8 to 117.

1. Our Business

The report begins with an overview of who we are, what we do and our values. This is followed by a summary of our key financial and operating highlights for the current reporting period, including a snapshot of our global urban regeneration portfolio, and a review of our key events throughout the 2016 financial year. Lendlease's Chairman and Group Chief Executive Officer conclude this section with their reviews of performance for the year.

2. Our Strategy

An outline of the three elements that drive our competitive advantage: our integrated model, track record and financial strength, with a specific focus on the integrated model through the lens of Barangaroo South, Sydney. This is followed by a description of the global trends that will influence our business over the long term and the opportunities that these trends present for our strategy. This section concludes with a snapshot of our strategy.

3. Pillars of Value

A description of Lendlease's five pillars of value that drive the long term value of our business. Icons will be used throughout the report to link our business activities to these pillars. An update of the performance in line with identified measures is provided on pages 28 to 43, with further information on financial performance included in the Performance & Outlook section on pages 52 to 65. A description of each pillar is provided below:

4. Risk

An explanation of Lendlease's approach to risk governance and management including an assessment of key risks and mitigation.

5. Performance & Outlook

Commentary on Lendlease's financial and non financial pillars including a performance overview for our three operating segments: Development, Construction and Investments, as well as a summary of our financial position and cash flow information.

6. Governance

An overview of Lendlease's governance and decision making structures and remuneration information. This section includes all compliance reporting requirements.

Integrated Reporting

This report has been prepared with reference to the International Integrated Reporting <IR> Framework. This framework encourages businesses to consider what creates value for them and how this value contributes long term sustainable returns for securityholders.

Materiality

A matter is considered material if Lendlease's Senior Management and those charged with governance believe it could significantly impact the value created and delivered by the relevant pillar in the short, medium and long term. Lendlease identifies material matters through periodic discussions during the financial year at Project Control Group (PCG) meetings that represent the governance structure for completing the Annual Report. The Board has been engaged throughout this process and has endorsed the progress of the Annual Report at periodic intervals.

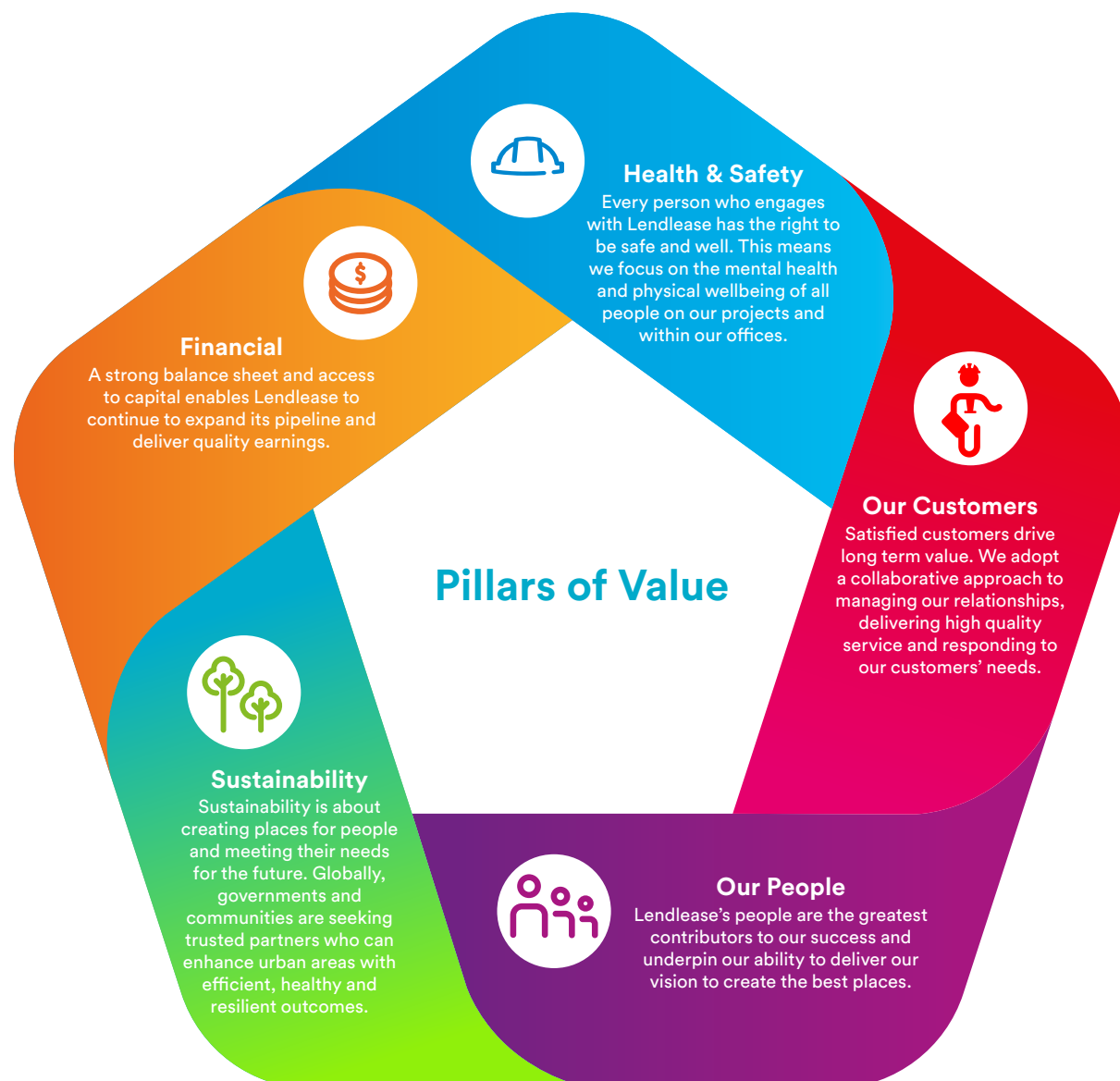
Directors' Report and OFR

The required elements of the Directors' Report, including the OFR, which is part of the Directors' Report, are included on pages 8 to 117 of this report and include the sections: Our Business, Our Strategy, Pillars of Value, Risk, Performance & Outlook and Governance. The OFR is contained specifically on pages 8 to 65.

All non financial metrics included in the Directors' Report on pages 8 to 49 have been verified through our internal verification process. The Financial Statements on pages 120 to 179 have been audited by KPMG.

Future Reporting

This Annual Report sets out our competitive advantage and our commitment to creating long term value for our stakeholders, realised through our pillars. In future reports we will enhance our measurement of Key Performance Indicators (KPIs) for each pillar.



A description of material issues and value creation in line with the value pillars:

	Financial	Health & Safety	Our Customers	Our People	Sustainability
Material Issue	Delivering securityholder returns. Maintaining strong capital management to enable investment in our future pipeline.	Ability to operate safely across our operations and projects. Maintaining the health and wellbeing of our employees and those who engage with our assets.	Understanding our customers and responding to changes in the market. Ability to deliver customer driven solutions.	Ability to attract and retain the best people. Ensuring we have the right capability across the organisation.	Ability to continuously identify and deliver economically, socially and environmentally sustainable outcomes.
Value Creation	Sustainable returns for securityholders.	Eliminating incidents and injuries across the business. Keeping people safe and well, physically and mentally.	Customer loyalty and satisfaction.	An engaged, diverse and capable workforce.	Enhanced urban precincts and engaged communities.

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Our Business

Who We Are

Lendlease is committed to creating and delivering innovative and sustainable property and infrastructure solutions for future generations.

Founded in Sydney in 1958 by Dutch immigrant and innovator Dick Dusseldorp, Lendlease was born out of a vision to create a company that could successfully combine the disciplines of financing, development and investment.

Lendlease is a leading international property and infrastructure group with operations in Australia, Asia, Europe and the Americas. Our vision is to create the best places; places that inspire and enrich the lives of people around the world.

We create places that leave a positive legacy by setting world leading standards for safety, innovation and sustainability, delivered by people who are respected for who they are and what they do.

Headquartered in Sydney, Australia, Lendlease has approximately 12,000 employees internationally. Our regional head offices are located in New York, Singapore and London.

Our core capabilities are reflected in our operating segments of Development, Construction and Investments. Combining these capabilities across the property and infrastructure value chain has allowed Lendlease to offer innovative integrated solutions for our clients. Through those solutions Lendlease has secured major urban regeneration projects such as: Barangaroo South, Darling Square, Victoria Harbour and Brisbane Showgrounds in Australia; Elephant & Castle and International Quarter London in the United Kingdom; Paya Lebar Quarter and Tun Razak Exchange in Asia; and Riverline in the United States.

Our Vision:
**TO CREATE
THE BEST
PLACES**

Our Values

Our core values guide our behaviours and underpin our Code of Conduct. These are the values we live by every day.

RESPECT

BE DEDICATED TO RELATIONSHIPS

We respect all people, their ideas and cultures.

INTEGRITY

BE TRUE TO OUR WORD

Integrity is non-negotiable. We leave a positive impact through our actions and behaviours.

INNOVATION

BE CHALLENGING IN OUR APPROACH

We strive to find the best solution. We think outside the box and dare to do things differently.

COLLABORATION

BE ONE TEAM

We work together to achieve more through our unified culture and shared knowledge.

EXCELLENCE

BE EXCEPTIONAL IN EVERYTHING WE DO

We seek, and are committed, to operating safely, achieving outstanding performance and the best outcomes.

TRUST

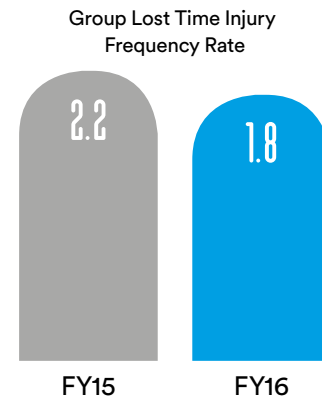
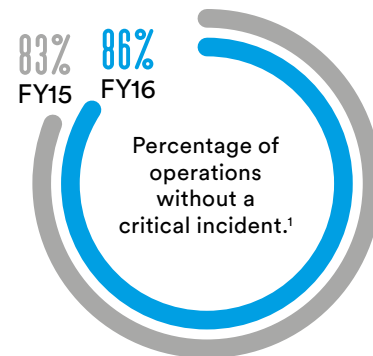
BE OPEN AND TRANSPARENT

We earn and instil trust by being accountable at every level and in all of our interactions.

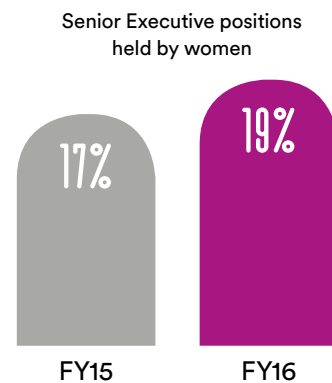
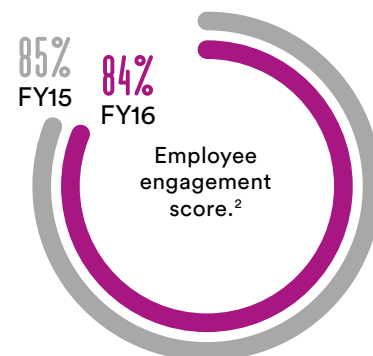
Operational Highlights



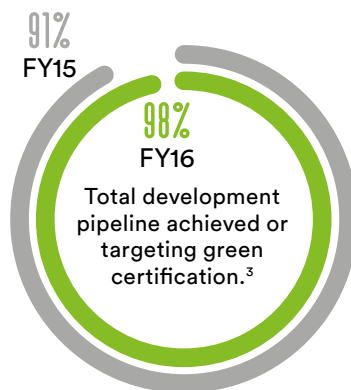
Health & Safety



Our People



Sustainability

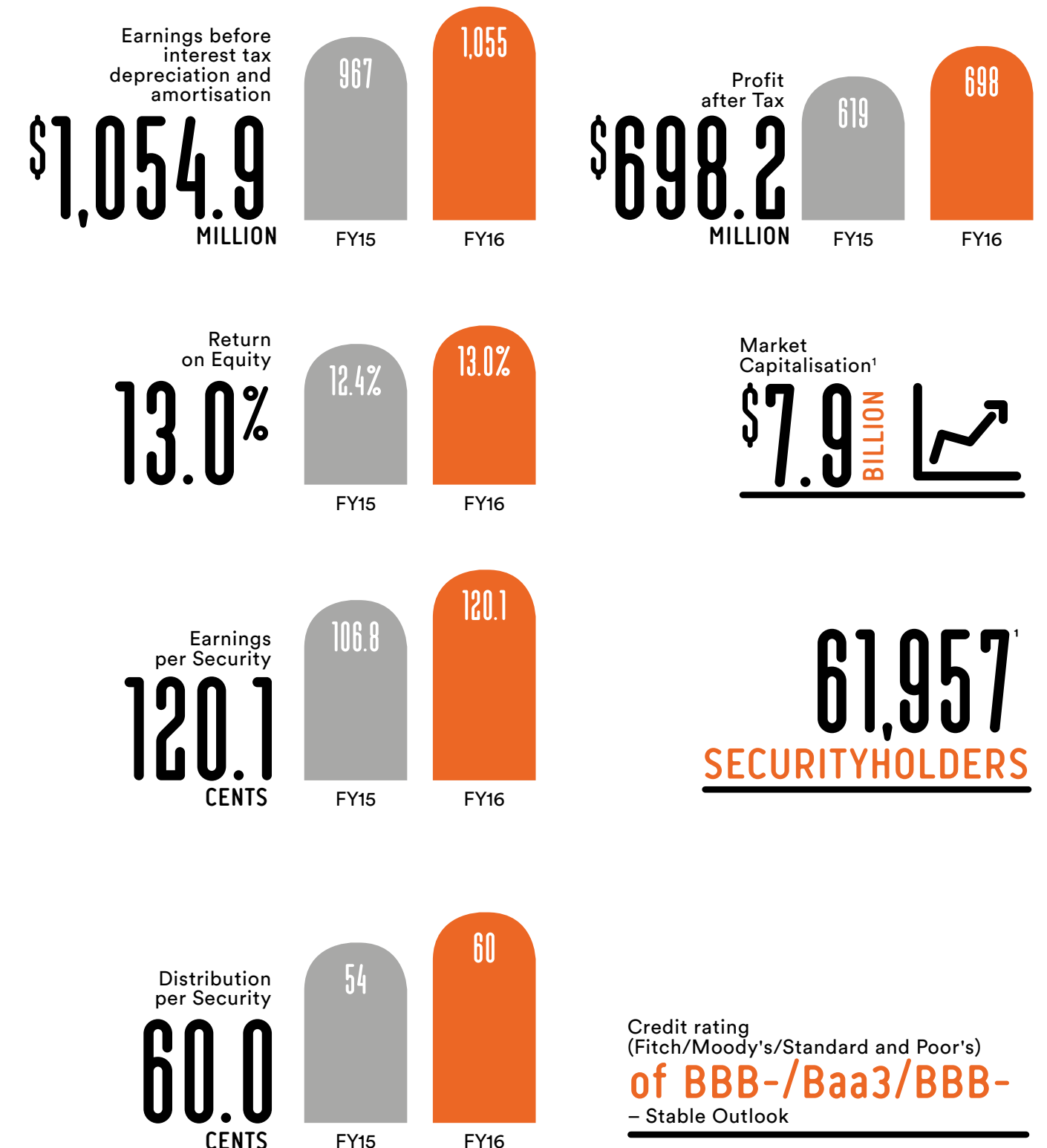


In FY16 six of our funds⁴ were ranked first in their categories in the Global Real Estate Sustainability Benchmark. This included the Australian Prime Property Fund Commercial, which ranked first overall out of 707 participants.

1. A critical incident is an event that had the potential to cause death or permanent disability. This is an indicator unique to Lendlease.
 2. In 2016 a employee engagement progress survey was completed. Full surveys are conducted every two years.
 3. Value stated in FY15 Securityholder Review of 100 per cent included major urban development projects only.
 4. 1st APPF (Australian Prime Property Fund) Commercial – All global participants. 1st Lend Lease International Towers Sydney Trust – Global Development. 1st APPF (Australian Prime Property Fund) Retail – Oceania Retail. 1st APPF (Australian Prime Property Fund) Industrial – Oceania Industrial. 1st Asian Retail Investment Fund 1 – Asia Retail. 1st Lendlease Retail LP – UK Retail.



Financial Highlights



1. As at market close on 1 August 2016.

A Year in Review

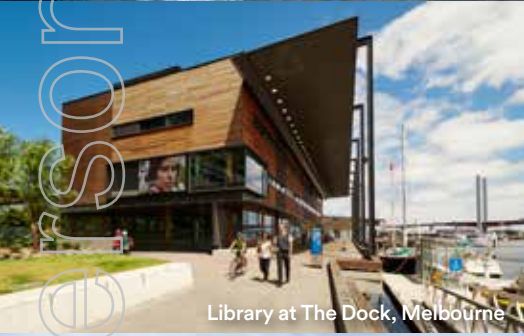
Key
Highlights



Barangaroo South, Sydney



International Convention Centre, Sydney



Library at The Dock, Melbourne



Sunshine Coast University Hospital, Kawana

Development



Achieved operational and financial close on the final phase of the Department of the Army's Privatization of Army Lodging (PAL) program, operated by the Intercontinental Hotels Group (IHG). This latest closing includes 2,058 hotel rooms located on Fort Lee, Virginia and Fort Benning, Georgia.



Unveiling of Springfield Rise community, which will be home to more than 12,000 people in South-East Queensland's fastest growing region, Greater Springfield.



Lendlease achieved forward sale of two commercial buildings to Deutsche Bank Asset Management and Legal & General at International Quarter London.



The Prime Minister of Australia, the Hon Malcolm Turnbull MP presented Barangaroo South with a 6 Star Green Star Communities award, the first for an inner urban development.



391 apartments in the third and final stage of Darling Square sold at the launch in Sydney.



Establishment of a \$400 million managed investment vehicle, Lendlease Public Infrastructure Investment Company, to invest in three equity positions in social infrastructure Public Private Partnership assets: Sunshine Coast University Hospital, New Bendigo Hospital Melbourne and International Convention Centre, Sydney (ICC Sydney).

Construction



Lendlease selected as the preferred consortium with alliance partners, by the Level Crossing Removal Authority (LXRA) to design and construct the Caulfield to Dandenong Level Crossing Removal Project, Victoria.



Our 56 Leonard Street project in New York City, a vertical construction of the uniquely cantilevered 60-storey, 146-unit, residential structure reached it highest point.



Margaret Court Arena became the first sport and entertainment arena in Australia to receive a Leadership in Energy and Environmental Design Gold Certification.



Structural completion reached on the third and final building of ICC Sydney at Darling Harbour, which is targeted to open in December 2016.



Opening of Candlewood Suites® on Redstone Arsenal, the first hotel in the United States to be constructed using Cross Laminated Timber, highlighting the innovative partnership between the United States Army, Lendlease and IHG Army Hotels.



Lendlease's Engineering business was selected by the South Australian Government as the preferred contractor to design and construct the Northern Connector road project. This new six lane 15.5 kilometre road links the Northern Expressway with the South Road Superway and Port River Expressway.



Lendlease selected as the preferred design and construction contractor for Brisbane City Council's \$650 million Kingsford Smith Drive upgrade.

Investments



The Global Real Estate Sustainability Benchmark (GRESB) recognised Lendlease managed Australian Prime Property Fund Commercial as the world's most sustainable real estate fund, outperforming 707 companies and funds for the second year running.



Introduction of a new international co-investor to the Barangaroo South precinct. One of Asia's largest institutional investors acquired a 25 per cent Co-Investment stake in Lend Lease One International Tower Sydney Trust (LLOneITST) from Lendlease.



Two Lendlease managed malls, 313@somerset and Jem, receive the Workplace Safety and Health (WSH) Council bizSAFE Partner award1 - the first malls in Singapore to receive this award.

Organisation



Lendlease launched manufacturing business, DesignMake, which combines smart design and advanced manufacturing processes to make customised building components to service Lendlease's growing property development pipeline.



Lendlease received the 2016 Project of the Year Award from Infrastructure Partnerships Australia for Sydney's newest harbour foreshore park, Barangaroo Reserve, constructed by Lendlease's Engineering business, on behalf of the Barangaroo Delivery Authority.



Issue of US\$400 million of senior unsecured notes, maturing in May 2026, via Lendlease's recently established Euro Medium Term Note Program.



Library at The Dock, Melbourne, designed and built by Lendlease awarded the Property Council of Australia, Victoria's prestigious 'Development of the Year' award, and a finalist for: Innovation, Best Public Building and Best New Sustainable Development.

For the third consecutive year there were no corporate reportable work related fatalities on Lendlease controlled operations. This significant milestone was supported by a 37 per cent reduction in the critical incident frequency rate against the prior financial year.



Jem, Singapore



Island Palms Community, Hawaii



56 Leonard Street, New York

Chairman's Report

Lendlease delivered a solid financial result for the 2016 financial year with \$698.2 million in Profit after Tax and a Distribution per Security of 60.0 cents. Our strong development pipeline, accelerating construction backlog and growing funds management platform positions the Group well to deliver solid returns for securityholders.

Inaugural Integrated Report

We are pleased to present our inaugural integrated Annual Report. This report is a consolidation of the Annual Report, Directors' Report & Financial Statements and the Securityholder Review. This integrated report provides a simple and clear way for us to share the value creation story of Lendlease.

Financial Strength

Lendlease delivered a solid performance for the financial year ended 30 June 2016, with Profit after Tax of \$698.2 million, up from \$618.6 million in the financial year ended 30 June 2015. The Development segment was the clear standout with residential and commercial development performing strongly.

Securityholders will receive a final distribution of 30.0 cents per security, taking the full year distribution to 60.0 cents per security. The payout ratio for the year was 50 per cent, within the Board's target range of 40 to 60 per cent of earnings.

Lendlease enters FY17 in a very strong financial position. As at 30 June 2016, we had cash and cash equivalents of \$1,008.4 million, gearing of 6.5 per cent

and undrawn capacity of \$2,172.6 million. The resilience of the Lendlease balance sheet, including high levels of liquidity, combined with access to third party capital, provides the financial flexibility to fund our development pipeline and capitalise on potential growth opportunities.

Safety

For the third consecutive year there were no corporate reportable work related fatalities on Lendlease controlled operations. This significant milestone was supported by a 37 per cent reduction in the critical incident¹ frequency rate against the prior financial year.

We are committed to constantly challenging our health and safety performance so that it aligns with the Lendlease strategy and remains effective across the sectors and markets in which we operate.

Our enhanced Global Minimum Requirements Framework sets parameters on the control of key health and safety risk events faced by our business and has placed a focus on front end planning so that safety begins well before a project commences, irrespective of the working environment.

This approach also empowers people to identify and manage health and safety risks, promotes moving beyond minimum statutory and organisational requirements and leads to continual improvement. Our aim continues to be that we operate incident and injury free.

Sustainability

Sustainability is central to Lendlease's business strategy. Environmental, social and economic factors are integral to creating and sustaining value and to manage risk.

Around the world governments and communities are seeking trusted partners who can enhance urban areas with efficient, healthy and resilient outcomes. We deliver green certified products to meet customer and investor needs today, as well as the future needs of the communities we serve.

This is evidenced by our commitment to achieving or targeting green certification for our total development pipeline.

Our People

People are our greatest asset at Lendlease, underpinning our ability to achieve our vision and deliver on our strategy. Investing in our people through learning and development opportunities, promoting wellbeing and diversity and inclusion is critical for our people to reach their potential.

Our Diversity & Inclusion strategy focuses on: flexible work, inclusive leadership and gender equity.

In relation to gender equity, Lendlease is committed to a level playing field, giving men and women the same chance to succeed. This means addressing any imbalances in benefits and remuneration.

For the year ended 30 June 2016, 31 per cent of our employees are women, up from 29 per cent in the preceding year; and 19 per cent of Senior Executive positions are held by women, up from 17 per cent in the preceding year. Currently, we have two female Board members while female direct reports to the Group CEO have risen from two to three.

During FY16 a significant number of Lendlease people embraced some form of flexible work arrangement. This is a



key ingredient in becoming a more attractive and inclusive place to work.

Inclusive leadership encourages our leaders to eliminate potential biases, and is aimed at ensuring everyone's voice is heard and valued in order to make the best decisions. All of our senior leaders have undertaken training on the impact of conscious and unconscious bias.

This year we introduced two new talent programs. First, the Distinguished Executives Program to recognise and reward significant contribution to our business. Second, the Project Director Program that aims to further build and differentiate the Project Director capability. These sit alongside our suite of leadership development programs and support our growing strategic focus on urban regeneration.

Our Board

This year we welcomed David Craig to the Board in March 2016. We also made changes to the composition of the Risk Management and Audit Committee via the addition of David Craig, Nicola Wakefield Evans and Steve Dobbs.

The Board Nomination Committee met eight times this year. This Committee

believes the Lendlease Board has the right composition of individuals that bring a mix of expertise, skills, experience and diversity to contribute to the oversight and effective corporate governance at Lendlease. This Committee ensures that a comprehensive succession plan is in place.

Outlook

Lendlease is well placed to maintain its leadership position in the sectors in which it operates. Both our Development and Construction pipelines continue to grow, and combined with the Investments platform provide strong earnings visibility.

My thanks to my fellow Board members, as well as our Lendlease leadership team and all employees, whose commitment and dedication have ensured we deliver on our vision and continue to improve returns for our securityholders.

David Crawford AO
Chairman

1. A critical incident is an event that had the potential to have caused death or permanent disability.

Chief Executive Officer's Report

Lendlease's vision is to create the best places. We celebrated a number of major milestones this year with the partial completion of several large urban regeneration projects. We grew our global pipeline of development projects and recorded strong growth in both funds under management and construction backlog. Our focus remains on successfully delivering our substantial pipeline of projects, continuing to secure new work and investment mandates and generating solid earnings growth in the short and long term.

Our Strategy

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. Lendlease's strategy has evolved to take advantage of our strong position and a changing global market. Our strategic framework, called 'Focus & Grow', follows on from our 'Restore, Build, Lead' strategy, which was in place from 2009 until 2014.

A significant proportion of our development pipeline is transitioning from planning into production and delivery. Our investment in delivering this pipeline has increased from \$2.3 billion to \$3.7 billion over the last five years and will require an ongoing focus on operational excellence, while maintaining an efficient approach to capital management.

Strong Financials

The Group expanded its development pipeline to \$48.8 billion, increased construction backlog revenue to \$20.7 billion and grew funds under management to \$23.6 billion.

Lendlease generated strong financial returns in FY16. Earnings per security grew by 12 per cent and we delivered a return on equity of 13.0 per cent, within the target range of 11 to 15 per cent.

From FY16, Lendlease will report performance via three operating segments: Development, Construction and Investments. This adjustment now

aligns our external reporting with our internal management reporting and the manner in which we communicate our business to the market.

The Development segment delivered a very strong result in FY16 across the residential and commercial sectors. Our residential business settled 4,790 land lots, up 7 per cent, including the completion of buildings that form part of our urban regeneration projects at Barangaroo South in Sydney, Victoria Harbour in Melbourne, Brisbane Showgrounds in Brisbane, and at the Elephant & Castle regeneration project in London.

In commercial development, construction reached its highest point at the 50th floor of the third and final commercial building at Barangaroo South. The commercial building at Darling Square in Sydney was sold to capital partners and fully leased to a major tenant, while the first two commercial buildings at the International Quarter London were also sold.

Our Construction segment continues to expand its pipeline with significant new projects including the \$2.6 billion joint venture 'NorthConnex' twin tunnel motorway project in north western Sydney, which is being undertaken by our Engineering business.

Across our Investments segment, our Retirement Living and Military Housing businesses continued to provide reliable recurring earnings. Our funds under management grew by 11 per cent to \$23.6 billion.

The Group finished the year in a strong financial position with low gearing and ample liquidity.

Our Competitive Advantage

Lendlease distinguishes itself from its peers through our integrated model, financial strength and strong track record. Lendlease has the capability and scale to deliver large, long term and complex projects that leverage our integrated model, where more than one of our businesses work across a single project.

Lendlease has the financial capacity to deliver through certainty of funding, the strength of our balance sheet and access to investment management partners. We also have a strong track record of high quality design, with sustainable outcomes and a leading approach to safety.

We have secured major urban regeneration sites across our four main geographies in Australia, Asia, Europe and the Americas. More than two thirds of our development pipeline consists of major urban regeneration projects.

Health & Safety

The health and safety of our people continues to be our number one priority. We recently evolved our approach to health and safety towards raising awareness and encouraging people to take a proactive approach by using informed judgement and sound risk management.



We will continue to look for ways to support the health and wellbeing of our people. In 2015, we undertook our second comprehensive Work Health Insights assessment¹ which evaluated the health and wellbeing of our people. This demonstrated significant improvements against all key areas since the initial 2013 survey.

Sustainability

In the past year, the Global Real Estate Sustainability Benchmark (GRESB) recognised the Lendlease managed Australian Prime Property Fund Commercial as the world's most sustainable real estate fund, outperforming 707 companies and funds for our second year running. A number of our other funds won their respective sector or regional awards.

Proudly, Lendlease was also awarded 6 Star Green Star Community ratings for our Barangaroo South and Darling Square projects, which represent world's best practice for inner urban sustainable development.

We are focused on our twelve material environmental, social and governance elements of the Lendlease Sustainability Framework, and have made good progress on our 20 per cent reduction targets for energy, water and waste by 2020.

We remain committed to the United Nations Global Compact, aligning and focusing our approach on human rights, labour, the environment and anti-corruption.

Our People

At Lendlease we believe high performing employees drive business success. We support our people through ongoing engagement, by providing learning and development opportunities for future career progression and recognising and rewarding exceptional achievements.

Every two years, Lendlease conducts an employee engagement survey, with a progress survey conducted by Willis Towers Watson across a sample of employees in alternate years. The results of these surveys inform and guide our action plans for all businesses and regions.

Lendlease has continued to adopt a sustainable engagement metric.² This year we achieved an 84 per cent sustainable engagement score, reinforcing that our people are proud to work at Lendlease and believe strongly in our values. This is one per cent below the Global High Performing Companies benchmark.³

This year we made some changes to our Global Leadership Team. Tarun Gupta was appointed Group Chief Financial Officer, replacing Tony Lombardo who was appointed CEO, Asia. We also welcomed Kylie Rampa as CEO of our Property, Australia business replacing Tarun. These appointments are evidence of our exceptional leadership talent which allows us to promote from within.

Outlook

The current international geopolitical and economic outlook are somewhat uncertain, contributing to volatility in financial markets. Lendlease will continue to monitor lead indicators and take a disciplined approach to the management of risks that may emerge.

Despite these conditions, Lendlease is well positioned to deliver on our development pipeline and construction backlog and to grow funds under management, positioning the Group for continued success.

Lendlease has a diversified earnings base by both segment and geography. While Australia will continue to account for the majority of earnings in the near term, a greater proportion of earnings is likely to be driven from off shore operations in the coming years. This is reflected in the growth of our international pipeline and our refined development strategy targeting gateway cities.

Our strong balance sheet and access to third party capital provides the flexibility to pursue future growth opportunities.

Steve McCann
Group Chief Executive Officer
and Managing Director

1. Work Health Insights Global Management Report 2015 in partnership with Bupa.

2. Sustainable engagement extends the engagement concept by adding how the working environment supports productivity through employees' ability to maintain personal wellbeing.

3. Global High Performing Companies as defined by Willis Towers Watson.

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International Convention Centre Sydney, Darling Harbour

Our Strategy



Our Competitive Advantage

Lendlease distinguishes itself from its peers through our integrated model, financial strength and projects that leverage more than one of our segments on a single project (integrated model). to third party capital as well as a strong track record of quality design, sustainable outcomes and

Our Integrated Model in Action

Key Projects



International Quarter
London, London



The Wharves Deptford,
London



Brisbane Showgrounds,
Brisbane



Victoria Harbour,
Melbourne



Riverline, Chicago



Trafalgar Place, London



Darling Square, Sydney



Melbourne Quarter,
Melbourne



Tun Razak Exchange,
Kuala Lumpur



Paya Lebar Quarter,
Singapore



Barangaroo South, Sydney



Waterbank, Perth

strong track record. Lendlease has the capability and scale to deliver large, long term complex projects. This is combined with our financial capacity to deliver through balance sheet strength and access to a leading approach to safety.

Case Study

Barangaroo South, Sydney

Our Approach



Lendlease and our third party capital partners committed to launch the first three major office buildings at Barangaroo.



Created the Barangaroo Safety Leaders Program to train front line supervisors on management and leadership skills that are vital to safety performance improvement.



Engaged key tenants early to understand the changing needs of Australian workplaces.



Introduced the Barangaroo Skills Exchange in partnership with TAFE New South Wales.



Our leadership in sustainability provided competitive differentiation for our bid.

Business Model

Development

In 2009, selected as the preferred developer to build a mixed use precinct.

Construction

In line with our integrated model, Lendlease was appointed as contractor to build the precinct.

To date, approximately \$4 billion of construction work secured and approximately \$1.3 billion to complete.

Investments

Lend Lease One International Towers Sydney Trust (LLOneITST) and Lend Lease International Towers Sydney Trust (LLITST) raised approximately \$4 billion of equity for the development and ongoing ownership of the commercial buildings at Barangaroo.

Key Outcomes



Commercial development margin, development management fees, residential development profits, project management and construction management fees and fund fees and co-investment income.



150 front line supervisors trained and 18,000 safety observations.



Lendlease received pre-committments from anchor tenants on approximately 146,000 square metres of commercial space prior to construction.



Site workers were upskilled with 37,000¹ learning outcomes achieved; approximately 18,000² of these were accredited learning outcomes.



Targeted to become Australia's first carbon neutral precinct, enhancing our reputation as a global leader in sustainability and helping to attract our initial tenants.

1. The number of learning programs (courses) provided to participants, both accredited and non accredited.
2. Structured, competency-based, courses delivered by specialist skilled teachers and industry trainers for which there is a certificate, or nationally recognised accreditation to confirm that a student/trainee has achieved training outcomes, in accordance with the Australian Qualifications Framework.

Global Trends Influencing Our Strategy

GLOBAL TREND



URBANISATION

Urbanisation creates increasing pressure to plan for, and accommodate, a more dense population. By 2030, over 60 per cent of the world's population will live in urban areas.¹



INFRASTRUCTURE

Urbanisation and population growth are driving the need for improved productivity, creating strong demand for infrastructure at both the social and economic levels. Worldwide, infrastructure spending will grow from USD\$4 trillion per year in 2012 to more than USD\$9 trillion per year by 2025.²



AGEING POPULATION

The ageing population requires different housing solutions and greater healthcare support services in all of our major markets. Internationally, people aged 60+ will grow the most in number between 2015 and 2050.³



FUNDS GROWTH

Continuing growth in funds under management, consolidation of large pension funds and emergence of sovereign wealth funds as dominant investors. Global assets under management are forecast to rise to USD\$102 trillion by 2020, up from USD\$64 trillion in 2012.⁴



SUSTAINABILITY

Sustainability remains an imperative for many governments, investors and consumers who demand defined standards to improve environmental and social outcomes. Governments, investors, tenants and other end-users demand more sustainable, productive and energy efficient buildings because of the direct economic and social benefits they deliver.



TECHNOLOGY

Technology is rapidly changing the operating environment of business and will impact property and infrastructure, ownership, utilisation and services.

THE OPPORTUNITY

Grow our globally recognised urban regeneration business in gateway cities.

Work with governments to meet the growing needs of cities and regional areas.

Expand our leading position in the Australian retirement living sector and grow offshore in measured steps by providing innovative products and living solutions.

Grow funds under management globally to provide our investors with increasing options for investment.

Globally, governments and communities are seeking trusted partners who can enhance urban areas with efficient, healthy and resilient outcomes.

Potential for new revenue streams and more efficient outcomes.

WHERE WE ARE TODAY

In FY16 our urbanisation pipeline grew 14 per cent to \$37.3 billion.

We have a strong domestic capability in urban infrastructure solutions with \$3.9 billion of engineering backlog. Public Private Partnerships are initiated through the Capella business.

We have the leading retirement living business in Australia with approximately 16,000 residents and 13,384 retirement units.

We have established investment platforms in Asia, Australia and the United Kingdom with \$23.6 billion in funds under management (FUM). Our FUM has grown at an average of 18 per cent per annum over the past five years.⁵

In FY16 98 per cent of our total development pipeline, with an end value of approximately \$48.8 billion, achieved or was targeting green certification. During the year our Australian Prime Property Fund Commercial ranked first of 707 participants in the Global Real Estate Sustainability Benchmark, with a number of our other funds also receiving awards in their respective categories or regions.

We are working to embed innovative technology solutions across our business. Innovation is a key part of the Focus & Grow strategic framework. For example, our DesignMake manufacturing business is creating cost effective and sustainable forms of construction for our Australian business.

VALUE PILLARS



1. 'World Urbanization Prospects: The 2014 Revision' – File 21: Annual percentage of population at mid-year residing in urban areas by major area, region and country, 1950-2050 (see row 18).
2. PwC report, 'Capital project and infrastructure spending outlook to 2025', released 2015, page 2.

3. 'World Population Prospects: The 2015 Revision', United Nations, 2015, pages 1 and 27 (See tables on both pages to imply number of people 60+ in 2015 vs 2050).
4. PwC Report, 'Asset Management 2020: A Brave New World', page 8.
5. Compound annual growth rate from FY12 to FY16.

Our Strategy

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. Our strategic framework, called 'Focus & Grow', initiated in 2015, follows on from our 'Restore, Build, Lead' strategy, which was in place from 2009 until 2014.

01 OUR VISION: To create the best places

04 Our **strategic framework** of 'Focus & Grow' defines our priorities.

FOCUS

We focus on delivering optimal performance safely at our target margins. We achieve this by investing in our people, maximising opportunities around our integrated model and by practising strong risk management. (For more information on risk management see pages 46 to 49).

What we have today:

\$48.8 billion development pipeline

\$20.7 billion construction backlog

\$23.6 billion funds under management

GROW

We target disciplined growth in sectors aligned with the six global trends, where we already have deep skills as a developer, contractor and investment manager. The opportunity lies in either taking these skills into new markets or bringing them together to create innovative solutions that are agile and that respond to the changing market place.

Our target growth areas:

Urban Regeneration Infrastructure Telecommunications Healthcare Senior Living

infrastructure group in the core markets in which we operate. To take advantage of our strong position and a changing global market, Lendlease's strategy has evolved. Our strategic framework, called 'Focus & Grow', initiated in 2015, follows on from our 'Restore, Build, Lead' strategy, which was in place from 2009 until 2014.

02 To achieve our vision, we define our **strategic direction**: to be a leading international property and infrastructure company.

03 The **pillars of value** drive our approach to business. (see pages 28 to 43)

05 Our **business model** is how we generate earnings. The model is integrated when more than one segment is engaged on a single project.

DEVELOPMENT

The Development segment operates in all four geographic regions. It is involved in the development of communities, inner city mixed use developments, apartments, retirement, retail, commercial assets and social and economic infrastructure.

Core Financial Returns:

- Development margins
- Development management fees received from external co-investors
- Origination fees for facilitation of infrastructure PPP transactions

CONSTRUCTION

The Construction segment operates across all four geographic regions, to provide a project management, design, and construction service, predominantly in the infrastructure, defence, mixed-use, commercial, and residential sectors.

Core Financial Returns:

- Project management and construction management fees
- Construction margin

INVESTMENTS

Lendlease owns and/or manages investments across all four geographic regions. The Investments segment includes a leading wholesale investment management platform and also includes the Group's ownership interests in property and infrastructure co-investments, Retirement Living and US Military Housing.

Core Financial Returns:

- Fund and property management fees
- Investment yields and capital growth on co-investments including returns from the Group's retirement portfolio and US Military Housing business

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Pillars of Value






03

The Pillars of Value

These pillars, supported by disciplined governance and risk management, drive our approach to business and contribute to our performance. Innovation is embedded in our approach to business through each of these pillars.



How the Pillars Drive Value

		How the Pillar is Delivered	Value Created by the Pillar	Pillar Reference
Financial	 Financial	We deliver returns to our securityholders and adopt a prudent approach to capital management with a view to maintaining a strong balance sheet position throughout market cycles.	Margins, fees and ownership returns across Development, Construction and Investments. We target a capital efficient approach when we develop and invest.	Pages 30 to 31
	 Health & Safety	We are committed to the safety of our people. Through our Global Minimum Requirements (GMRs) we operate to a consistent standard across all of our operations. These GMRs extend not only to physical safety but also to people's health and wellbeing.	Every person who engages with Lendlease has the right to be safe and well. Operating safely ensures people feel valued and cared for, but fundamentally makes us more consistent, more reliable and more efficient in everything we do.	Pages 32 to 33
Non Financial	 Our Customers	Our customers are a key contributor to the long term success and growth of Lendlease. We are currently creating a customer framework to enable a consistent customer experience to be delivered across all of our operations, leveraging the significant amount of work undertaken at a regional and business unit level.	Satisfied customers build our reputation for new work and repeat business enabling us to grow our pipeline of opportunities and to maintain occupancy across our assets.	Pages 34 to 35
	 Our People	Lendlease attracts, nurtures and retains the best people by building a culture of collaboration and continuous learning, where successes are recognised and people are rewarded.	Engaged, capable and motivated people are more productive and more committed to the long term success of our business.	Pages 36 to 39
	 Sustainability	Environmental, social and economic outcomes are delivered through our portfolio of international urban development, construction and investment activities and projects.	Recognised leadership in sustainability enhances our brand and is a competitive differentiator. Being sustainable means we win work and we attract capital from investors with Environmental, Social and Governance (ESG) mandates.	Pages 40 to 43

Financial

A strong balance sheet and access to capital enables Lendlease to continue to expand its pipeline and deliver quality earnings.

Pillar Summary

How the Pillar is Delivered	Value Created by the Pillar	How We Measure Value
We deliver returns to our securityholders and adopt a prudent approach to capital management with a view to maintaining a strong balance sheet position throughout market cycles.	Margins, fees and ownership returns across Development, Construction and Investments. We target a capital efficient approach when we develop and invest.	Return on Equity: The annual Profit after Tax divided by the arithmetic average of beginning, half year and year end securityholder equity. Earnings per Security: Profit after Tax divided by the weighted average number of securities on issue during the year.

Riverline, Chicago – Artist impression as at 2016 (image subject to change and further design development and planning approval)



Pillar Overview

Our Approach to Financial Performance

Lendlease has leading businesses across Development, Construction and Investments, supported by a disciplined governance framework. Through these businesses Lendlease generates earnings for our securityholders. Each of these businesses originates and delivers value in its own right for our customers. When combined on large scale, long term integrated projects, value can be enhanced for our securityholders, delivery partners and the community. This value can be delivered in the form of superior environmental outcomes and the creation of better public places through consistency of design excellence and integrated transport outcomes over large areas of urban regeneration.

Financial Strategy

A clear financial strategy sits at the core of our business. This financial strategy links to our strategic framework of 'Focus & Grow', and governs decisions about how to allocate financial capital to support the strategic goals of Lendlease. Key inputs to this financial strategy include:

- Decisions related to balancing the use of capital;
- Portfolio allocation to support targeted growth;
- Our investment grade credit rating; and
- Our distribution policy.

How We Measure Financial Performance

When measuring financial performance we focus on return on equity and earnings per security to measure the returns we achieve for our securityholders.

Return on Equity

Capital is deployed across Lendlease by adopting a disciplined approach to portfolio allocation. Portfolio parameters guide the location, quantum and timing of capital deployment. By optimising the mix of our capital we target a Return on Equity of 11 to 15 per cent. In FY16 the Group's return on equity was 13.0 per cent for the year.

Earnings per Security

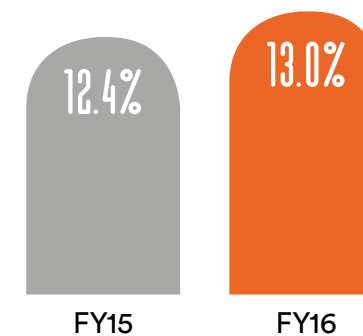
Lendlease creates value for our securityholders through long term sustainable growth in earnings per security. A portion of earnings is returned to securityholders via distributions (approximately 40 to 60 per cent of net Profit after Tax), with the remaining earnings reinvested into future growth opportunities within the business. In FY16 the Group's earnings per security was 120.1 cents, up 12 per cent on the prior year. The Group will distribute 60.0 cents per security, consistent with its target 40 to 60 per cent payout ratio.

Detailed Performance

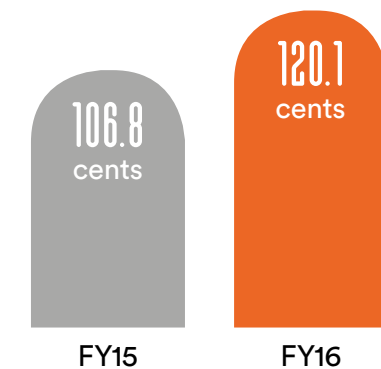
For more detailed information on FY16 performance refer to the Performance & Outlook section on pages 52 to 65 and the Financial Statements on pages 120 to 179.

Key Performance Highlights

Return on Equity



Earnings per Security



Health & Safety

Every person who engages with Lendlease has the right to be safe and well. This means we focus on the mental health and physical wellbeing of all people on our projects and within our offices.

Pillar Summary

How the Pillar is Delivered	Value Created by The Pillar	How We Measure Value
We are committed to the safety of our people. Through our Global Minimum Requirements (GMRs) we operate to a consistent standard across all of our operations. These GMRs extend not only to physical safety but also to people's health and wellbeing.	Every person who engages with Lendlease has the right to be safe and well. Operating safely ensures people feel valued and cared for, but fundamentally makes us more consistent, more reliable and more efficient in everything we do.	<p>Percentage of projects with no critical incidents: A critical incident is an event that had the potential to cause death or permanent disability. This is an indicator unique to Lendlease.</p> <p>Lost Time Injury Frequency Rate: An indicator and industry standard measuring a workplace injury which prevents a worker from returning to duties the next day.</p>



Pillar Overview

Our Approach to Health and Safety

We aim to eliminate incidents and injuries across all of our operations. Our focus on Health & Safety is underpinned by a genuine care for our people, which results in them feeling more empowered and better equipped to effectively manage Lendlease's critical health and safety risks.

Global Minimum Requirements

Lendlease's Global Minimum Requirements (GMRs) set the benchmark for risk management with key focus areas including:

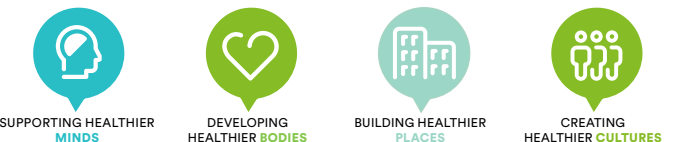
- Identifying and managing risk to people at the earliest possible phase of the operational lifecycle;
- Clarity on Lendlease's exposure to critical risk events across its operations and the preventative controls required; and
- Expanding health and safety risk management to be inclusive of working conditions, fatigue and impacts to physical and mental health and wellbeing.

We are proud to report that during the year, there were no corporate reportable work related fatalities across any Lendlease operations. This is the third consecutive year where this significant milestone has been achieved. We also achieved a reduction of 37 per cent to the critical incident frequency rate against the prior financial year. This positive outcome can be attributed to a range of actions throughout the year including visible leadership through engagement with our operations teams, improved application of line of sight supervision and improved supervisor to worker ratios. We also maintained a strong focus on key risk event types such as, the fall of materials and people and plant interactions.

We increased our focus on providing support to frontline workers through the release of a new GMRs passport to provide online

learning related to the new GMRs. Mobility applications will be used to support access to information and reporting of incidents, via mobile devices. Disruptive technology is also rapidly changing our operating environment so we will continue exploring and using innovative safety technology to proactively identify and manage safety issues to ensure positive environment, health and safety (EH&S) outcomes in everything that we do.

Health and Wellbeing



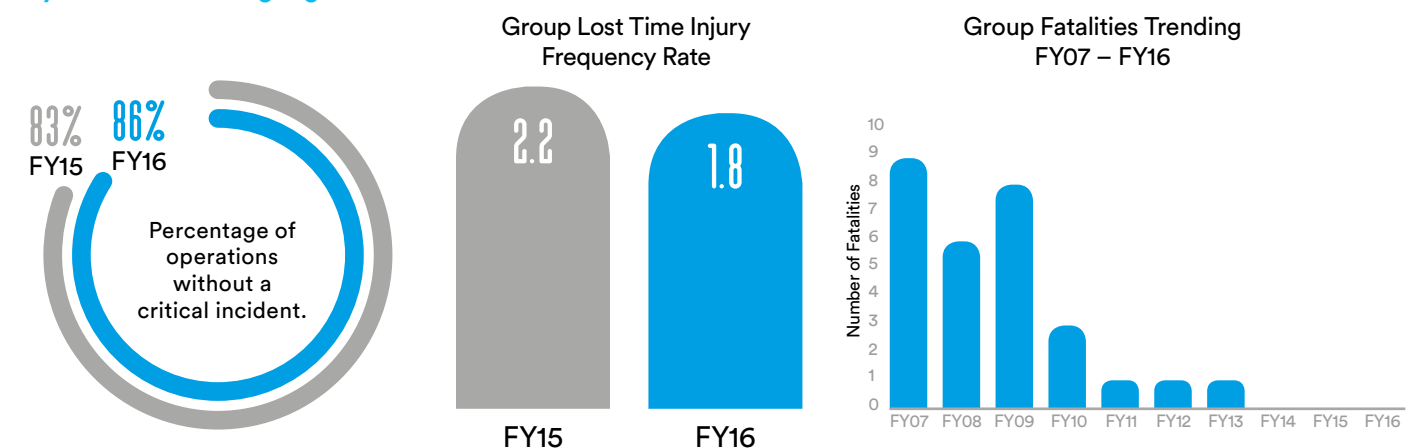
Our health and wellbeing approach assists the organisation to support peoples' physical and mental wellbeing through a focus on four key areas: healthier minds, bodies, places and cultures.

During the year we continued to identify ways to support our people, undertaking our second comprehensive Work Health Insights assessment to evaluate the health and wellbeing of our people. This demonstrated significant improvements against all key areas since the internal 2013 survey. Initiatives to date include wellbeing leave, preventative medical check-ups and a suite of health programs designed to raise awareness and promote healthy, more active lifestyles.

For our customers, we are focused on harnessing the built environment to support human health and wellbeing.

We believe by raising awareness and encouraging people to take a proactive approach to health and wellbeing, the places we create will be more productive and will improve the lives of people and communities.

Key Performance Highlights



Our Customers

Satisfied customers drive long term value. We adopt a collaborative approach to managing our relationships, delivering high quality service and responding to our customers' needs.

Pillar Summary

How the Pillar is Delivered	Value Created by the Pillar	How We Measure Value
Our customers are a key contributor to the long term success and growth of Lendlease. We are currently creating a customer framework to enable a consistent customer experience to be delivered across all of our operations, leveraging the significant amount of work undertaken at a regional and business unit level.	Satisfied customers build our reputation for new work and repeat business enabling us to grow our pipeline of opportunities and to maintain occupancy across our assets.	We measure customer satisfaction at the regional and business unit level. A project is underway to establish consistent metrics to measure customer satisfaction across all of our businesses internationally.

International Towers Sydney, Barangaroo

"To succeed in a world that's changing faster than ever, today's businesses need offices that support collaborative, flexible and mobile working. A state of the art development like Barangaroo is the perfect platform for our workforce of the future."

Luke Sayers, Chief Executive Officer, PwC Australia

International Towers Sydney, Barangaroo

Part of our strategy to deliver Barangaroo was to engage key tenants early in the planning and construction phase. Some of these tenants included KPMG, PwC and Westpac.

PwC Case Study

The Brief:

In 2009 Lendlease and PwC began collaborating on PwC's new tenancy at Barangaroo. PwC had a clear vision that it wanted a dynamic work space for its people to enable even greater collaboration between teams and to create a better experience for its clients. This vision required a building that offered larger floorplates and that could support the higher density floors required for agile work environments through innovative building and technology solutions.

Our Solution:

At International Towers Sydney, the three commercial buildings at Barangaroo South, we delivered workplaces with the capability, efficiency and technology required to enable PwC to achieve its vision. Through early engagement and benchmarking against the best offices around the world, we designed three office buildings with large flexible floor plates for greater collaboration and tailored mechanical services and energy efficiency solutions for the higher density of agile workspace. PwC will relocate its 2,800 Sydney based workforce to Tower One in early 2017, joining other forward thinking businesses who have taken the opportunity to move to the more collaborative and efficient office space.

Pillar Overview

Our Approach to Our Customers

Lendlease is an international business with a broad and diversified customer base. We are committed to understanding our customers' needs through ongoing engagement and collaboration. When we understand our customers we can deliver high quality outcomes that meet their needs, creating a strong value proposition for our securityholders.

Customer Snapshot¹

Our current customer base includes governments, large institutional investors, building tenants, residents in our communities and retirement villages and visitors to our assets. Our strong customer base delivers value for our business and ultimately for our securityholders.

Value of Our Customers

We work closely with governments at all levels across our international business, which provide us long term property and infrastructure projects.

With approximately 150 global institutional partners we are able to raise the capital we need to continue to grow our pipeline. In FY16 we raised new equity of \$1.3 billion through our Investments business.

When we engage commercial tenants early in the construction phase we can create solutions to meet their needs enabling us to secure anchor tenants. This de-risks our projects for our capital partners. Across Barangaroo we pre-leased approximately 146,000 square metres of commercial space to anchor tenants such as KPMG, PwC and Westpac prior to practical completion.

By understanding our customers' needs we have developed residential solutions for approximately 384,000 residents across our current apartments and communities portfolio and pipeline. In FY16 our strong apartment presales result was evidence of our continued focus on residential customers.

Our international retail assets continue to enjoy high levels of foot traffic, with more 250 million visitors in FY16. Our ability to create attractive retail destinations provides a strong value proposition for our retail tenants and investors in our retail funds.

Moving Toward a Standard International Framework

We have always recognised that customers drive value for our business. For this reason we have maintained a strong international focus on customer engagement which has been managed at the regional and business unit level.

As our business continues to grow we are developing a consistent customer experience framework across all of our operations to allow us to maintain high levels of customer engagement and satisfaction.



1. Internal data capture, not audited.

2. As at 30 June 2016.

3. An estimate of our current and future residents based on our current portfolio and pipeline.

Our People

Lendlease's people are the greatest contributors to our success and underpin our ability to deliver our vision to create the best places.

Pillar Summary

How the Pillar is Delivered	Value Created by the Pillar	How We Measure Value
Lendlease attracts, nurtures and retains the best people by building a culture of collaboration and continuous learning, where successes are recognised and people are rewarded.	Engaged, capable and motivated people are more productive and more committed to the long term success of our business.	<p>Employee engagement score: Demonstrates overall employee satisfaction across our business. Full employee engagement surveys are conducted every two years.</p> <p>Percentage of women in senior executive positions: Demonstrates our ongoing commitment to increasing female representation across our business.</p>



Pillar Overview

Our Approach to People

At Lendlease we believe high performing employees drive business growth. We support our people through ongoing engagement by providing learning and development opportunities for future career progression and by recognising and rewarding exceptional achievements.

Employee Engagement

Every two years, Lendlease conducts an employee engagement survey, with a progress survey conducted by Willis Towers Watson across a sample of employees in alternate years. The results of these surveys inform and guide our action plans for all businesses and regions. In the 2016 progress survey we achieved an 84 per cent sustainable engagement score,¹ broadly in line with global high performing companies.¹

Understanding our Workforce

Lendlease reviews its workforce as part of the strategic business planning and review process. Capability investment decisions and workforce projections are embedded into the planning process to provide a continuous view of our talent requirements internationally. This year, we introduced two new programs: the Distinguished Executives Program to recognise and reward significant contribution to our business, and the Project Director Program to further build our Project Director capabilities.

We recognise that the availability of professional development opportunities significantly enhances employee engagement and retention, and provides appropriate talent pools for management and executive management succession planning.

We have progressed a number of initiatives to grow our pipeline of successors into key roles and have increased the number of females in our succession pool.

Reward & Recognition

We benchmark our remuneration to provide competitive total performance rewards. We also recognise our people who demonstrate our values and principles in exceptional ways, through our annual Employee Excellence Awards and our internal recognition programs.

Diversity & Inclusion

Diversity and inclusion is at its best when people encourage difference, but work together. We embrace this by sourcing talent from diverse backgrounds, skills and experiences which creates diversity of thought and innovative solutions for our customers. Our Diversity & Inclusion strategy focuses on: flexible work, inclusive leadership and gender equity.

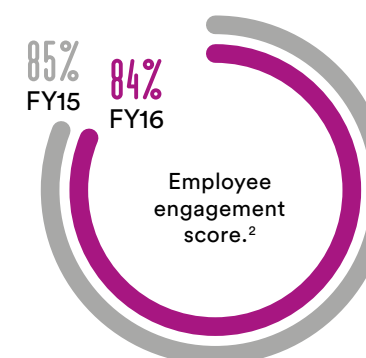
We encourage flexible working at Lendlease. It's a key enabler for diverse talent and provides an attractive and inclusive place to work. As part of our commitment to inclusive leadership, all senior leaders have undertaken training on the impact of conscious and unconscious bias.

In relation to gender equity, Lendlease is committed to a level playing field, giving men and women the same chance to succeed. It means we address any potential imbalances in benefits available to men and women. For the year ended 30 June 2016:

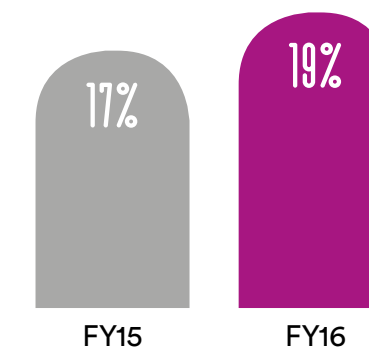
- Two out of our nine Non-Executive Directors are female;
- At a senior management level, three direct reports out of nine in total report to the Group CEO and Managing Director are female; and
- 31 per cent of our employees are women, up from 29 per cent the preceding year.

For the fifth year running, we have been recognised as a top employer in the Australian Workplace Equality Index for Lesbian, Gay, Bi-sexual, Transgender and Intersex (LGBTI) inclusion, the only property and construction organisation in the top 20.

Key Performance Highlights



Senior Executive positions held by women.³



1. Global high performing companies as defined by Willis Towers Watson.

2. In 2016 a employee engagement progress survey was completed. Full surveys are conducted every two years.

3. Employees who hold a position at Executive level according to the Lendlease Career Job Framework. This generally includes Regional Business Unit Heads, Regional Function Heads and in some cases, direct reports to Global Function Heads.

Reconciliation Action Plan

Our vision for reconciliation drives all of our employees to acknowledge and celebrate the proud heritage of Australia's First Peoples and promotes opportunities for career development, sustainable business growth and economic participation of Aboriginal and Torres Strait Islander Australians.

Australia is home to the oldest continuing cultures in the world; rich Indigenous cultures that are more than 50,000 years old. This is something to be proud of and to celebrate. At Lendlease, we celebrate this through our commitment to a Reconciliation Action Plan (RAP).

Since 2011, when we first introduced our RAP, we have encouraged all of our employees to acknowledge and celebrate the proud heritage of Australia's First Peoples and to promote opportunities for career development, sustainable business growth and the economic participation of Aboriginal and Torres Strait Islander Australians within our sector.

Soon we will release our second RAP with Reconciliation Australia entitled 'Building Respect: Past, Present, Future', expanding our commitment to Indigenous participation. Our RAP acknowledges that we must learn from our Aboriginal and Torres Strait Islander sisters and brothers and truly value the fundamental place their culture and history have in building an equitable future for all Australians.

Nunukul Yuggera Aboriginal Dance Troupe – photo by Gilimbaa

Our Goals 2016 to 2018

Our new RAP will feature a clear set of goals which will apply to our Australian businesses:

1. All Lendlease employees in Australia will participate in cultural awareness and engagement learning.
2. We will increase the number of Aboriginal and Torres Strait Islander employees in our Australian business.
3. We will increase procurement from, and support the development of, Aboriginal and Torres Strait Islander businesses in Australia.

Progress against the goals will be reported each year in Reconciliation Australia's RAP Impact Measurement Survey and the Business Council of Australia's Indigenous Engagement Survey.



Our National Partnerships

Our national partnerships are critical to the delivery of our RAP goals. As a result of these partnerships, development of the Indigenous business sector is growing strongly and more young Aboriginal and Torres Strait Islander people are finishing Year 12 and going to university than ever before. Through this engagement our employees can feel a sense of pride for what has been achieved.

Our partners include:

- Reconciliation Australia
- Recognise
- AIME
- Yalari
- CareerTrackers
- Supply Nation
- NASCA
- Bangarra

Partnership Highlights

CareerTrackers

We have had 60 CareerTrackers interns working with Lendlease businesses since 2011. In 2014 we signed a 10 year partnership with CareerTrackers, along with 10 other corporate organisations, committing to the development of young Indigenous business leaders in professional roles in corporate Australia. Lendlease businesses will host a minimum of 25 interns each year.

Galuwa

We have supported and funded the Galuwa program at University of Technology Sydney since 2013, providing the opportunity for 78 Aboriginal and Torres Strait Islander students to visit live construction and urban regeneration projects in Sydney and to learn about a career in civil engineering as well as about university life during their winter break.

AIME

AIME is a dynamic educational program that is proven to support Indigenous students from high school through to further education and employment at the same rate as non-Indigenous students. Lendlease first partnered with AIME in 2011 and has renewed its commitment as a national partner in AIME's goal to reach 10,000 students enrolled by 2018.

Since 2012 over 60 of our employees have joined AIME mentors and mentees to work with Year 11 and 12 students on their career goals, job skills and exposure to different thinking through 'Windows to the Future' sessions.

Yalari

Since 2012 Lendlease has supported Yalari, an organisation providing quality, secondary education scholarships for Aboriginal and Torres Strait Islander children from 185 regional, rural and remote communities at leading Australian schools. Through these scholarships Yalari has supported 137 students to graduate from Year 12.

Sustainability

Sustainability is about creating places for people and meeting their needs for the future. Globally, governments and communities are seeking trusted partners who can enhance urban areas with efficient, healthy and resilient outcomes.

Pillar Summary

How the Pillar is Delivered	Value Created by the Pillar	How We Measure Value
Environmental, social and economic outcomes are delivered through our portfolio of international urban development, construction and investment activities and projects.	Recognised leadership in sustainability enhances our brand and is a competitive differentiator. Being sustainable means we win work and we attract capital from investors with Environmental, Social and Governance (ESG) mandates.	Total development pipeline targeting green certification: Demonstrates our commitment to green building across our total development pipeline. ¹

West Grove, London Artist impression as at 2016 (image subject to change and further design development and planning approval)



Our 2020 targets (against FY14 baseline)



ENERGY

Be powered by clean energy
A 20 per cent reduction in the emissions intensity of our operations.
A 20 per cent reduction in the energy intensity of our operations.



WASTE

Eliminate waste
A 20 per cent reduction in waste to landfill.



WATER

Create more useable water than we consume
A 20 per cent reduction in potable water intensity of our operations.

Our Sustainability Framework

In 2014 Lendlease developed a Sustainability Framework of twelve material elements to focus our efforts and measure our performance against. To provide additional near term focus, we have established 2020 targets for energy, water and waste. Further information is available at: www.lendlease.com/company/sustainability.

Pillar Overview

Our Approach to Sustainability

Sustainability puts people at the heart of our vision to create the best places. We have a long and proud history of giving equal emphasis to environmental, social and economic outcomes to deliver places that respond to the complex global forces shaping our future, including rapid urbanisation, climate change, inequality and resource stress.

We are Creating Places Valued by Our Customers and Investors

In a world of rapid urbanisation, where the built environment contributes approximately 30 per cent of the world's greenhouse gas emissions and consumes around one third of the world's natural resources, sustainable urban regeneration is the benchmark for the future of development. At Lendlease, we recognise that the benefits of sustainable development must extend beyond a reduction in the environmental footprint to deliver places that:

- Are more operationally efficient, resulting in lower operating costs through more efficient energy and water consumption and better strategies for dealing with waste;
- Focus on human health and wellness through aspects such as better air quality and connection with nature in order to enhance productivity; and
- Are designed and built to be more resilient to maintain value over the longer term.

These outcomes provide brand and reputational benefits for our customers, investors and for Lendlease.

Through our leadership in green certified product we produce more efficient assets and healthier places; places that are increasingly more valued.² These places are also in more demand from capital partners with mandates for Environmental, Social and Governance (ESG) investment as well as businesses seeking to provide healthier, more productive environments for their people.

In March 2016 approximately 68 per cent of the equity invested in our Investments business internationally was from investors with public commitments to ESG and responsible investment practices.

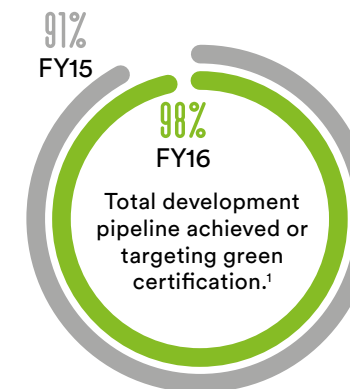
We are Engaging with Suppliers on Responsible Sourcing

We understand that our environmental, social and governance goals and targets extend beyond our direct business operations to our supply chain. We work with suppliers on initiatives such as reducing the embodied carbon associated with concrete and transport and waste reduction, as well as initiatives relating to labour practices and health and safety.

As a signatory to the United Nations Global Compact, we are committed to continuous improvement in human rights, the environment, anti-corruption and responsible labour practices.

Key Performance Highlights

Development Pipeline End Value



In FY16 six of our funds³ were ranked first in their categories in the Global Real Estate Sustainability Benchmark. This included the Australian Prime Property Fund Commercial, which ranked first overall out of 707 participants.

Listed on the RobecoSAM Dow Jones Sustainability Index (World) for the 14th year.
A global investment classification for the top 10 per cent of sustainable companies in the Real Estate sector.

1. Value stated in FY15 Securityholder Review of 100 per cent included major urban development projects only.

2. MSCI IPD Australian Property Investment Digest, quarter ending March 2016.

3. 1st APPF (Australian Prime Property Fund) Commercial – All global participants. 1st Lend Lease International Towers Sydney Trust – Global Development. 1st APPF (Australian Prime Property Fund) Retail – Oceania Retail. 1st APPF (Australian Prime Property Fund) Industrial – Oceania Industrial. 1st Asian Retail Investment Fund 1 – Asian Retail. 1st Lendlease Retail LP – UK Retail.

Community Engagement

For



Community Day



Springboard



Vivid Festival – Starlight Foundation

Lendlease Foundation

At Lendlease, community engagement is central to informing what is valued by the people in the places we create. It allows us to identify core needs for progressive community partnerships.

We are passionate about working with the communities we are part of from the earliest possible opportunity, recognising our accountability for what we create and leave behind. We do this through Lendlease Foundation which was set up in 1983 to contribute to the wellbeing of employees and their families and to assist their involvement in charitable and community affairs.

Two of Lendlease Foundation's flagship programs are Community Day and Springboard.

Community Day

Lendlease Community Day, held internationally each year, is an opportunity for our employees to work alongside their colleagues, community partners, family and suppliers on a project identified as important to the community. In 2015 approximately 7,500 employees participated in our 20th annual Community Day.

As a group we're proud of the great work we have undertaken. We have helped support people struggling with homelessness, aided disaster recovery efforts, renovated buildings for those in need, restored important green spaces and assisted children with special needs.

Springboard

Each year over 300 employees from around the world have the chance to participate in this five day personal development program that supports them to reach their full potential. Currently held in Tasmania, Australia, the program provides our people with focused activities and participation with local community groups.

Each year participants provide feedback post their experience which informs the program design for future years.

In FY16, 92 per cent¹ of delegates felt proud of the Springboard legacy and its long term benefit to the community and 84 per cent¹ believe they will be able to apply what they learned at Springboard in their professional life.

Starlight Foundation – Australia

We have a relationship spanning more than 15 years with the Starlight Foundation in Australia. In FY16 Lendlease supported its fundraising efforts to help sick children through the construction of an attraction during the 2016 Vivid Festival, Sydney.

The idea was to create a spectacular Light Rocket standing 15 metres which was to be displayed during the Vivid Festival. Over 20 of our suppliers joined us. Lendlease provided project management, co-ordination of the design, prefabrication and facilitated pro bono supplier assistance through the Lendlease supply chain.

Habitat for Humanity – Americas

In our Americas business we support Habitat for Humanity through a number of programs such as 'Pink Squad – Women Moving the World', a program that supports women in vulnerable situations to build their own adequate housing and help them realise their full potential. We also participate in their annual Building Freedom Day, a day honouring the victims and heroes of September 11.

Minami Sanriku – Asia

Lendlease Foundation in Japan has been supporting the community of Minami Sanriku, one of the most devastated towns struck by the Great Eastern Japan Earthquake and Tsunami of March 11, 2011.

Immediately after the quake and tsunami, our team in Japan was one of the first responders to the disaster site utilising its Sendai office as a base for the Australian, New Zealand and Canadian governments' emergency and consular aid program. The Lendlease team worked with the government officials to facilitate the rescue and evacuation of Australian, New Zealand and Canadian nationals from the disaster area. The Lendlease team was also responsible for restoring the mobile phone network along the entire coast, a task it completed in six weeks together with the operator, Softbank.

Today our team continues to support the rebuilding of the region through regular volunteer trips to Minami Sanriku every two to three months. The Lendlease Foundation led program includes interaction activities with local elderly. The team also participates in various volunteering programs, most recently the sustainable regeneration programs of local fishing and forestry industries – the town's two major sources of income – that are currently suffering from lack of manpower.

Be Onsite – Europe

Be Onsite works with Lendlease to ensure that regeneration does not simply change physical structures but delivers on the opportunity to transform lives. The award winning not for profit organisation identifies jobs, provides tailored support, industry led training and then, directly employs local people in our supply chain. Over the eight years of their operation, Be Onsite has employed 511 people, an average of one person per week. They come from the hardest to reach groups, including third generation unemployed people. Ex offenders and offenders currently serving sentences make up 25 per cent of the participants. The re offending rate of these participants is 4.5 per cent, compared to a 25.7 per cent overall proven re offending rate across England and Wales.²

Since Be Onsite started work in 2008 it has employed a number of people including approximately 76 offenders and ex offenders, 52 people over 50, 9 people with disabilities and 86 people over 25 who have been unemployed for over six months.³

Working in partnership with Lendlease, contractors, local authorities, referral partners and local residents has helped Be Onsite to deliver marked transformation in the boroughs in which it operates.



Habitat for Humanity



Minami Sanriku



Be Onsite

1. Springboard Delegate Survey Report FY16 – 8 Programs, Impact International.
2. Overall re offending rate for the period October 2013 to September 2014 across England and Wales, UK Ministry of Justice.
3. Data provided by Be Onsite for the period February 2008 to 8 August 2016.

Risk

04

Risk Governance and Management

Effective risk management anticipates and evaluates uncertainties that could impact Lendlease's business today and tomorrow. By recognising and managing risk, we are able to make the most out of opportunities to create securityholder value and deliver on our commitments to our customers, our people, the environment and the community.

Risk Governance

Lendlease is committed to excellence in corporate governance to help deliver sustainable value to all stakeholders. Sound risk management helps the business to anticipate and respond to uncertainty, addressing risks and capitalising on opportunities in order to achieve results. To achieve our strategic direction to be the leading international property and infrastructure group, it is crucial that we equip our people with the capabilities and leadership skills to manage risk.

Accountability for risk governance and management is held at various levels across the business including the Board, Group Chief Executive Officer and Managing Director, Global Leadership Team, and Regional Chief Executive Officers (CEOs).

Our Approach to Risk Management

Lendlease recognises that risk taking is a necessary activity to deliver securityholder returns and risk management is the process and capability to anticipate, understand and manage uncertainty effectively.

A strong risk management framework supports our business to achieve excellence in corporate governance and to foster a culture that encourages transparency and robust dialogue.

Our approach to risk management applies the principles of good governance to the identification, assessment, management, and communication of risk. Our approach is to:

1. **Identify and evaluate:** The way we think about risk in the context of business decisions and designing risk response plans to manage, mitigate, transfer, or insure identified risks.
2. **Take action, review, communicate:** The way we design risk management processes to efficiently and effectively execute risk response plans.
3. **Plan and act:** The way we integrate sustainable solutions throughout the organisation to prevent, balance, or limit risk.

Our risk management approach is supported by:




















Structure	
Board Risk Management & Audit Committee	Reviews the effectiveness of the Group's Enterprise Risk Management system and seeks assurances that material risks are identified and appropriate risk management processes are in place.
Group Risk Function	Liaises with regional CEOs and risk specialists on both business-specific and enterprise-wide risks in order to assist the Group's businesses to further develop their risk management processes.
Internal Audit	Formal processes provide supplementary assurance to operational businesses.
Policy and Procedure	
Board Approval Process	The Board has matters which are reserved for their determination under the Risk Appetite of Lendlease, and further, under the Limits of Authority. The Board Approval Process is set up so decisions and commitments of a pre-determined magnitude require express Board approval, thereby supporting sound governance and continued alignment with strategy.
Investment Committees	Investment Committees are in place at Regional and Group levels in order to assess and approve the feasibility of potential projects.
Limits of Authority	Limits of Authority are in place to outline matters that are specifically reserved for determination by the Board and those matters that are delegated to Board Committees, Global Leadership Team or other management.
Risk Tools	
Risk Management Platform	Lendlease uses a proprietary risk management platform throughout all our regions to allow consistent risk identification and assessment.












Epping to Thornleigh Third Track Alliance, Sydney

Key Risks and Mitigation

Our risk approach is supported by our in-house research team, which provides an assessment strategy we consider the risk environment and aim to achieve the right mix of business and

External Environment	Explanation	Mitigation	Pillar
Macro Conditions	There are changes in the broader economic environment. The Australian economy is transitioning from a mining boom while the United Kingdom is likely to see a period of adjustment post the referendum to exit the European Union. The outlook for the Americas is positive and there are some supply induced challenges in Asia in the near term. Infrastructure spending is helping to drive growth in many markets.	We have a strong pipeline of long dated integrated projects and a solid base of recurring earnings through our global Investments platform. We are focused on further diversifying the business through targeted growth opportunities in gateway cities where we can achieve our target returns and are able to implement our GMRs.	  
Capital Markets	Market volatility and quantitative easing has seen record low long term interest rates in many markets. In contrast, short term rates may rise in the US.	We manage our capital prudently across debt, equity and third party capital partners and remain focused on maintaining our credit rating.	 
Political Environment	In each of our operating regions we work with governments as a major customer and stakeholder and as such, our business is susceptible to changes in the political environment.	We have dedicated resources for government relations proactively liaising with all sides of politics to gain support for long term property and infrastructure projects.	  
Competitive Dynamics	The extent to which we are facing competition in our existing markets and sectors, and the threat of new competition.	We are one of a few companies globally which is offering an end-to-end property and infrastructure solution with a strong urban regeneration delivery capability. We have a strong reputation for delivering our projects safely and we are a trusted partner. Our strong track record and access to capital along with our extensive integrated capabilities are also difficult to replicate.	 
Climate Change and Resilience	The world is experiencing the impacts of climate change. These impacts are likely to increase in the future and pose an increased risk to the safety of communities as well as the potential to damage real estate and infrastructure.	We are committed to reducing our contribution to human induced climate change. We continually assess the impact of climate change on our operations and create mitigation plans for our communities and business generally. Our capability in this space is a source of competitive advantage for our business.	  
Materials and Supply Chain	We understand that our environmental, social and governance goals and targets extend beyond our direct business operations to our supply chain. We work with suppliers to maintain continuous improvement and compliance with environmental, social and ethical considerations.	The environmental performance of any supplier and the sustainability of products and services is considered in the Group's selection process.	   
Technology	The emergence of digital business will disrupt current ways of working and offer opportunities for Lendlease to innovate.	Innovation and disruption is a core element of our Focus & Grow strategy. Growth in this area encourages our people to adopt leading edge technologies to deliver innovative solutions for our customers and also provides avenues to new revenue streams in our target growth areas.	 

of the macro trends impacting our business over the short to medium term. Through our investment diversification, regionally and by sector, in order to mitigate risk.

Internal Environment	Explanation	Mitigation	Pillar
Delivery of Earnings	Our ability to continue to deliver earnings across Development, Construction and Investments.	Across our residential pre sales we maintain a focus on buyer type and geography of buyer to mitigate settlement risk and we forward fund our non-residential developments. Our disciplined approach to safety through our Global Minimum Requirements helps to enhance productivity on site whilst approximately 37 per cent of our operating EBITDA is recurring in nature.	  
Maintaining Strong Relationships	Customer and stakeholder engagement is critical to delivering resilient products efficiently and on-cost.	We are building a consistent international framework for consistent customer relationship management to enhance our strong engagement with customers.	 
Training, Skills, and Employment	The skills and capabilities of our people influence our ability to deliver complex projects as well as to deliver the Group's strategy.	We continue to invest in the learning and development of our people.	 
Eliminating Incidents and Injuries	The safety of our people is paramount. As we undertake larger, more complex projects we must continue to evolve our approach to health and safety.	We empower our people to use informed judgement to manage their health and safety risks and have introduced a health and wellbeing framework to place more emphasis on the risks associated with mental health issues.	 



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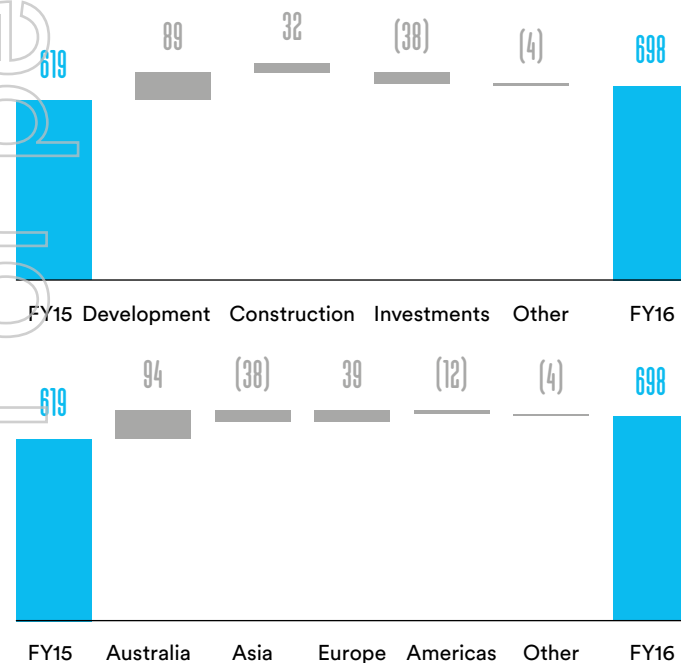
Performance & Outlook

lendlease

Group Highlights

Financial		FY15	FY16	Percentage Movement
Key Metrics				
Revenue ¹	\$m	13,298.6	15,105.3	14%
EBITDA	\$m	967.0	1,054.9	9%
Profit after Tax (PAT)	\$m	618.6	698.2	13%
Operating cash flow	\$m	(166.6)	853.0	large
Net assets	\$m	5,168.2	5,614.7	9%
Net debt	\$m	1,758.5	1,052.4	(40%)
Key Ratios				
Effective tax rate ²	%	19.4	19.1	(2%)
Gearing	%	10.5	6.5	(38%)
Key Returns				
Return on Equity	%	12.4	13.0	5%
Earnings per Security	cents	106.8	120.1	12%
Payout ratio	%	50.6	50.0	(1%)
Distribution per Security	cents	54.0	60.0	11%
Weighted avg Securities	no.	579.4	581.4	-

Profit after Tax Movements (\$m)



- Includes finance revenue.
- Lendlease's approach to tax and its policies are contained on the website: <http://www.lendlease.com/investor-centre/taxation/tax-disclosure>. Details on tax balances are included within the Financial Statements.

Performance Update

Lendlease delivered a strong result for the FY16 year, with Profit after Tax of \$698.2 million, up 13 per cent on the prior year, and EBITDA of \$1,054.9 million, up 9 per cent on the prior year.

Earnings growth was driven by improved performance across the Development and Construction segments, offset by a reduced contribution from the Investments segment. The recurring income streams through the Investments segment continued to make a significant contribution, representing 37 per cent of operating business EBITDA.

The Group's Return on Equity was 13.0 per cent for the year, within its 11 to 15 per cent target range. Earnings per Security was 120.1 cents per security, up 12 per cent on the prior year, and the Group's distribution is 60 cents per security, consistent with its target 40 to 60 per cent payout ratio.

Operating cash flow increased substantially during the year to an inflow of \$853.0 million. The improvement in the operating cash flow position was supported by achieving settlement on the first wave of apartment project completions and also proceeds received on Tower Two and Tower Three at Barangaroo South in Sydney following completion. The Group also completed another PLLACes transaction in its Australian Apartment business which contributed to operating cash flow. Other key areas of cash generation during the year, captured in the investing cash flow, included the Group's divestment of a 25 per cent interest in Lend Lease One International Towers Sydney Trust and the sell down of the Group's equity position in a number of public private partnerships (PPP) projects in Australia.

The Group finished the year with a strong balance sheet position, including cash and cash equivalents of \$1,008.4 million and net debt of \$1,052.4 million. The Group reduced its gearing position to 6.5 per cent during the year and closed with available liquidity of \$3,181.0 million.

Outlook

Lendlease continued to achieve strong growth across all segments of its operating platform in the FY16 year.

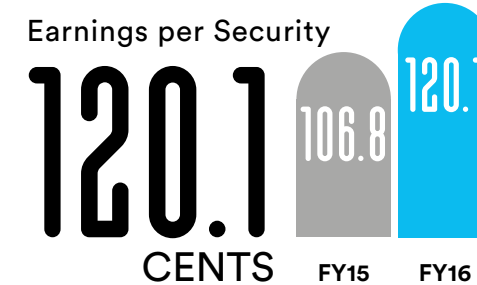
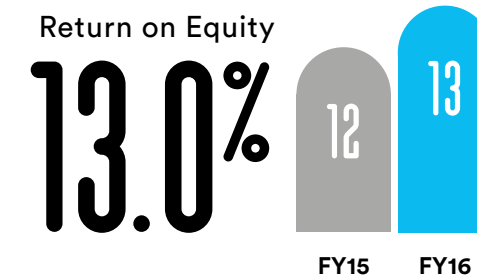
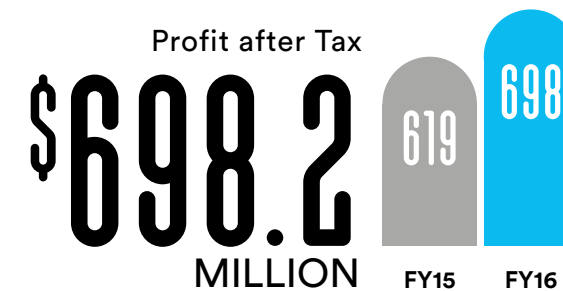
The remaining end development pipeline grew to \$48.8 billion, up 9 per cent on the prior year. This included \$37.3 billion of urbanisation projects. The Development segment also continued to grow its residential presales book during the year, closing the year at \$5.9 billion, up 13 per cent on the prior year.

The Group's construction backlog revenue grew to \$20.7 billion, up 20 per cent on the prior year. This included \$14.6 billion of new work secured. Within Australia, engineering backlog revenue increased by \$1.5 billion to \$3.9 billion, including a number of large projects in the transport sector. Lendlease is also the preferred bidder on approximately \$7 billion of work globally.

Funds under management (FUM) grew to \$23.6 billion, up 11 per cent on the prior year. New equity raised during the year was \$1.3 billion. Lendlease's strong network of capital partners delivers additional capacity for the Group to develop its pipeline of opportunities and provides a solid base of recurring income and fees.

Lendlease is well positioned to deliver on its development pipeline and construction backlog, while continuing to grow its funds under management. The established operating platform, including a record development pipeline and presales position, provides strong earnings visibility. The Group's strong balance sheet position and access to third party capital provides flexibility to explore future growth opportunities.

Group Highlights



Development pipeline
Up 9% year on year



Construction backlog revenue
Up 20% year on year

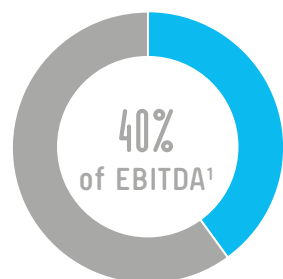


Funds under management
Up 11% year on year



Development Performance

Segment Snapshot



Performance

The Development segment delivered Profit after Tax of \$366.4 million, up 32 per cent on the prior year. EBITDA for the year was \$500.2 million, up 30 per cent on the prior year. This result was driven by improved performance in Australia and the UK, with a strong residential settlement result, the completion of a number of commercial building transactions and the sale of equity positions within the PPP portfolio.

Settlements in FY16 included the first phase of completions from the Group's substantial investment in the apartment production pipeline, with settlement of 1,203 apartments across Australia and the UK. Total settlements continue the momentum over recent years, rising to 4,790 units, up 7 per cent on the prior year.

During the year the Group forward sold three major commercial buildings. In the UK, the first two commercial office buildings at International Quarter London were forward sold and in Australia, the commercial office building at Darling Square in Sydney was also forward sold.

In June 2016 the Group established a new managed investment vehicle seeded by the sale of its equity positions in a number of Australian PPP projects that are nearing completion.

Outlook

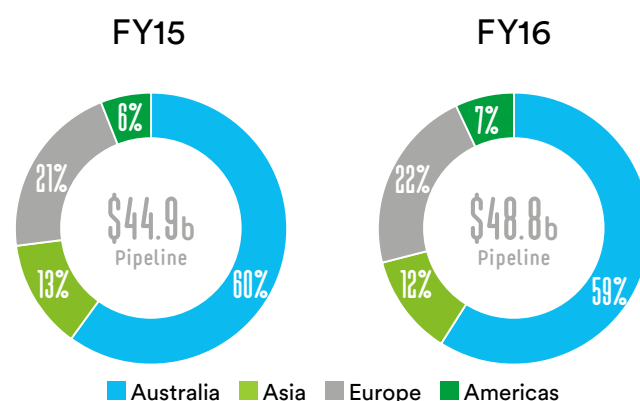
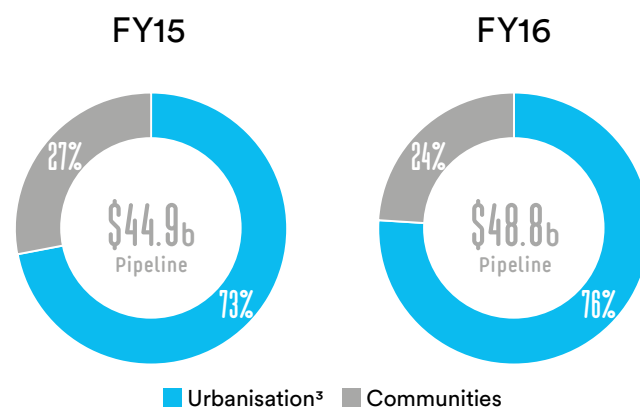
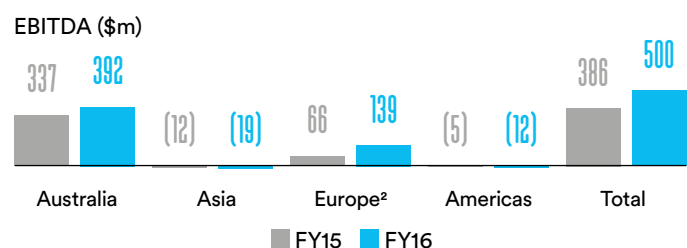
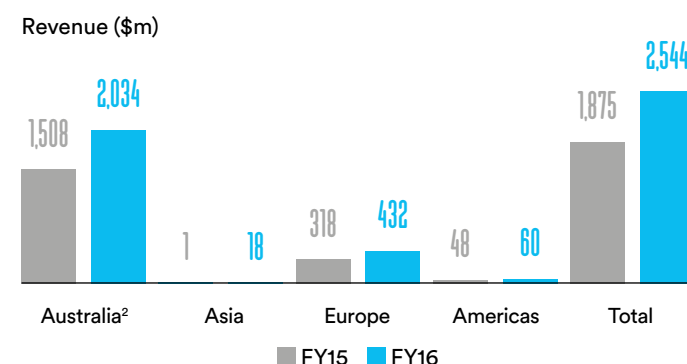
The growth outlook for Development remains positive. The remaining end development pipeline grew to \$48.8 billion, up 9 per cent on the prior year with 10 major commercial buildings and 21 major apartment buildings in delivery across \$37.3 billion of urbanisation projects. Over 50 per cent of the urbanisation pipeline is located in markets outside Australia.

Total residential presold revenue increased to \$5.9 billion, driven by new apartment releases during the year including the final phase at Darling Square in Sydney and West Grove at Elephant & Castle in London. The majority of presold residential revenue will be recognised between FY17 and FY19 as underlying projects in conversion and delivery are completed.

During the year the Paya Lebar Quarter project in Singapore commenced production. The project comprises 137,000 sqm of commercial and retail space.

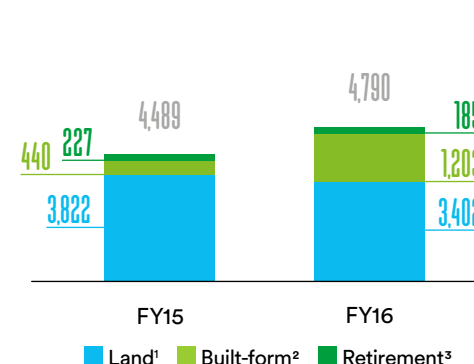
Despite some emerging market challenges, Lendlease is well placed to deliver on its development pipeline. The record pipeline and presales position provides solid earnings visibility and diversification across the platform by both geography and sector which supports the management of market risk across the portfolio.

1. Represents the proportion of EBITDA from Operating Businesses.
2. Values have been rounded down to the nearest million.
3. The Group's total secured Development pipeline excluding Communities.

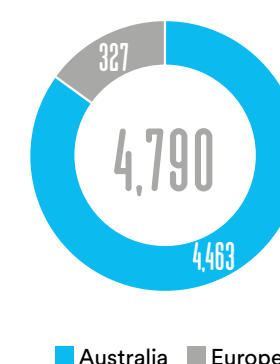


Development Drivers

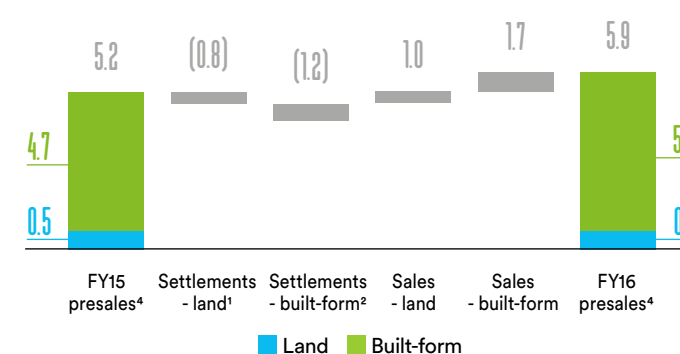
Settlement Profile (Units)



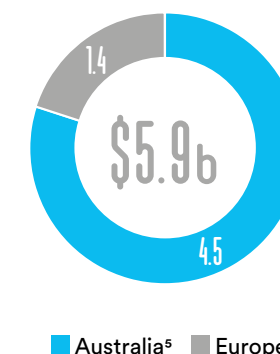
FY16 Regional Settlements (Units)



Movement in Residential Presales (\$b)



FY16 Regional Residential Presales⁴ (\$b)



Commercial Building Completion Profile

Project	Capital Model	sqm ('000)	Building	FY16	FY17	FY18	FY19
International Quarter London ⁶	Fund through	73	Stage 1 Commercial (2 buildings)				
Paya Lebar Quarter	Joint venture	93	Commercial (3 buildings)				
Darling Square ⁶	Fund through	44	Retail				
		26	Commercial				
Brisbane Showgrounds	Sold	37	Hotel				
Barangaroo South	Fund through	17	Kings Gate building				
		200	Tower One				
			Tower Three				
			International House Sydney				

- Indicates buildings completed during the year.
- Indicates expected building completion date.

1. Land represents communities lots settled during the year.
2. Built-form represents apartment units settled during the year.
3. Retirement settlements exclude resales.
4. Includes 100 per cent of joint venture projects and therefore will not necessarily correlate with the Group's Profit after Tax.
5. Values have been rounded down to the nearest tenth of a billion.
6. Commercial buildings were presold during the year.

Apartment Settlement Profile

Project	Building	Units	Presold (%)	Presales ¹ (\$m)	Delivery ²			
					FY16	FY17	FY18	FY19
Barangaroo South	<i>Anadara and Alexander – Completed in FY16</i>	159	-	-	●			
Darling Square	Wirth House, St Leon and Darling One	539	100%	~585	●	●	●	
	Darling North, Harbour Place and Trinity House	577	100%	~810	●	●	●	
	Darling Rise, Barker House and Arena	391	100%	~490	●	●	●	
Victoria Harbour	<i>Concavo – Completed in FY16</i>	238	-	-	●			
	888 Collins	578	99%	~280 ³	●	●		
	889 Collins	536	98%	~360	●	●		
	883 Collins	528	96%	~350	●	●	●	
	Collins Wharf 1	321	77%	~225	●	●	●	●
Brisbane Showgrounds	<i>The Green – Completed in FY16</i>	356	-	-	●			
	North Yard and South Yard	401	98%	~210	●	●		
Toorak Park	Park, East, North and Terrace Homes	468	87%	~385	●	●	●	
Wandsworth	<i>Cobalt Place – Completed in FY16</i>	103	-	-	●			
Elephant & Castle	<i>One The Elephant – Completed in FY16</i>	284	-	-	●			
	<i>Trafalgar Place – Completed in FY16</i>	235	-	-	●			
	South Gardens	360	86%	~270	●	●	●	
	West Grove (Buildings 1 and 2)	593	69%	~435	●	●	●	●
International Quarter London	Glasshouse Gardens (Buildings 1 and 2)	333	100%	~310	●	●	●	

● = Indicates profit earned on buildings completed during the financial year.

● = Indicates profit expected to be earned in financial year.

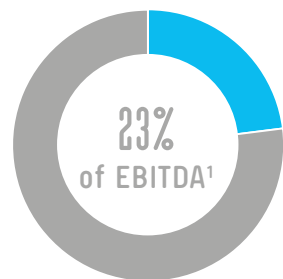
1. Closing presales balance as at 30 June 2016.

2. Based on expected completion date of underlying buildings, subject to change in delivery program.

3. Stage one: 133 units completed in FY16.

Construction Performance

Segment Snapshot



Performance

The Construction segment delivered a Profit after Tax of \$190.9 million, up 20 per cent on the prior year. EBITDA for the year was \$288.1 million, up 3 per cent on the prior year.

The global EBITDA margin was lower compared to the prior year, with improvements in the Australian margin offset by a reduction in Americas due to a change in the mix of earnings from higher margin military housing work to traditional residential and commercial construction work.

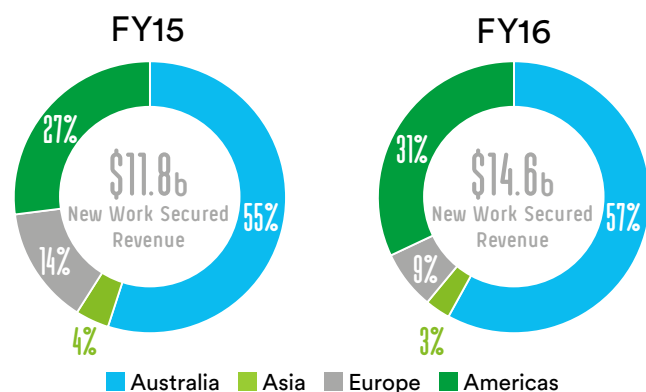
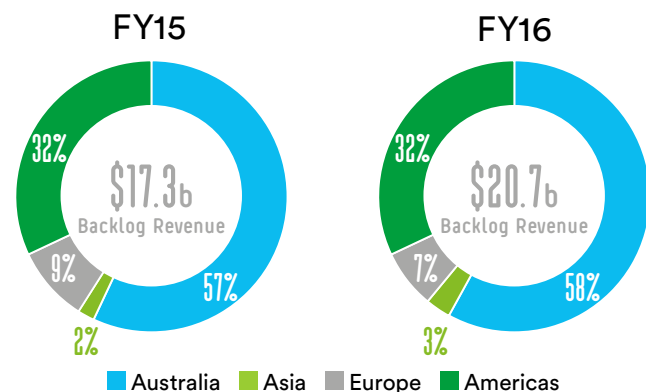
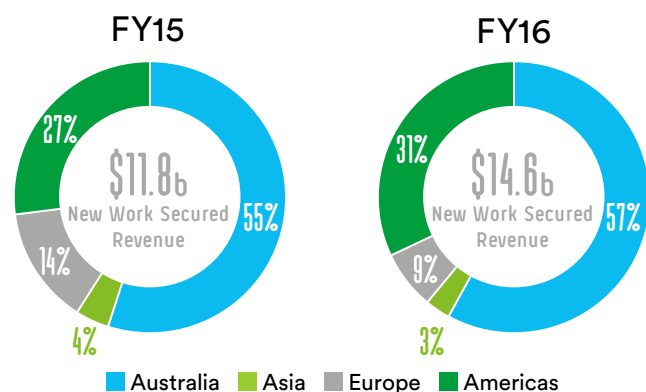
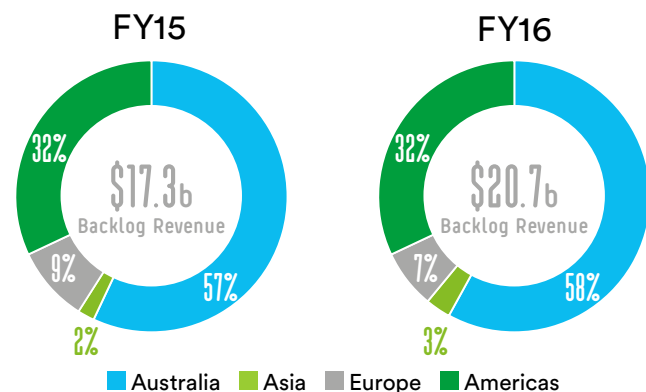
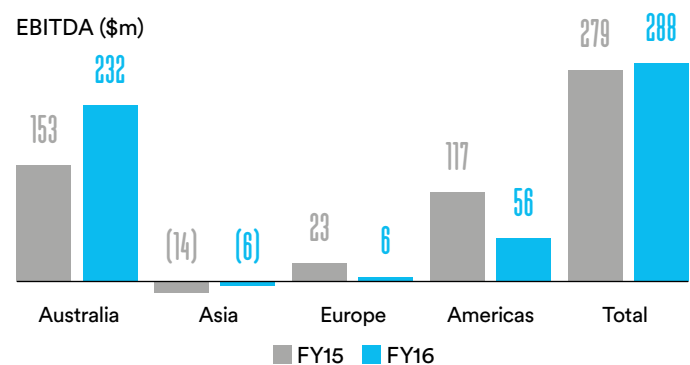
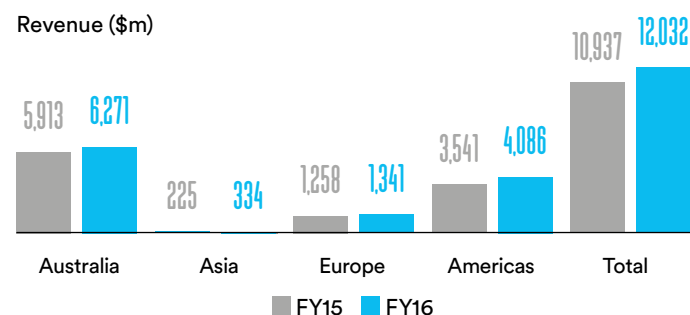
The performance of the Asia and Europe Construction businesses was impacted by challenging market conditions in each case over recent years. In each region the internal development pipeline will provide support to the business outlook, with the delivery of major urban regeneration projects commencing during the year.

Outlook

Backlog revenue increased to \$20.7 billion, up 20 per cent on the prior year. This comprised \$15.1 billion of building work, \$3.9 billion of engineering work and \$1.7 billion of services work. In addition, the Group is preferred bidder on approximately \$7 billion of work globally which it expects to convert over the next 12 months.

The Group recorded new work secured of \$14.6 billion up 24 per cent for the year. This included a number of new projects secured by the Engineering business in Australia in the transport sector, where backlog revenue increased by \$1.5 billion to \$3.9 billion. New Engineering wins included the Gateway Upgrade North Project and Kingsford Smith Highway upgrade in Queensland, Caulfield to Dandenong and CityLink Tulla Widening in Victoria and Northern Connector in South Australia.

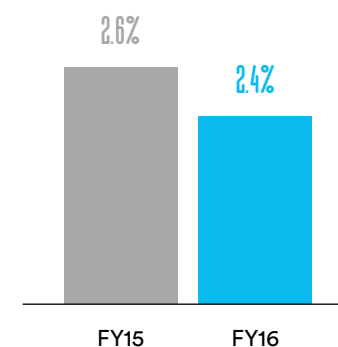
Lendlease is well positioned to deliver on its strong backlog position in the Construction segment. While market conditions across the Group's traditional building business remain mixed, the Group's global internal development pipeline and a strong emerging Australian infrastructure pipeline provide a solid backdrop. The existing backlog position underpins earnings visibility over the next three years with strong diversification across clients and sectors.



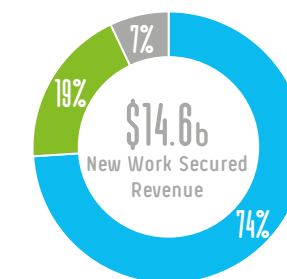
1. Represents the proportion of EBITDA from Operating Businesses.

Construction Drivers

EBITDA Margin (%)

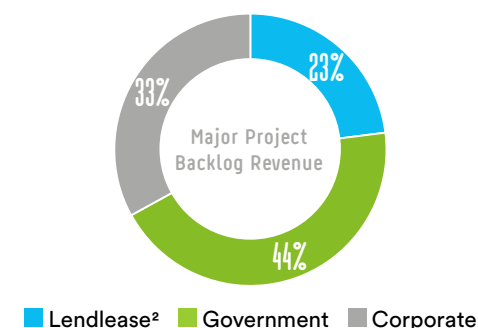


FY16 New Work Secured by Product (\$b)

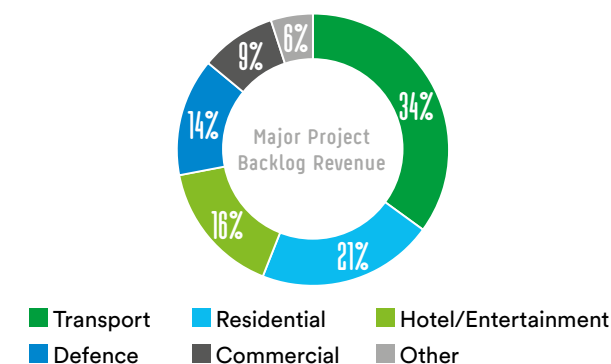


■ Building ■ Engineering ■ Services

Major Projects by Client¹

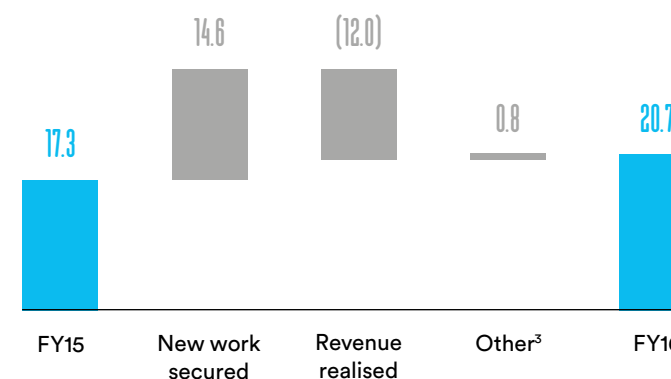


Major Projects by Sector¹

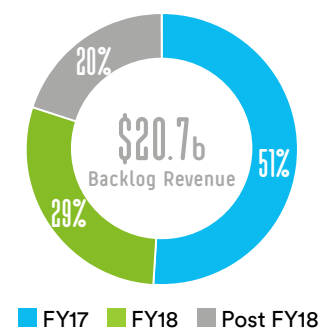


■ Transport ■ Residential ■ Hotel/Entertainment
■ Defence ■ Commercial ■ Other

Backlog Revenue Roll-forward (\$b)



FY16 Backlog Realisation

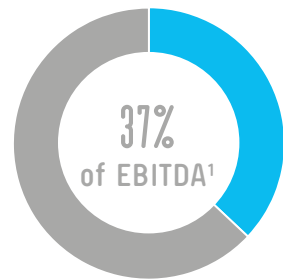


■ FY17 ■ FY18 ■ Post FY18

1. Includes all major Construction projects disclosed in the Portfolio Report as at 30 June 2016, which represents 51 per cent (\$10.6 billion) of secured backlog.
2. Includes PPP projects secured by the Group's infrastructure advisory business.
3. Relates to foreign exchange movement on opening balance.

Investments Performance

Segment Snapshot



Performance

The Investments segment delivered Profit after Tax of \$370.7 million, down 9 per cent on the prior year. EBITDA for the year was \$457.7 million, down 4 per cent on the prior year. The recurring income streams through the Investments segment continued to make a significant contribution to the overall Group result, representing 37 per cent of operating business EBITDA.

In Australia, the Group divested a 25 per cent interest in Lend Lease One International Towers Sydney Trust to a large Asian based investor. In the Retirement Living business, the Group divested five villages in New Zealand during the year, with cash settlement occurring post balance date.

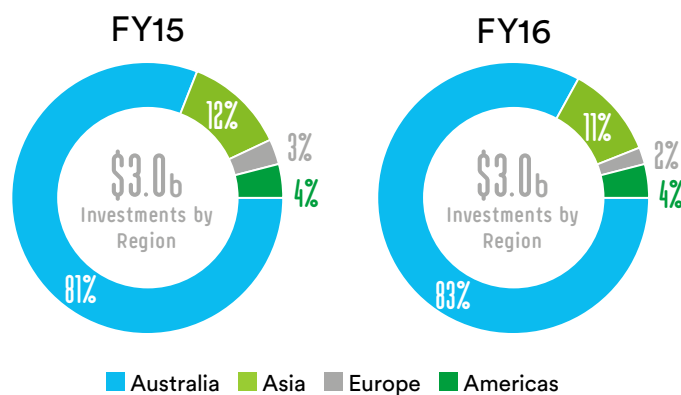
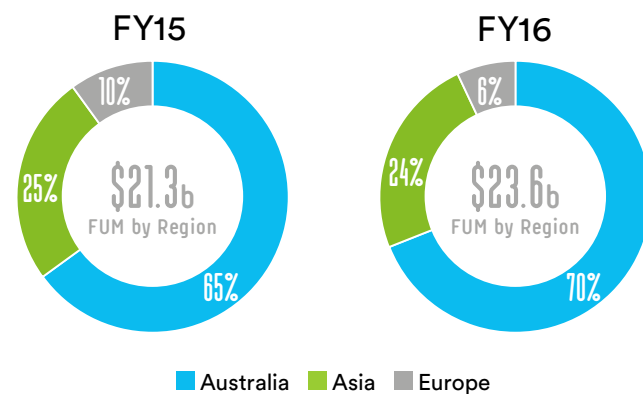
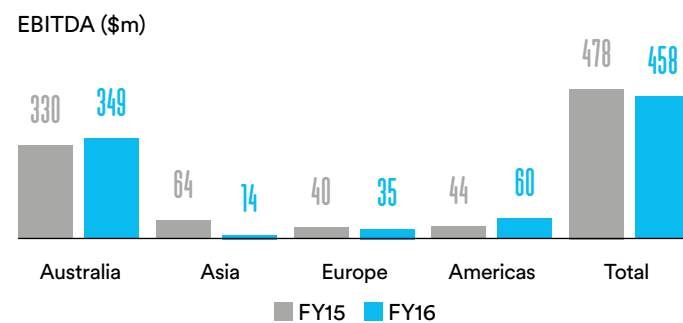
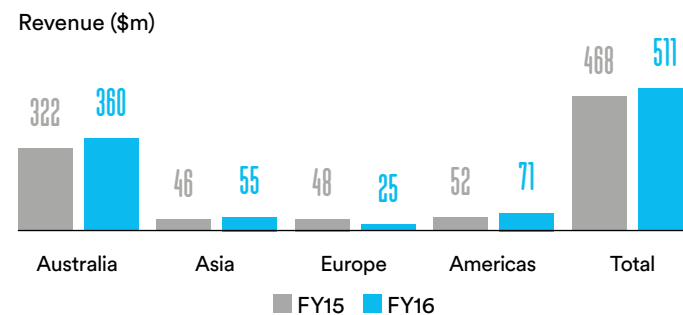
The Asia Investments segment was impacted by a reduction in the value of the Group's 25 per cent direct investment in 313@somerset in Singapore, following softer trading conditions on Orchard Road. In Europe, the Group divested its interest in the Lendlease PFI/PPP Infrastructure Fund LP.

New equity of \$1.3 billion was raised during the year. This included a major equity raising completed by APPF Commercial, the establishment of a new managed investment mandate with First State Super and APPF Commercial to fund the purchase of a commercial office building at Darling Square in Sydney, and the establishment of a new managed investment vehicle seeded by the sale of a number of the Group's PPP interests in Australia.

Outlook

Funds under management grew to \$23.6 billion, up 11 per cent on the prior year, with approximately \$3 billion of additional secured FUM across urbanisation projects in delivery. Investments managed on behalf of the Group were steady at \$3.0 billion, including the Group's Co-Investments in funds, Retirement Living business and US Military Housing operations.

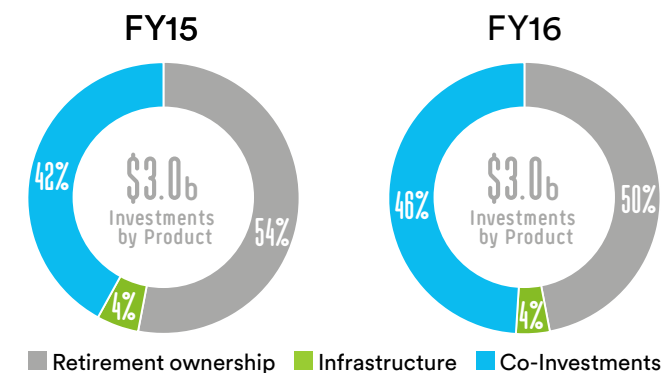
The existing investments platform ensures the segment remains well placed to continue to deliver a solid base of recurring income streams to underpin the Group's future earnings. The Group's internal development pipeline and strong access to third party capital will provide future opportunities to continue to grow FUM.



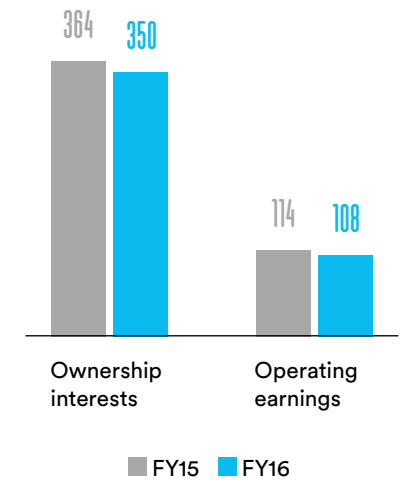
1. Represents the proportion of EBITDA from Operating Businesses.

Lendlease Investments

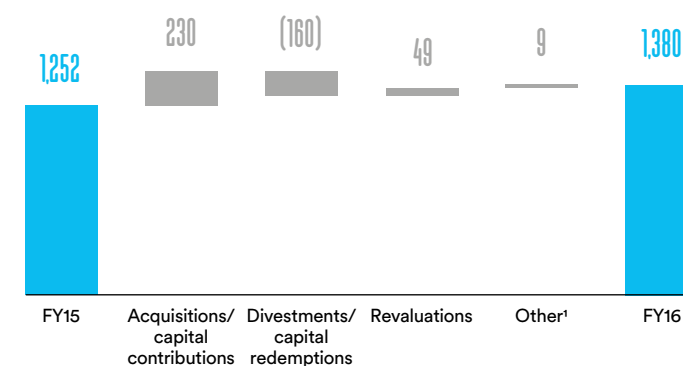
Investments by Product (\$b)



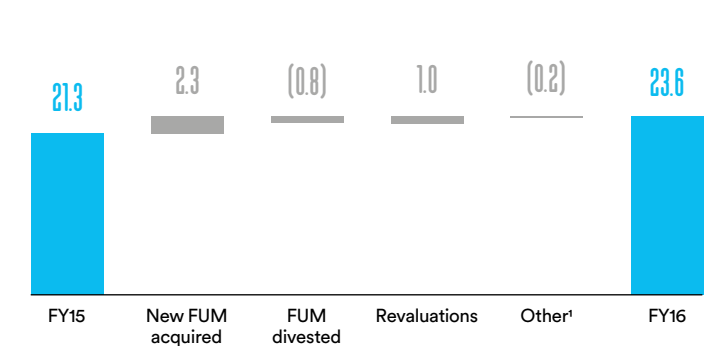
Investments EBITDA by Activity (\$m)



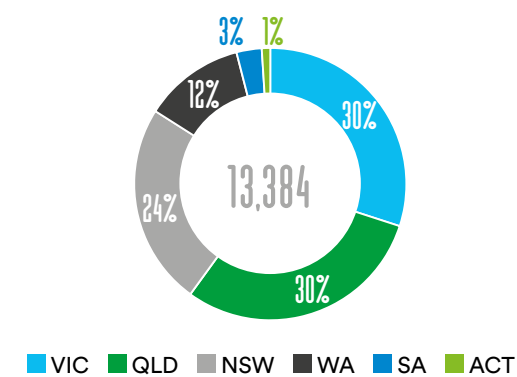
Co-Investments (\$m)



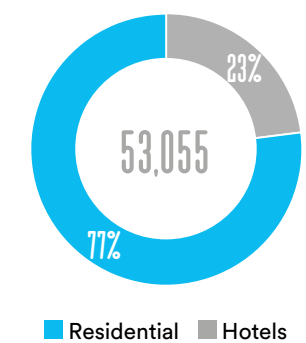
Funds Under Management (\$b)



FY16 Retirement Living by State (Units)



FY16 US Military Housing by Product (Units)



1. Relates to foreign exchange movement on opening balance.

Performance by Segment and Region¹

The table below presents Revenue, EBITDA and Profit after Tax by operating segment for the current and prior year.

	Revenue		EBITDA		Profit after Tax	
	FY15 \$m	FY16 \$m	FY15 \$m	FY16 \$m	FY15 \$m	FY16 \$m
Development						
Australia	1,508.6	2,034.4	336.8	391.5	241.4	275.6
Asia	1.0	17.5	(11.7)	(19.1)	(10.4)	(18.7)
Europe	317.6	431.7	66.3	139.5	48.8	116.4
Americas	48.2	60.3	(5.3)	(11.7)	(2.6)	(6.9)
Total Development	1,875.4	2,543.9	386.1	500.2	277.2	366.4
Construction						
Australia	5,912.7	6,271.0	152.6	231.8	89.3	146.1
Asia	225.0	334.2	(13.5)	(5.6)	(15.8)	(6.4)
Europe	1,258.0	1,341.3	23.0	5.5	18.5	4.1
Americas	3,541.2	4,085.9	116.9	56.4	67.0	47.1
Total Construction	10,936.9	12,032.4	279.0	288.1	159.0	190.9
Investments						
Australia	322.3	359.7	329.5	348.5	294.4	297.4
Asia	45.5	54.9	64.3	14.3	43.5	4.8
Europe	48.0	25.1	40.2	35.1	45.0	30.3
Americas	52.2	70.8	43.8	59.8	25.7	38.2
Total Investments	468.0	510.5	477.8	457.7	408.6	370.7
Total Operating Businesses	13,280.3	15,086.8	1,142.9	1,246.0	844.8	928.0
Corporate						
Group Services	6.9	9.8	(156.8)	(168.7)	(124.6)	(127.4)
Group Treasury	11.4	8.7	(19.1)	(22.4)	(101.6)	(102.4)
Total Corporate	18.3	18.5	(175.9)	(191.1)	(226.2)	(229.8)
Total	13,298.6	15,105.3	967.0	1,054.9	618.6	698.2

1. The segments have been restated in the prior year to reflect the move from four segments to three segments in the current year. Refer to Note 1 of the Financial Statements for further details on the restatement.

Financial Position and Cash Flow Movements

Financial Position

	FY15 \$m	FY16 \$m	Percentage movement
Cash and cash equivalents	750.1	1,008.4	34%
Inventories	4,104.2	4,602.9	12%
Equity accounted investments	1,235.8	1,152.6	(7%)
Investment properties	5,994.9	5,940.7	(1%)
Other assets (including financial)	6,874.2	5,888.3	(14%)
Total assets	18,959.2	18,592.9	(2%)
Borrowings and financing arrangements	2,450.3	2,031.3	(17%)
Other liabilities (including financial)	11,340.7	10,946.9	(3%)
Total liabilities	13,791.0	12,978.2	(6%)
Net assets	5,168.2	5,614.7	9%

Cash and Cash Equivalents

Cash and cash equivalents increased by 34 per cent on the prior year, primarily due to the significant operating cash flows generated from the Group's urban regeneration projects, offset by the repayments on the US Private Placement, Multi-Option Facility and Club Revolving Facility during the year.

Inventories

Inventories increased by \$498.7 million to \$4,602.9 million, largely due to continued work on Development properties increasing inventories across key projects.

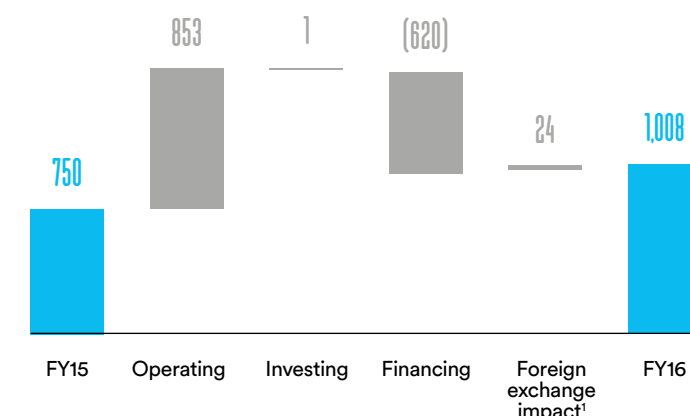
Equity Accounted Investments

Equity accounted investments decreased by \$83.2 million to \$1,152.6 million mainly due to the sale of the Group's equity positions in the Sunshine Coast University Hospital, New Bendigo Hospital and ICC Sydney (formerly Darling Harbour Live) and the Group's divestment of a 25 per cent interest in the Lend Lease One International Towers Sydney Trust (LLOneITST), which were offset by the increased capital contribution towards the Lend Lease International Towers Sydney Trust and LLOneITST during the year.

Other Assets

Other assets decreased by \$985.9 million, mainly due to the reduced receivable balances following receipt of cash proceeds on Tower One and completion of Tower Two and Tower Three at Barangaroo South.

Cash Flow Movements (\$m)



Operating

Positive operating cash flow of \$853.0 million was primarily due to the cash proceeds received on Tower Two and Tower Three at Barangaroo South in Sydney following completion, combined with settlements received on a number of apartment project completions and a PLLACes transaction in the Australian Apartment business.

Investing

Net cash inflow of \$0.6 million from investing activities during the year was due to proceeds on sale of the Group's equity positions in the Sunshine Coast University Hospital, New Bendigo Hospital and ICC Sydney (formerly Darling Harbour Live), which were offset by the capital contributions for the Group's investments in Lend Lease One International Towers Sydney Trust and Lend Lease International Towers Sydney Trust.

Financing

The \$620.4 million cash outflow from financing activities during the year was primarily driven by repayments on the US Private Placement, Multi-Option Facility and Club Revolving Facility, which were financed by the higher operating cash and proceeds from the US\$ Reg. S notes.

1. Values have been rounded down to the nearest million.

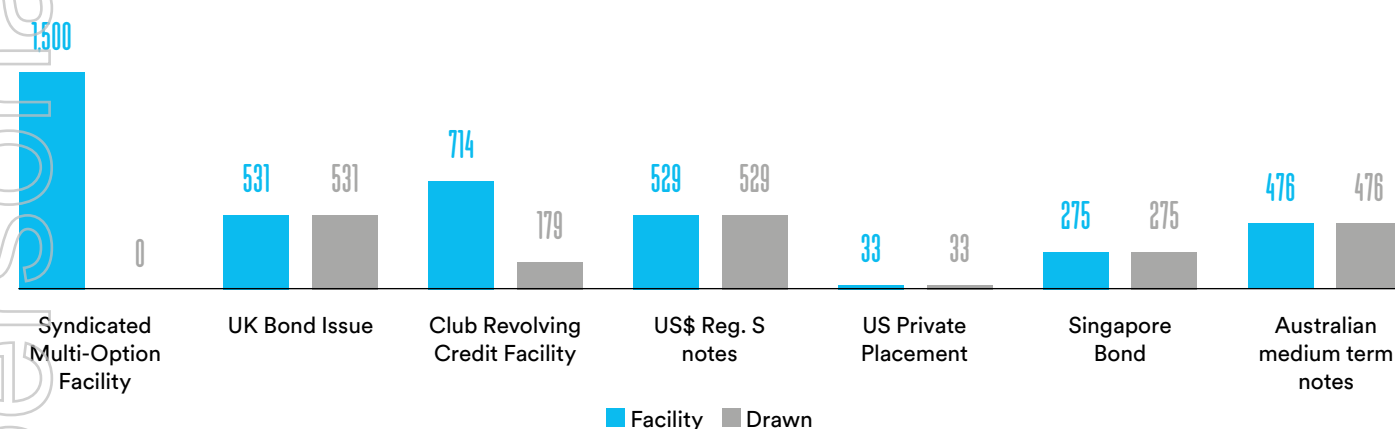
Group Funding and Debt Facilities

		FY15	FY16	Percentage Movement
Net debt	\$m	1,758.5	1,052.4	(40%)
Borrowings to total equity plus borrowings	%	32.2	26.6	(17%)
Net debt to total tangible assets, less cash	%	10.5	6.5	(38%)
Interest coverage	times	6.6	8.0	21%
Average cost of debt including margins	%	5.2	4.6	(12%)
Average debt duration	years	3.9	5.3	36%
Debt mix fixed: floating	ratio	67:33	91:9	
Undrawn facilities	\$m	1,423.5	2,172.6	53%

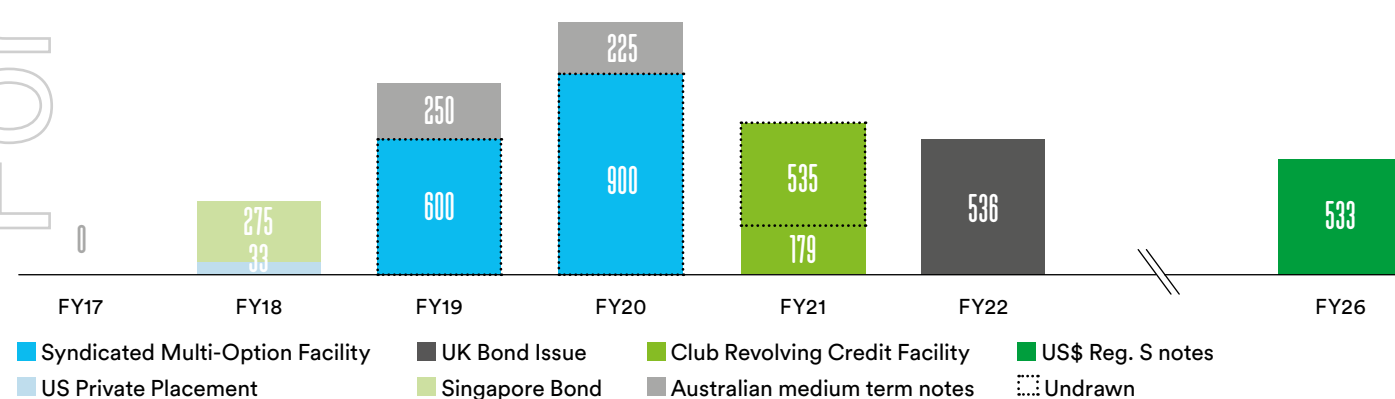
The Group's net debt and gearing position has reduced significantly from the prior year, driven by high positive operational cash flow which has been used for repayments on the US Private Placement, Multi-Option Facility and Club Revolving Facility. During the year the Group issued US\$400.0 million of US\$ Reg. S notes for 10 years with a 4.5 per cent coupon.

As at the end of the year, the available liquidity for the Group was \$3,181.0 million.

Debt Facilities (\$m)¹



Debt Maturity Profile (\$m)²



1. Values are shown at amortised cost.
2. Values are shown at gross facility value.



Darling Square and International Convention Centre Sydney Hotel, Darling Harbour

Governance

06

Board of Directors Information

Lendlease is committed to exceptional corporate governance policies and practices which are fundamental to the long term success and prosperity of Lendlease Group. In 2016 the Board reviewed its corporate governance and reporting practices and the Corporate Governance Statement is available on the Lendlease website this year at: www.lendlease.com/au/company/governance. Membership of the Board as at 19 August 2016 is set out below. For detailed information on the skills, experience and qualifications of each of the Directors refer to pages 74 to 78 of the Annual Report.



- 1 D A Crawford AO**
Chairman
(Independent Non Executive Director)
- 2 S B McCann**
Group Chief Executive Officer
and Managing Director
(Executive Director)
- 3 C B Carter AM**
(Independent Non Executive Director)

- 4 P M Colebatch**
(Independent Non Executive Director)
- 5 D P Craig**
(Independent Non Executive Director)
- 6 S B Dobbs**
(Independent Non Executive Director)

- 7 J S Hemstritch**
(Independent Non Executive Director)
- 8 D J Ryan AO**
(Independent Non Executive Director)
- 9 M J Ullmer**
(Independent Non Executive Director)
- 10 N M Wakefield Evans**
(Independent Non Executive Director)

Board Skills and Experience

The Directors have a range of local and international experience and expertise, as well as specialised skills to assist with decision making and leading the Group for the benefit of securityholders. The table below sets out the skills and experience considered by the Board to be important for its Directors to collectively have.

GENDER DIVERSITY

Female directors
20%
at August 2016

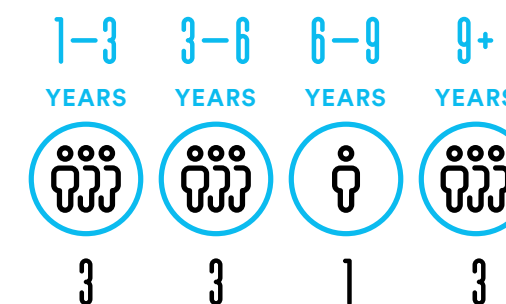
Target of
30%
by end 2018

The Lendlease Board has adopted the Australian Institute of Company Directors initiative to improve gender diversity on the Board by committing to a target of 30 per cent female Board members by the end of 2018.

DIRECTORS' EXPERIENCE IN GOVERNANCE, RISK MANAGEMENT AND STRATEGY

100%
experience

DIRECTORS' AVERAGE TENURE



The Board considers that it has an appropriate mix of new, mid and longer tenured directors. The average term of the Board is six years.

SKILLS/EXPERIENCE ¹	COMMENTS	COMBINED
GOVERNANCE	A commitment to and experience in setting exceptional corporate governance policies, practices and standards.	10
INDUSTRY EXPERIENCE	Possesses industry knowledge, exposure and experience gained in the core Lendlease operating segments of Development, Construction and Investments. This includes advisory roles for these industries.	7
INTERNATIONAL OPERATIONS	Exposure to international regions either through experience gained directly in the region or through management of regional client and other stakeholder relationships.	9
HEALTH & SAFETY	Experience in programs implementing safety, mental health and physical wellbeing, on site and within business. Monitoring the proactive management of workplace health and safety practices.	7
SUSTAINABILITY	Ability to identify economically, socially and environmentally sustainable developments. Ability to set and monitor sustainability aspirations.	7
STRATEGY	Developing, setting and executing strategic direction. Experience in driving growth and executing against a clear strategy.	10
RISK MANAGEMENT	Experience in anticipating and evaluating risks that could impact business. Recognising and managing these risks by developing sound risk governance policies and frameworks.	10
LEGAL	Experience in the identification and resolution of legal and regulatory issues and having the ability to assist the Board on these matters.	5
HUMAN RESOURCES	Experience in building workforce capability, setting a remuneration framework which attracts and retains a high calibre of executives, promotion of diversity and inclusion.	10
EXECUTIVE LEADERSHIP	Skills gained whilst performing at a Senior Executive level for a considerable length of time including delivering superior results, dealing with complex business models, projects and issues.	10
FINANCIAL ACUMEN	Understands the financial drivers of a business. Experience in financial reporting and corporate financial management.	10
TECHNOLOGY	Strong technology background. Online communications. Change management. IT workplace knowledge, security and data analysis skills.	6

1. In facilitating the skills matrix, each Director undertook a self assessment of their skills and experience.

Focus Areas for the Board in FY16

The Board recognises the essential role of Committees in guiding the Board on specific issues. In addition to the specific responsibilities delegated to the Board Committees, a selection of activities for one key focus in FY16 is set out below.

PEOPLE AND CULTURE

Assists the Board in establishing appropriate policies for people management and remuneration across the Group.

VALUE PILLAR   

KEY FOCUS IN FY16

Endorsed the introduction of talent programs focusing on high performers and diversity. An additional focus was the importance of culture for the performance of Lendlease

ACTIVITIES

- Introduced two new talent programs; the Distinguished Executive Program to recognise and reward significant contribution to our business and the Project Director Program to build and differentiate Project Director capability.
- Met with program candidates to discuss their experiences working at Lendlease with a view to improving culture, access to programs, and career development.
- Offered mentoring opportunities between candidates and Board members.
- Reviewed and monitored a number of engagement metrics including employee completion rates of conduct guide training and other measures to inform engagement strategies over time.



RISK MANAGEMENT AND AUDIT

Assists the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Group's risk management and internal control systems.

VALUE PILLAR   

KEY FOCUS IN FY16

Conducted resilience and security planning for the company with a focus on Cyber Security. An additional focus areas was supporting the transition to integrated reporting.

ACTIVITIES

- Commissioned 'gap analysis' report and ascertained areas of focus for security planning.
- Worked with the business to enhance operational ownership and manage response plans in relation to Cyber Security.
- Endorsed investment in relevant technology to further protect and enhance our Cyber Security approach.
- Endorsed the production of the integrated report including periodic reviews.



SUSTAINABILITY

Assists the Board in monitoring the decisions and actions of management in delivering environmental, social and economic value.

VALUE PILLAR     

KEY FOCUS IN FY16

Engaged with key stakeholders on how to embed sustainability across all operational activities.

ACTIVITIES

- Reviewed the progress of business units in integrating sustainability in their business strategies.
- Endorsed and monitored near term targets focusing on water, waste, and energy reduction across specific projects and assets (20 per cent reduction by 2020).
- Endorsed the strategic partnership developed with Delos and the International WELL Building Institute and continued to monitor the implementation of our Health & Wellbeing Framework.
- Monitored the rollout of Lendlease's updated GMRs.



NOMINATION

Considers nominations to the Board to ensure that there is an appropriate mix of expertise, skills, experience and diversity on the Board.

VALUE PILLAR   

KEY FOCUS IN FY16

Monitored Board composition focusing on Board skills, experience and diversity and enhancing reporting of the Board skills matrix.

ACTIVITIES

- Significantly enhanced reporting associated with the Board skills matrix compared to prior reporting periods.
- Reviewed composition of Board Committees focusing on succession planning.
- Integrated the Lendlease Diversity & Inclusion strategy into Nomination Committee processes.



Lendlease Board Regional Program 2015 – 2016

The Board program is formulated to reflect the geographic spread of the Lendlease businesses with Board meetings scheduled in Australia and each of the regions where Lendlease operates. Generally, the program runs over two or three days and comprises formal meetings, business briefings, presentations from external sources, project site visits and networking events with employees and key stakeholders. The varied program enables directors to obtain a deeper understanding of the activities and operations within each region.

This covers the program from 1 January 2015 to 31 July 2016.

AMERICAS

- 201 Folsom Street, San Francisco (January 2015)
- 432 Park Avenue, New York (October 2015)
- 56 Leonard Street, New York (April 2016)
- Columbia Manhattanville, New York (April 2016)
- Riverline, Chicago (April 2016)
- Clippership Wharf, Boston (April 2016)
- Regional reviews of Chicago and Boston businesses (April 2016)
- Board networking forum supporting employee diversity and regional top talent (January 2015, October 2015 and April 2016)

EUROPE

- International Quarter London, Stratford (January 2016)
- Elephant & Castle, London (July 2015 and July 2016)
- Rathbone Square, London (July 2016)
- Board networking forum supporting employee diversity and regional top talent (July 2015 and 2016)

ASIA

- Paya Lebar Quarter Site, Singapore (April 2015)
- 313@somerset, Singapore (April 2015)
- American International School, Singapore (April 2015)
- Tun Razak Exchange (February 2015)
- Board networking forum supporting employee diversity and regional top talent (April 2015)

AUSTRALIA

- Barangaroo, Sydney (August 2015)
- The Library at the Dock, Melbourne (May 2015)
- 888 Collins Street, Melbourne (May 2015)
- 889 Collins Street, Melbourne (May 2015)
- Darling Square and International Convention Centre Sydney, Darling Harbour (May 2016)
- Board networking forum (May 2015 and November 2015)

Board of Directors

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



D A Crawford AO

Chairman
(Independent Non Executive Director)

Term of Office

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

Skills, Experience and Qualifications

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

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

Listed Company Directorships (held within the last three years)

- Inaugural Chairman and Non Executive Director of South32 Limited (appointed May 2015)
- Former Non Executive Director of BHP Billiton Limited (appointed May 1994, retired November 2014)

Other Current Appointments

- Chairman of Australia Pacific Airports Corporation Limited

Board Committee Memberships

- Member of the Nomination Committee



S B McCann

Group Chief Executive Officer and Managing Director
(Executive Director)

Term of Office

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

Skills, Experience and Qualifications

Mr McCann joined Lendlease in 2005. Prior to his current role, Mr McCann was Group Finance Director, appointed in March 2007 and Chief Executive Officer for Lendlease's Investment Management business from September 2005 to December 2007. Mr McCann has more than 25 years' experience in real estate, funds management, investment banking and capital markets transactions. Prior to joining Lendlease, Mr McCann spent six years at ABN AMRO, where his roles included Head of Property, Head of Industrial Mergers & Acquisitions and Head of Equity Capital Markets for Australia and New Zealand. Previous roles also include Head of Property at Bankers' Trust, four years as a mergers and acquisitions lawyer at Freehills and four years in taxation accounting.

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

Other Directorships and Positions

- Nil



C B Carter AM

(Independent Non Executive Director)

Term of Office

Mr Carter joined the Board in April 2012.

Skills, Experience and Qualifications

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

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

Listed Company Directorships (held within the last three years)

- Non Executive Director of SEEK Limited (appointed March 2005)
- Non Executive Director of Wesfarmers Limited (appointed October 2002, retired November 2014)

Other Current Appointments

- President of Geelong Football Club
- Director of World Vision Australia
- Director of The Ladder Project

Board Committee Memberships

- Chairman of the Nomination Committee
- Member of the People and Culture Committee
- Member of the Sustainability Committee



P M Colebatch

(Independent Non Executive Director)

Term of Office

Mr Colebatch joined the Board in December 2005.

Skills, Experience and Qualifications

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

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

Listed Company Directorships (held within the last three years)

- Non Executive Director of Man Group plc (appointed September 2007)

Other Current Appointments

- Board of Trustees for the Prince of Liechtenstein Foundation and the LGT Group Foundation

Board Committee Memberships

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

Board of Directors continued



D P Craig
(Independent Non Executive Director)

Term of Office

Mr Craig joined the Board in March 2016.

Skills, Experience and Qualifications

Mr Craig is currently the Chief Financial Officer (CFO) of Commonwealth Bank of Australia, one of the world's largest banks by market capitalisation. He is a business leader with a successful international career spanning over 35 years developed in finance, accounting, audit, risk management, strategy and mergers and acquisitions. As the Commonwealth Bank CFO, he is responsible for leading the finance, treasury, property, security, audit and investor relations teams, and liaises with a wide range of external stakeholders including equity and debt investors, regulators, government, media and customers.

Mr Craig's previous leadership roles have included Chief Financial Officer at Australand, Global Transition Finance Leader for IBM Business Consulting Service and the Global CFO for PwC Consulting.

Mr Craig holds a Bachelor of Economics degree from the University of Sydney, is a Fellow of the Institute of Chartered Accountants, Australia and a member of the Australian Institute of Company Directors.

Other Current Appointments

- Non Executive Director of the Financial Executives Institute of Australia
- Non Executive Director of the Victor Chang Cardiac Research Institute

Board Committee Memberships

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



S B Dobbs
(Independent Non Executive Director)

Term of Office

Mr Dobbs joined the Board in January 2015.

Skills, Experience and Qualifications

Mr Dobbs was Senior Group President, Industrial and Infrastructure at Fluor Corporation until his retirement in June 2014. Since joining Fluor in 1980, Mr Dobbs was responsible for a wide diversity of markets including infrastructure, mining, telecommunications, transportation, heavy manufacturing, health care, water and alternative power. He served the company in numerous locations including the United States, China, Europe and Southern Africa.

Mr Dobbs is an industry expert in public private partnerships and private finance initiatives and has served as an advisor on these issues to a number of Government ministries. He was a Governor of industry forums related to engineering and construction at the World Economic Forum from 2008 to 2014 and served as Vice-Chair of the Forum's Global Agenda Council on Infrastructure in 2013 and 2014.

Mr Dobbs holds a Doctorate in Engineering from Texas A&M University and is a registered professional engineer (retired).

Listed Company Directorships (held within the last three years)

- Non Executive Director of Cummins Inc (appointed October 2010)

Board Committee Memberships

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



J S Hemstritch
(Independent Non Executive Director)

Term of Office

Ms Hemstritch joined the Board in September 2011.

Skills, Experience and Qualifications

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

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

Listed Company Directorships (held within the last three years)

- Non Executive Director of Telstra Corporation Limited (appointed August 2016)
- Non Executive Director of Tabcorp Holdings Ltd (appointed November 2008)
- Non Executive Director of the Commonwealth Bank of Australia (appointed October 2006, retired March 2016)
- Non Executive Director of Santos Limited (appointed February 2010, retired May 2016)

Other Current Appointments

- Member of the Advisory Board of Herbert Smith Freehills Global LLP
- Chairman of Victoria Opera Company Ltd
- Council of the National Library of Australia

Board Committee Memberships

- Chairman of the People and Culture Committee
- Member of the Nomination Committee



D J Ryan AO
(Independent Non Executive Director)

Term of Office

Mr Ryan joined the Board in December 2004.

Skills, Experience and Qualifications

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

Mr Ryan has been immersed in all aspects of corporate life. From a corporate activity viewpoint he has been actively engaged in mergers, acquisitions, divestments, initial public offerings, equity and debt financing and raising including heavily structured recourse and non recourse transactions. In many cases he has been the Chair of the Due Diligence Committees that were formed to provide assurance and verifications to the stakeholders of these processes.

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

Listed Company Directorships (held within the last three years)

- Non Executive Director of GTN Ltd (appointed June 2016)

Other Current Appointments

- Director of First American Title Insurance Company of Australia Pty Ltd
- Director of First Mortgage Services Pty Ltd
- Director of Sunshine Coast Destination Limited

Board Committee Memberships

- Chairman of the Risk Management and Audit Committee
- Member of the Nomination Committee
- Member of the People and Culture Committee

Board of Directors continued



M J Ullmer
(Independent Non Executive Director)

Term of Office

Mr Ullmer joined the Board in December 2011.

Skills, Experience and Qualifications

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

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

Listed Company Directorships (held within the last three years)

- Non Executive Director of Woolworths Limited (appointed January 2012)

Other Current Appointments

- Chairman of the Melbourne Symphony Orchestra
- Trustee of the National Gallery of Victoria

Board Committee Memberships

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



N M Wakefield Evans
(Independent Non Executive Director)

Term of Office

Ms Wakefield Evans joined the Board in September 2013.

Skills, Experience and Qualifications

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

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

Listed Company Directorships (held within the last three years)

- Non Executive Director of Macquarie Group Limited (appointed February 2014)
- Non Executive Director of Toll Holdings Limited (appointed May 2011)

Other Current Appointments

- Director of Bupa Australia
- Director of O'Connell St & Associates
- Director of Asialink (University of Melbourne)
- Member of the Law Advisory Council of the University of New South Wales Law School

Board Committee Memberships

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

General Counsel and Company Secretary Qualifications and Experience

K Pedersen

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

W Lee

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

Officers Who Were Previously Partners of the Audit Firm

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

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

Directors' Meetings

Board Meetings

The Board meets as often as necessary to fulfil its role. Directors are required to allocate sufficient time to the Group to perform their responsibilities effectively, including adequate time to prepare for Board meetings. During the financial year ended 30 June 2016, ten Board meetings were held. Four of these meetings were held in Australia, and two each in the UK and Americas reflecting the geographic spread of the Lendlease business. These meetings run over two or three days. In addition, two meetings were held via teleconference to discuss specific matters, and matters were dealt with as required by circular resolution. Three Board subcommittee meetings were also constituted to deal with specific matters.

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

There are four permanent Committees of the Board.

Risk Management and Audit Committee

The Risk Management and Audit Committee consists entirely of Non Executive Directors. The principal purpose of the Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Group's risk management and internal control systems, accounting policies and practices, internal and external audit functions and corporate reporting. During the financial year ended 30 June 2016, four meetings of the Risk Management and Audit Committee were held.

People and Culture Committee

The People and Culture Committee was formerly known as the Personnel and Organisation Committee and consists entirely of Non Executive Directors. The name of the Committee was changed in July 2016 to reflect the broader people and culture responsibility of the Committee. The Committee's agenda reflects the importance of human capital to the Group's strategic and business planning and it assists the Board in establishing appropriate policies for people management and remuneration across the Group. During the financial year ended 30 June 2016, five meetings of the People and Culture Committee were held. Full details of the Committee's work on behalf of the Board are set out in the Remuneration Report.

Sustainability Committee

The Sustainability Committee consists entirely of Non Executive Directors. The Committee assists the Board in monitoring the decisions and actions of management in achieving Lendlease's aspiration to be a sustainable organisation. During the financial year ended 30 June 2016, five meetings of the Sustainability Committee were held.

Nomination Committee

The Nomination Committee consists entirely of Non Executive Directors. The Committee assists the Board by considering nominations to the Board to ensure that there is an appropriate mix of expertise, skills and experience on the Board. During the financial year ended 30 June 2016, all eight meetings of the Nomination Committee were held in conjunction with scheduled Board meetings and all Non Executive Directors routinely attended.

Board of Directors continued

Attendance at Meetings of Directors 1 July 2015 to 30 June 2016

The number of Board and Board Committee meetings held, and the number of meetings attended by each Director during the 2016 Financial Year are set out in the tables below.

	Membership	Number of Meetings Held ¹	Number of Meetings Attended
Board	D A Crawford (Chairman)	10	10
	S B McCann (CEO)	10	10
	C B Carter	10	10
	P M Colebatch	10	10
	D P Craig ²	4	4
	S B Dobbs	10	10
	J S Hemstritch	10	8 ³
	D J Ryan	10	10
	M J Ullmer	10	10
	N M Wakefield Evans	10	10
Board Subcommittee Meetings ⁴	D A Crawford (Chairman)	2	2
	S B McCann (CEO)	3	3
	C B Carter	1	1
	P M Colebatch	2	2
	D P Craig	1	1
	S B Dobbs	1	1
	J S Hemstritch	1	1
	D J Ryan	1	1
	M J Ullmer	1	1
	N M Wakefield Evans	1	1
Risk Management and Audit Committee Meetings	D J Ryan (Chairman)	4	4
	P M Colebatch	4	4
	D P Craig ²	1	1
	S B Dobbs	4	4
	M J Ullmer	4	4
	N M Wakefield Evans	4	4
	Standing Invitees:		
	D A Crawford	4	4
	S B McCann	4	4
People and Culture Committee	J S Hemstritch (Chairman)	5	5
	C B Carter	5	5
	D J Ryan	5	5
	Standing Invitees:		
	D A Crawford	5	5
Sustainability Committee	M J Ullmer (Chairman)	5	5
	C B Carter	5	5
	S B Dobbs	5	5
	N M Wakefield Evans	5	5
	Standing Invitees:		
Nomination Committee	D A Crawford	5	5
	S B McCann	5	5
	C B Carter (Chairman)	8	8
	D A Crawford	8	8
	P M Colebatch	8	8
	D P Craig	2	2
	S B Dobbs	8	8
	J S Hemstritch	8	8
	D J Ryan	8	8
	M J Ullmer	8	8
	N M Wakefield Evans	8	8

1. Reflects the number of meetings held during the time the Director held office during the year. Two of the 10 meetings were out of schedule board teleconferences constituted to address specific issues.
2. Prior to his appointment, D P Craig attended meetings of the Board and Risk Management and Audit Committee as an observer.
3. J S Hemstritch was unable to attend the Board teleconferences as these were called at short notice to address specific issues.
4. Three subcommittees of the Board were convened during the reporting period to address specific issues.

Interests in Capital

The interests of each of the Directors (in office at the date of this report) in the stapled securities of the Group at 19 August 2016 is set out below.

Director	Securities held directly 2016	Securities held beneficially/indirectly 2016 ¹	Total 2016	Securities held directly 2015	Securities held beneficially/indirectly 2015 ¹	Total 2015
D A Crawford	887	78,501	79,388	850	77,008	77,858
S B McCann	480,849	346,345	827,194	481,864	230,623	712,487
C B Carter		15,000	15,000		15,000	15,000
P M Colebatch	5,144	13,179	18,323	5,023	13,300	18,323
D P Craig ²		14,870	14,870			–
S B Dobbs		2,000	2,000		2,000	2,000
J S Hemstritch		20,000	20,000		20,000	20,000
D J Ryan		36,172	36,172		35,312	35,312
M J Ullmer		50,000	50,000		50,000	50,000
N M Wakefield Evans		12,517	12,517		4,000	4,000

1. Includes securities in the Retirement Plan beneficially held by D A Crawford, P M Colebatch and D J Ryan.
2. D P Craig joined the Board in March 2016.

Remuneration Report

Message from the Board

Welcome to the 2016 Remuneration Report where we explain how performance has been linked to reward outcomes at Lendlease this year.

Sustained Strong Financial Performance

Lendlease has continued to deliver strong financial performance in 2016 as we strive to be the leading international property and infrastructure group in the core markets in which we operate. Our 'Focus and Grow' strategy is now fully operational and has delivered the following results in 2016.

- Revenue was A\$15.1 billion
- Profit after Tax was A\$698.2 million (up 13 per cent from 2015)
- Return on Equity was 13.0 per cent
- Operating cash flow increased substantially during the year to an inflow of A\$853.0 million

In addition, the development pipeline is now worth A\$48.8 billion, up 9 per cent from 2015, construction backlog revenue increased by 20 per cent to A\$20.7 billion and funds under management increased by 11 per cent to A\$23.6 billion.

We continue to be conscious of our portfolio drivers: earnings visibility, geographic and sector diversification and growth in our target areas.

The Link Between Lendlease's Strategy and Executive Reward Strategy

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

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

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

This is delivered through:

- A significant portion of remuneration being 'at risk' and tied to clear metrics;
- Extensive use of deferred and Long Term Incentives (with vesting over a period of up to four years); and
- Mandatory securityholdings by Senior Executives in Lendlease securities (enforced through disposal restrictions on vested equity until the required levels are achieved).

We believe that our approach to executive reward has been a key factor in driving our success. In order to have the right people to lead the Group over the long term, Lendlease has developed and embedded a competitive Executive Reward Strategy to deliver long term outperformance. For securityholders, this performance has been illustrated in Lendlease's Total Securityholder Return of 75.3 per cent over the past 5 years, compared to 45.3 per cent for the ASX 100 accumulation index over the same period. This has been supported by the design of incentives for the CEO and Senior Executives.

We are also pleased to report that we received 98.34% of votes cast in favour of our Remuneration Report at the 2015 Annual General Meeting (AGM).

Changes in 2016

There were no major changes introduced in 2016, however further progress was made in reweighting the mix of Senior Executives' pay towards Long Term Incentives, creating further alignment with securityholders. Our focus on building internal capability has also delivered successful results as recent key executive appointments have been made from within the Group.

We will continue to review the Executive Reward Strategy to see if enhancements can be made to further support the 'Focus & Grow' Strategy.

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

David Crawford, AO
Chairman

Jane Hemstrich
Chairman, People and Culture Committee

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

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

Remuneration Report continued

Executives and Non Executive Directors Covered in this Report

The following Executives and Non Executive Directors were considered Key Management Personnel for the year ended 30 June 2016 and are covered by this report.

CEO and Senior Executives

Current Executives

Stephen McCann	Group Chief Executive Officer and Managing Director (CEO)
Tarun Gupta	Chief Executive Officer, Property Australia until 30 April 2016, Group Chief Financial Officer since 1 May 2016
Denis Hickey	Chief Executive Officer, Americas
Daniel Labbad	Chief Executive Officer, International Operations and Chief Executive Officer, Europe
Anthony Lombardo	Group Chief Financial Officer until 30 April 2016, Chief Executive Officer, Asia since 1 May 2016
Robert McNamara	Group Chief Risk Officer
Kylie Rampa	Chief Executive Officer, Property Australia since 1 May 2016

Former Executives

Rod Leaver	Chief Executive Officer, Asia until 30 April 2016
David Saxelby	Chief Executive Officer, Construction and Infrastructure – Australia until 17 March 2015 and ceased employment with the Group on 4 September 2015

Note: the term Senior Executives when used throughout this report refers to all the Executives listed above, unless specifically stated otherwise.

Non Executive Directors

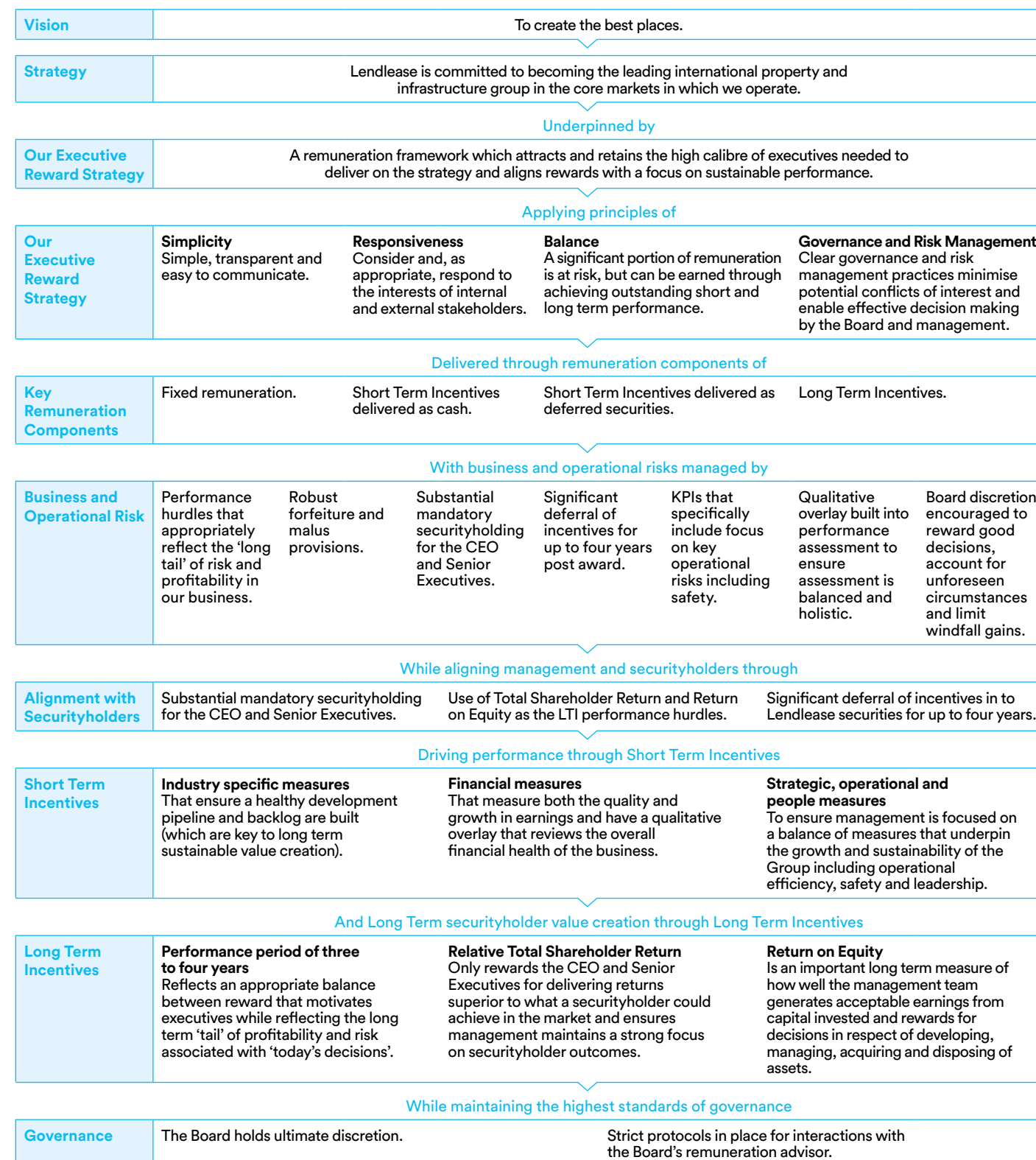
Current Non Executive Directors

David Crawford	Independent Chairman
Colin Carter	Independent Non Executive Director
Phillip Colebatch	Independent Non Executive Director
David Craig	Independent Non Executive Director (appointed 1 March 2016)
Steve Dobbs	Independent Non Executive Director
Jane Hemstritch	Independent Non Executive Director
David Ryan	Independent Non Executive Director
Michael Ullmer	Independent Non Executive Director
Nicola Wakefield Evans	Independent Non Executive Director

a. Remuneration Overview

Lendlease's Executive Reward Strategy on a Page

The following provides a high level overview of the key aspects of Lendlease's Executive Reward Strategy, guiding principles and remuneration components.



Remuneration Report continued

a. Remuneration Overview continued

2016 Performance

Lendlease delivered a strong performance for the year against both financial and non-financial measures. For the third successive year there have been zero fatalities and at the same time there has been a 37 per cent improvement in the Critical Incident Frequency Rate. The Group's employee engagement levels are above industry norms. At the same time, Profit after Tax of A\$698.2 million was up 13 per cent on the prior year and EBITDA of A\$1,054.9 million was up 9 per cent. Earnings growth was driven by improved performance across the Development and Construction segments. The Group's Return on Equity was 13.0 per cent for the year, within its 11 to 15 per cent target range. Earnings per Security was 120.1 cents per security, up 12 per cent on the prior year.

Operating cash flow increased substantially during the year to an inflow of A\$853.0 million. The improvement in the operating cash flow position was supported by achieving settlement on the first wave of apartment project completions and also proceeds received on Tower Two and Tower Three at Barangaroo South in Sydney.

The Group also completed another PLLACs transaction in its Australian Apartment business which contributed to operating cashflow. Other key areas of cash generation during the year included the Group's divestment of a 25 per cent interest in Lend Lease One International Towers Sydney Trust and the sell down of the Group's equity position in a number of public private partnerships (PPP) projects in Australia.

The Group finished the year with a strong balance sheet position, including cash and cash equivalents of A\$1,008.4 million and net debt of A\$1,052.4 million. The Group reduced its gearing position to 6.5 per cent during the year and closed with available liquidity of A\$3,181.0 million.

Outlook

Lendlease continued to achieve strong growth across all segments of its operating platform in the FY16 year. The remaining end development pipeline grew to A\$48.8 billion, up 9 per cent on the prior year. This included A\$37.3 billion of urbanisation projects. The Development segment also continued to grow its residential presales book during the year, closing the year at A\$5.9 billion, up 13 per cent on the prior year. The Group's construction backlog revenue grew to \$20.7 billion, up 20 per cent on the prior year. This included A\$14.6 billion of new work secured. Within Australia, engineering backlog revenue increased by A\$1.5 billion to A\$3.9 billion, including a number of large projects in the transport sector. Lendlease is also the preferred bidder on approximately A\$7 billion of work globally.

Funds under management grew to A\$23.6 billion, up 11 per cent on the prior year. New equity raised during the year was A\$1.3 billion.

Lendlease's strong network of capital partners delivers additional capacity for the Group to develop its pipeline of opportunities and provides a solid base of recurring income and fees.

Lendlease is well positioned to deliver on its development pipeline and construction backlog, while continuing to grow its funds under management. The established operating platform, including a record development pipeline and presales position, provides strong earnings visibility. The Group's strong balance sheet position and access to third party capital provides flexibility to explore future growth opportunities.

Segment Performance and Outlook

In line with the Annual Integrated Report, Segment descriptions have changed since 2015 to better reflect key activities in our business. Comparative data from prior years has been restated to reflect these changes.

Development

Delivered a Profit after Tax of A\$366.4 million, up 32 per cent on the prior year.

Residential settlement momentum continued, rising to 4,790 settlements, up 7 per cent compared to the prior year.

Forward sale of three commercial buildings during the year. Two in delivery at The International Quarter in London and the commercial office building at Darling Square in Sydney.

New managed investment vehicle established seeded by the sale of equity positions in Australian PPP projects including investments in the Sunshine Coast University Hospital, New Bendigo Hospital and ICC Sydney (formerly Darling Harbour Live).

Positive growth outlook as end development pipeline grew 9 per cent to A\$48.8 billion and presold residential revenue increased to A\$5.9 billion.

Construction

Delivered a Profit after Tax of A\$190.9 million, up 20 per cent compared to the prior year.

24 per cent increase in new work secured, A\$14.6 billion for the year. This included a number of new projects secured by Engineering in Australia in the transport sector.

Backlog secured revenue increased 20 per cent on the prior year to A\$20.7 billion, comprising A\$15.1 billion of building work, A\$3.9 billion of engineering work and A\$1.7 billion of services work.

New Engineering wins included the Gateway Upgrade North Project and Kingsford Smith Highway upgrade in Queensland, D9 Level Crossings Removal and Tullamarine Road Widening in Victoria and Northern Connector in South Australia.

Investments

Delivered Profit after Tax of A\$370.7 million, down 9 per cent on the prior year. Results were impacted by a reduction in the value of the Group's investment in 313@Somerset in Singapore, following softer trading conditions on Orchard Road. However the following highlights are noted for FY16:

Investments managed on behalf of the Group were steady at A\$3.0 billion including the Group's co-investments in funds, retirement living business and US Military Housing operations.

Funds under management (FUM) grew by 11 per cent during the year to A\$23.6 billion, with approximately A\$3 billion of additional secured FUM across urbanisation projects in delivery.

New equity of A\$1.3 billion was raised during the year.

Five retirement villages sold in New Zealand to Blackstone during the year, with cash settlement occurring after 30 June 2016.

25 per cent stake sold in Lend Lease One International Towers Sydney Trust to a large Asian based investor.

Five Year Performance Summary

The table below outlines some key indicators of Group performance over the past five years for the year ended 30 June 2016.

		2016	2015	2014	2013	2012
Statutory Profit after Tax	A\$m	698.2	618.6	822.9	549.0 ¹	501.4
Operating Profit after Tax	A\$m	698	619	823	550 ¹	507
EPSS on statutory Profit after Tax ²	cents	126.3	112.4	150.8	101.2 ¹	92.7
Total dividends/distributions ³	A\$m	349.1	313.2	409.8	241.5	217.5
Increase/(decrease) in closing price ⁴	A\$	(2.43)	1.92	4.76	1.15	(1.77)
Annual Total Securityholder Return ⁵	%	(13)	20	62	22	(16)
Return on Equity ⁶	%	13.0	12.4	18.2	13.6 ¹	13.4

- 2013 has been adjusted to reflect the impact of first time adoption of the revised AASB 119 *Employee Benefits* standard and the new AASB 11 *Joint Arrangements* standard in 2014, with retrospective adjustment from 1 July 2012.
- EPSS (Earnings per Stapled Security) is calculated using the weighted average number of securities on issue excluding treasury securities. In the 2016 Performance section of this report EPSS including treasury securities has been reported.
- A\$132.7 million Company dividend component franked to 25 per cent was declared subsequent to the reporting date for June 2015.
- Represents the movement in the security price over the year calculated using the closing security price at 30 June 2016.
- Represents the movement in the Group's security price, distribution yield and any return on capital over the financial year.
- ROE is calculated as the annual statutory Profit after Tax divided by the arithmetic average of beginning, half year and year end securityholders' equity.

Performance and Funding for Short Term Incentives

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

Group Profit After Tax (PAT) is one factor that determines the overall size of the STI pool. An assessment of overall profit make-up, the quality and sustainability of earnings and other financial and non financial factors are also considered. Group PAT was above target for 2016. Following an overall assessment of performance, the Board approved an STI pool, 10 per cent higher than in 2015 whilst PAT increased by 13 per cent.

CEO Scorecard and Performance

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

Scorecards for the CEO and Senior Executives generally reflect short and medium term goals and long term strategic initiatives. They include items such as the financial performance, health and safety, delivery of key projects, sale of key assets, embedding operational excellence and investing in people.

The Board also assesses the CEO and Senior Executives against Lendlease's defined:

- leadership capabilities (including health and safety, sustainability and diversity);
- values; and
- leadership behaviours.

In this way, the STI outcome rewards 'what' is achieved as well as 'how' it is achieved. Lendlease is committed to the safety and wellbeing of all of its employees. The Board's view is that safety is part of the DNA of how Lendlease does business – it is embedded as part of the culture and the behaviours required of all Executives at all times. The Board considers these behaviours and outcomes in assessing the overall performance of the CEO and each Senior Executive. While the assessment is not structured formulaically or as a 'gateway' measure, expectations are clearly communicated to the CEO and Senior Executives that poor health and safety outcomes may lead to reduction in STI outcomes for the year.

The Board has assessed the CEO's 2016 scorecard and made an overall judgement as to whether the scorecard results fully reflect performance and appropriate management of risk. Following the Board's assessment, the CEO's STI awarded for the year ended 30 June 2016 was A\$2,187,500 (being the combined cash and deferred components of his STI), which equated to 125 per cent of the CEO's target STI award. Refer to the table Remuneration Awarded by the Board on page 92 to see the total remuneration awarded to the CEO for 2016.

Remuneration Report continued

a. Remuneration Overview continued

CEO Scorecard and Performance continued

PERFORMANCE MEASURES for year ended 30 June 2016	REASON CHOSEN	PERFORMANCE ASSESSMENT	RESULT	
Financial performance				
<ul style="list-style-type: none">● A range of financial metrics including targets for:<ul style="list-style-type: none">– PAT;– EBITDA;– EBITDA margin;– ROE; and– Cash flow from operating and investing.● An assessment not only of the actual result on the stated metrics but also the overall financial health of the business including, amongst other things, an assessment of the components and quality of the actual result in comparison with the budget and an assessment of each business unit’s performance.	The Board believes the combination of the financial measures and the assessment of the overall financial health of the business ensures that the CEO is rewarded for decisions and outcomes that deliver results in the short term but that are also sustainable and in the long term interests of securityholders.	Targets included significant financial stretch (with PAT target being 13% higher than the FY15 target). PAT of A\$698.2 million was above target and significantly ahead of FY15 (up 13%). EBITDA of A\$1,054.9 million and EBITDA margin at 7.0% were both slightly below target. ROE was ahead of target at 13.0% and within the target range of 11–15%.	Cash flow from operating and investment activities was significantly ahead of targets. The Board’s view is that the performance of the Group continues to be strong and there has been improvement in parts of the business that have been underperforming, apart from a decline in profitability in Asia for FY16.	Exceeded Target
Non financial performance				
A range of strategic initiatives largely focused on embedding the Focus & Grow strategy, developing customer insights and a framework to support innovation in the business.	Ensuring employees and investors understand the strategic priorities and focus for the business over the next 5 years is a critical part of delivering the strategy.	Embedding the strategy The CEO has focused on communicating the Focus & Grow strategy to leadership and external stakeholders, which has resulted in improved levels of understanding and engagement. Investors have continued to provide positive feedback on the strategy. Transitioning leadership in the Engineering business A new CEO has been appointed to the Engineering business. Good progress is being made demonstrated by the backlog being significantly boosted to A\$3.9 billion. Continued shift to Development activity in the Americas The Americas region continues to move towards an origination led business with urbanisation opportunities growing by 21 per cent in FY16.	Developing customer insights and innovation Customer focus is now a key operating principle and has become a part of each business strategy and operational plan. Customer insight has been positioned as a driver of innovation and the cultural shift to support innovation has begun with over 130 ideas being generated across the business. Other key achievements Demonstrating the integrated model in the Healthcare sector where value was created through each of the Investment, Development and Build stages of the Sunshine Coast University and New Bendigo Hospitals. Establishing a cross-laminated-timber production unit in Western Sydney to support the production of this sustainable and economical material for use in projects going forward.	At Target
A range of metrics focused on health and safety, developing leadership capability and identifying and retaining key talent, including specific metrics for: <ul style="list-style-type: none">● Leadership in Safety and Wellbeing● Broadening and deepening succession pools● Increasing the female leadership pipeline● Building Project Director capability● Increasing employee engagement scores in focus areas	Having the right people in management and senior leadership roles is critical to our long term success. The CEO plays an important role in this process and he is assessed on his ability to manage talent and succession risks at senior management levels.	Leadership in Safety and Wellbeing There were zero fatalities for a third year in a row. The Critical Incidents Frequency Rate (a measure which helps us to assess how proactive we are in taking steps to eliminate potentially life threatening incidents) has improved by 37% from FY15 – reflecting outstanding leadership from the CEO through regular site visits and leader calls on the topic of safety. Succession and leadership pipeline The CEO has exceeded the targets set in respect of succession plans for key group and regional leadership roles as well increasing the number of female successors for regional leadership roles (up 55% from last year).	Building Project Director Capability The Group introduced a tailored talent development program for integrated Project Directors which supports the transition of knowledge from our most experienced project-based executives to a pipeline of top talent. Employee engagement Attrition rates amongst our talent pools and high potential individuals are less than 10% and lower than general attrition rates across the Group. In the latest employee engagement progress survey conducted by Willis Towers Watson we achieved an 84 per cent sustainable engagement score, reinforcing that our people are proud to work at Lendlease. The CEO is a member of the Male Champions of Change for the Property sector and has taken deliberate steps to address the matter of gender pay equity in the business positioning Lendlease as an industry leader.	Exceeded Target
Specific operational targets focused on flagship projects, sustainability, operational efficiencies and managing underperforming parts of the portfolio.	Delivery on key projects, transforming the business through managing underperformance and generating efficiency savings not only delivers short term return, but builds a foundation for long term success. Very specific measures and initiatives are identified to ensure Lendlease manages such things to enable delivery of long term objectives.	Flagship projects Key milestones reached on the Barangaroo South project. Substantial progress made on the Payar Lebar Quarter & Lifestyle Quarter at Tun Razak Exchange projects including establishment of leadership teams on both projects. The Riverline project in Chicago was converted to development stage during the year. Lendlease has been shortlisted on a number of new projects in London and Australia and secured a new project in Italy. Progress has been made on optimal capital allocation strategy. Sustainability Global and regional Investment Committee papers are required to include a complete plan for Sustainability (e.g. environmental, community and economic factors).	Progress ahead of plan against 2020 targets of 20% reduction in energy, water and waste usage and further initiatives are being put in place. Operational efficiencies Workforce planning has been used to support planning for FY 17, with savings built into forward plans by reviewing workforce composition and improving spans of control. Accountability for realising value driven via Quarterly Business Reviews. Targets for overhead reductions have been exceeded. Managing underperforming parts of the portfolio A new CEO has been appointed to the Engineering business which had been performing below expectations. The business has doubled its backlog to \$3.9 billion including a number of projects in the transport sector. No new problem projects have been identified.	At Target

Remuneration Report continued

b. Remuneration Disclosures

Comparison of Remuneration Tables

In this section, the value of remuneration for the CEO and each Senior Executive is outlined. In addition to the required statutory table (based on the accounting disclosures), we have set out the Remuneration Awarded by the Board and the Actual Remuneration Received as we understand the information contained in these tables is valued by stakeholders. The additional tables provide a more complete illustration of our approach to executive remuneration. An explanation of the differences between the tables is set out below.

Disclosure	Period covered	Fixed remuneration	STI	STI deferral	LTI
Awarded Illustrates what the Board awarded in relation to performance for this financial year	Remuneration disclosed will relate to both the time in their current role (as KMP) and any other role they have held at Lendlease during the financial year.	Fixed remuneration includes the contractually awarded amount of Total Package Value/Base Salary from 1 September 2015 or later. It excludes annual leave and long service leave accruals.	The cash portion of the STI award that will be made in September 2016 for year ended 30 June 2016. (That is, the cash STI paid after year end but in respect of the 2016 financial year.) Note: this only covers the cash portion. Refer 'STI deferral' column for the treatment of the Deferred STI.	The deferred securities portion of the STI earned in respect of the year ended 30 June 2016 but deferred until September 2017 and September 2018.	The estimated fair value of 2016 LTI grants made in September 2015. As described on page 102, these vest in September 2018 and September 2019 and are subject to relative TSR and ROE hurdles (as explained in detail on page 103).
Actual Received Illustrates the actual fixed remuneration received this year as well as the value of any deferred awards (including Deferred STI and/or LTI) that vested in this year	As above.	Represents the sum of the Statutory disclosures (below) for cash salary, non monetary benefits and superannuation but excludes the movement in annual leave accrual (which is included as a non monetary benefit in the Statutory table).	As above.	The value of any Deferred STI awards which vested during this financial year. The value shown represents the value at the grant date. The Deferred STI awards which vested in this year were granted in September 2013 and September 2014 and vested in September 2015. The value of security price growth between the grant date and the vesting date and the value of distributions for these awards is included in the security price growth & distributions column.	The value of any LTI which vested during this financial year. The value shown represents the value at the grant date. The LTI which vested in this year were awarded in September 2011 and September 2012. The value of security price growth between the grant date and the vesting date and the value of distributions for these awards is included in the security price growth & distributions column.
Statutory Statutory Remuneration is prepared in accordance with the Australian Accounting Standards	Only shows remuneration for the time the executive was KMP.	The Statutory disclosures include a value for cash salary, non monetary benefits, superannuation and other long term benefits in line with statutory remuneration disclosure requirements. Non monetary benefits also includes the movement in annual leave accrual.	As above.	Represents the accounting expense in respect of any Deferred STI from 2014 and 2015, less an adjustment for any amounts forfeited.	The accounting expense attributed to this financial year for LTI awards made in the 2012, 2013, 2014, 2015 and 2016 financial years.

Remuneration Report continued

Remuneration Awarded by the Board for the Year Ended 30 June 2016

The Remuneration Awarded by the Board to the CEO and Senior Executives in relation to performance this year is set out in the table below. The total STI awarded (being the sum of the Cash STI and deferred STI) reflects the result of the assessment of Group and individual performance from 1 July 2015 to 30 June 2016. The table also shows the STI outcome for each Senior Executive as a percentage of both target and maximum STI opportunity.

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

The amount actually received as a result of these combined awards will not be known until September 2019 when the testing of the LTI performance hurdle is completed, the vesting of STI deferred awards is completed and the value of Lendlease securities is known.

A\$000's¹	SHORT TERM	'AT RISK' – DEFERRED TO FUTURE PERIODS				TOTAL POTENTIAL REMUNERATION	STI OPPORTUNITY		LTI FACE VALUE⁷
Name	Fixed remuneration²	STI cash³	STI DEFERRED SECURITIES TO VEST IN		2016 LTI awards (conditional on future performance)⁴	(Actual value is dependent upon future service and future performance)	% of target STI paid	% of maximum STI paid	Face Value
			Sept 2017	Sept 2018					
Stephen McCann	2,034	1,021	583	583	2,150	6,371	125%	83%	3,087
Tarun Gupta	1,100	611	363	363	500	2,937	135%	90%	718
Denis Hickey	1,507	654	338	338	350	3,187	105%	70%	503
Daniel Labbad	1,280	573	305	305	400	2,863	110%	73%	574
Rod Leaver⁵	1,386	-	-	-	300	1,686	0%	0%	431
Anthony Lombardo	1,040	506	283	283	500	2,612	120%	80%	718
Robert McNamara	1,389	688	375	375	425	3,252	115%	77%	610
Kylie Rampa⁶	920	492	304	304	200	2,220	147%	98%	287

- All executives are paid in local currency but reported in the above table in AUD based on the following 12 month average historic foreign exchange rates: GBP 0.50 (applied to Daniel Labbad), SGD 1.01 (applied to Rod Leaver and Anthony Lombardo), USD 0.73 (applied to Robert McNamara and Denis Hickey).
- Fixed remuneration includes the contractually awarded amount of Total Package Value (including the value of any benefits salary sacrificed) but excluding any allowances or non monetary benefits.
- The STI cash refers to the portion of the STI award for the year ended 30 June 2016 that will be paid in cash in September 2016. As outlined on page 101, the STI cash portion reflects 50% of the STI awarded up to an executive's target STI and one-third of the STI awarded above their target.
- LTI awards were granted on 1 September 2015. The value in the table above reflects the estimated fair value as distinct from the accounting fair value used in the Statutory Disclosures on page 94. The allocation is made on a fair value basis to provide a value per performance security reflective of the target value in the hands of the executives based on an estimate of the impact of the performance hurdles. Further explanation is provided on page 102.
- Rod Leaver was KMP up until 30 April 2016 when he ceased to be Chief Executive Officer, Asia, though he was an employee for the full year. The amounts in the table above represent his total remuneration awarded and are not pro rated for his time as KMP.
- Kylie Rampa became KMP on 1 May 2016 when she was appointed Chief Executive Officer, Property Australia. The amounts in the Awarded table represent the total remuneration awarded upon her appointment to the role and are not pro rated for her time as KMP.
- LTI allocation is made on a fair value basis - refer page 102 for a detailed explanation of the rationale and allocation methodology. Face value is calculated using the security price at the date of grant (A\$15.16).

Actual Remuneration Received in 2016

The table below outlines the Actual Remuneration Received by the CEO and by Senior Executives during the performance year. It is divided into two parts – 2016 Current Year Remuneration and Prior Year Remuneration.

2016 Current Year Remuneration represents fixed remuneration as well as the cash portion of the 2016 STI due to be paid in September 2016. Prior Year Remuneration represents deferred remuneration that was awarded in prior years that was paid or vested this year. The table shows the value of the deferred remuneration at the time it was awarded and separately shows the growth in the value of the remuneration received that is attributable to security price growth and distributions paid.

Actual Remuneration received is different from:

- The Remuneration Awarded by the Board in relation to 2016 performance (which is set out on page 92). Actual Remuneration includes remuneration for this and previous years, whereas the Remuneration Awarded is wholly in respect of the current year; and
- The Statutory Remuneration disclosures (on page 94) which are prepared in accordance with the relevant accounting standards and represent a blend of actual amounts and accounting accruals.

Name	A\$000's ¹	2016 CURRENT YEAR REMUNERATION		PRIOR YEAR REMUNERATION		Total	Security price growth & distributions ⁶	Total including security price growth and distributions
		Fixed remuneration ²	2016 STI cash ³	Value of STI deferred securities at award date ⁴	Value of LTI at award date ⁵			
Stephen McCann		2,060	1,021	1,325	1,345	5,751	1,736	7,487
Tarun Gupta		1,089	611	553	287	2,540	431	2,971
Denis Hickey		1,816	654	614	-	3,084	177	3,261
Daniel Labbad		1,528	573	586	313	3,000	482	3,482
Rod Leaver ⁷		1,482	-	424	350	2,256	496	2,752
Anthony Lombardo		1,358	506	580	295	2,739	466	3,205
Robert McNamara		1,770	688	905	276	3,639	603	4,242
Kylie Rampa ⁸		830	492	301	128	1,751	173	1,924

- All executives are paid in local currency but reported in the above table in AUD based on the following 12 month average historic foreign exchange rates: GBP 0.50 (applied to Daniel Labbad), SGD 1.01 (applied to Rod Leaver and Anthony Lombardo), USD 0.73 (applied to Robert McNamara and Denis Hickey).
- Fixed remuneration includes salary, allowances, non monetary benefits (excluding accrued annual leave expense) and superannuation. The difference between Fixed Remuneration in the Awarded and Actual Received tables for Denis Hickey, Rod Leaver, Anthony Lombardo and Robert McNamara is due to non monetary benefits, and allowances paid as a result of their relocation.
- The STI cash refers to the portion of the STI award for the year ended 30 June 2016 that will be paid in cash in September 2016. As outlined on page 101, the STI cash portion reflects 50% of the STI awarded up to an executive's target STI and one-third of the STI awarded above their target.
- STI deferred securities refers to the amounts deferred in prior years that vested in the current year. This is calculated using the security price at the date of grant. The value for Robert McNamara includes A\$259k in deferred incentives awarded to Mr McNamara in 2012 specifically to support the significant turnaround required in the Americas business. For further information, refer to page 110.
- LTI refers to the LTI awards granted in prior years that vested in the current year. This is calculated using the security price at the time of grant.
- This is calculated as the difference between the face value of the award at date of vesting less the face value at the time of grant plus the value of distributions during the grant to vest period.
- Rod Leaver was KMP up until 30 April 2016 when he ceased to be Chief Executive Officer, Asia, though he was an employee for the full year. The amounts in the table above represent his total remuneration received and are not pro rated for his time as KMP.
- Kylie Rampa became KMP on 1 May 2016 when she was appointed Chief Executive Officer, Property Australia. The amounts in the table represent the total remuneration received and are not pro-rated for her time as KMP.

Remuneration Report continued

b. Remuneration Disclosures continued

Statutory Disclosures – Remuneration of the CEO and Senior Executives for the Years Ended 2016 and 2015

A\$000's ¹	SHORT TERM BENEFITS				POST-EMPLOYMENT BENEFITS	SECURITY BASED PAYMENTS ⁶				
Name	Year	Cash salary ²	STI cash ³	Non monetary benefits ⁴	Superannuation ⁵	LTI equity settled	STI equity settled	Other long term benefits ⁷	Total	
Executive Director										
Stephen McCann	2016	2,015	1,021	26	19	2,006	1,423	30	6,540	
	2015	2,015	1,021	131	19	1,643	1,532	30	6,391	
Senior Executives										
Tarun Gupta	2016	1,064	611	6	19	411	708	16	2,835	
	2015	968	585	-	90	325	613	15	2,596	
Denis Hickey	2016	1,648	654	177	11	296	739	-	3,525	
	2015	1,382	515	148	14	161	509	-	2,729	
Daniel Labbad	2016	1,306	573	65	179	373	717	-	3,213	
	2015	1,382	575	194	169	319	616	16	3,271	
Anthony Lombardo	2016	1,288	506	54	16	413	559	15	2,851	
	2015	981	495	49	19	328	598	15	2,485	
Robert McNamara	2016	1,389	688	420	8	372	745	-	3,622	
	2015	1,334	564	132	7	311	820	-	3,168	
Kylie Rampa ⁸	2016	135	82	-	3	33	78	2	333	
Former Executives										
Rod Leaver ⁹	2016	1,236	-	70	-	668	(83)	-	1,891	
	2015	1,448	409	23	-	307	379	-	2,566	
David Saxelby ¹⁰	2015	767	554	38	13	582	307	11	2,272	

- All executives are paid in local currency but reported in the above table in AUD based on the following 12 month average historic foreign exchange rates: GBP 0.50 (applied to Daniel Labbad), SGD 1.01 (applied to Rod Leaver and Anthony Lombardo), USD 0.73 (applied to Robert McNamara and Denis Hickey).
- Cash salary includes the payment of cash allowances such as housing and motor vehicle allowance and holiday pay on termination.
- STI cash refers to the portion of the STI award for the year ended 30 June 2016 that will be paid in cash in September 2016. As outlined on page 101, the STI cash portion reflects 50% of the STI awarded up to an executive's target STI and one-third of the STI awarded above their target.
- Non monetary benefits may include items such as car parking, relocation and expatriate benefits (such as house rental, health insurance, shipping of goods and tax return preparation) motor vehicle costs, travel benefits and annual leave.
- Superannuation includes the value of pension contributions for non Australian based executives (previously disclosed as non monetary benefits).
- The amounts for security based payments reflect the accounting expense on a fair value basis. The LTI is based on the accounting fair value at the date of grant.
- Other long term benefits represent the accrual of long term leave entitlements (e.g. long service leave).
- Kylie Rampa became KMP on 1 May 2016 when she was appointed Chief Executive Officer, Property Australia. The information for the current year reflects her remuneration for the time she was KMP being the period 1 May 2016 to 30 June 2016.
- Rod Leaver was KMP up until 30 April 2016 when he ceased to be Chief Executive Officer, Asia. The information for the current year reflects his remuneration for the time he was KMP being the period 1 July 2015 to 30 April 2016. The security based payments expense for the current period has been recalculated, in line with accounting standards, to reflect full entitlement to the unvested securities (but still subject to the original vesting conditions) through to the anticipated date on which Rod Leaver ceases to provide services to the Group.
- David Saxelby was KMP until 17 March 2015 and ceased employment with the Group on 4 September 2015.

Reconciliation of 2016 Statutory Remuneration with Actual Remuneration Received for the CEO

The following table shows the difference between the CEO's Actual Remuneration Received (page 93) and the Statutory Remuneration disclosure (page 94).

Description	A\$000's	Vesting year ¹
2016 Total Actual Remuneration Received	7,487	
Less 2012 LTI vesting	(1,270)	2016
Less 2013 LTI vesting	(1,364)	2016
Less Deferred STI vesting	(1,772)	2016
Accrued annual leave and long service leave expense	30	
2014 & 2015 STI award – deferred securities component	1,423	2017 and 2018
LTI awards – Accounting expense:		
• 2010/2011 LTI	19	2016
• 2011/2012 LTI	145	2016 and 2017
• 2012/2013 LTI	633	2017 and 2018
• 2013/2014 LTI	693	2018 and 2019
• 2014/2015 LTI	516	2019 and 2020
Total remuneration (statutory disclosures)	6,540	

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

Remuneration Report continued

c. Remuneration Governance

Robust governance is a critical part of Lendlease's approach to executive remuneration.

Board

The Board has overall responsibility for executive remuneration at Lendlease. The Board assesses the performance of, and determines the remuneration outcome for, the CEO.

People and Culture (P&C) Committee

The Committee's agenda reflects the importance of human capital to the Group's strategic and business planning and it assists the Board in establishing appropriate policies for people management and remuneration across the Group. The Committee's scope is as follows;

- The P&C Committee assists the Board in determining executive remuneration at Lendlease. In making recommendations to the Board, the P&C Committee has unrestricted access to Senior Management and Company records and obtains independent advice from outside experts.
- The P&C Committee consults with securityholders and other stakeholders.
- The P&C Committee approves the assessment of performance against KPIs and the final STI outcomes for Senior Executives (after considering the recommendations of the CEO).
- The P&C Committee met five times in 2016 and consists only of independent Non Executive Directors:
J S Hemstritch – Chairman
C B Carter – Member
D J Ryan – Member
- In addition, the Risk Management and Audit Committee provides expertise in ensuring that Lendlease's remuneration arrangements appropriately incorporate risk within the context of Lendlease's broader risk management framework.

Management

Management makes recommendations to the P&C Committee in relation to developing and implementing the Executive Reward Strategy and structure. The CEO also provides his recommendations on fixed pay and STI performance outcomes for his direct reports.

Independent Remuneration Advisor (PwC)

The Board has appointed PwC as its independent remuneration advisor. Strict governance protocols were observed to ensure PwC's advice to the P&C Committee was made free from undue influence by KMP. During the year, PwC did not provide a remuneration recommendation as defined in section 9B of the Corporations Act 2001.

PwC provided advice on aspects of the remuneration of the KMP including commentary on positioning of the CEO, Senior Executives' and Non Executive Director remuneration against the market.

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

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

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

Setting Remuneration Levels

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

Remuneration is reviewed annually by the P&C Committee for the CEO and Senior Executives (or during the year if there are any role changes or new executive appointments). Strict governance guidelines are followed, as outlined on page 96.

Peer group and primary sources of data	<p>The P&C Committee typically uses a number of sources for benchmarking CEO and Senior Executive remuneration including:</p> <ul style="list-style-type: none"> • Data provided by the Board's remuneration advisor, PwC, about remuneration delivered to similar type roles in companies of a similar size. <ul style="list-style-type: none"> – for Australian based executives, we refer to companies listed on the ASX that are ranked between 26 and 75 by market capitalisation (excluding companies domiciled overseas and property trusts where management is not typically employed by the trust). Consideration is also given to comparable roles in ASX listed companies with similar revenues. – relevant local comparator groups for executives based in other countries. • Publicly available data for comparable roles at peer organisations in Australia (including CIMIC (formerly Leighton), Mirvac and Stockland); and • Published remuneration surveys, remuneration trends and other data sourced from Mercer, Aon Hewitt, FIRG, Hay Group, Ernst & Young, Avdiev and others.
Market positioning	<p>Fixed remuneration is set with reference to the market median and 75th percentile. The positioning will depend upon the specific nature of the role, the individual's performance and the overall remuneration mix.</p> <p>The remuneration outcomes for each Senior Executive will also take into consideration the target remuneration mix under the Executive Reward Strategy (as set out on page 98).</p>
Application of data to Lendlease CEO and Senior Executives	<p>The P&C Committee has applied a number of principles when applying remuneration benchmarks to Lendlease roles. These principles include:</p> <ul style="list-style-type: none"> • Understanding the relative size, scale and complexity of the organisations in the data set (to ensure a fair comparison is made to organisations with similar global breadth and operational complexities as Lendlease); • Understanding the relative size, scale and complexity of the roles in the data set; • Recognising an individual's tenure, position, experience and performance; • Differentiating risk profiles between roles when reviewing pay mix; • Considering key talent including an emphasis on where we source talent from and where we lose talent to; and • Considering internal relativities, role and/or person criticality and key talent and succession risk. <p>In addition to the above, when setting remuneration levels, the P&C Committee takes into account Group and regional performance and the positioning of the Lendlease Executive relative to the market.</p>

Remuneration Report continued

c. Remuneration Governance continued

Remuneration Mix

Securityholder alignment and longer term focus through significant incentive deferral

The remuneration mix is structured so that a substantial portion of remuneration is delivered as Lendlease securities through either Deferred STI or LTI. This, along with the Mandatory Securityholding requirement (set out on page 99), ensures that the interests of executives are aligned with securityholders. In the case of the CEO in 2016, more than half of his remuneration is delivered as Lendlease securities over a period of up to four years. As shown below, the Remuneration Awarded (refer page 92) to Senior Executives is delivered over a period of up to four years, over which time the Senior Executive is exposed to movements in the security price on any deferred amounts.

Year 1	Year 2	Year 3	Year 4	Year 5 and beyond
Fixed remuneration				
Cash STI				
Deferred STI for 1 year				
Deferred STI for 2 years				
LTI 3 year performance period				
LTI 4 year performance period				

The CEO and Senior Executives must maintain a holding of Lendlease securities until the Mandatory Securityholding requirement is achieved

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

The remuneration framework consists of three different components – fixed remuneration, Short Term Incentives and Long Term Incentives. The relative weighting of each component is referred to as the 'remuneration mix'.

The Executive Reward Strategy provides for a target remuneration mix which links remuneration outcomes to the execution of business strategy over the short (one year), medium (two to three years) and long (three to four years) term. The target remuneration mix for FY16 for the Group CEO is shown below, as well as an indicative range for Senior Executives.

Percentage of Total Target Remuneration

	Fixed Remuneration (annual)	STI cash	Deferred STI (Delivered as deferred securities vesting one and two years from grant)	LTI (vesting three and four years from grant)
Group CEO	34%	15%	15%	36%
Senior Executives	40% – 55%	20% – 25%	20% – 25%	20%

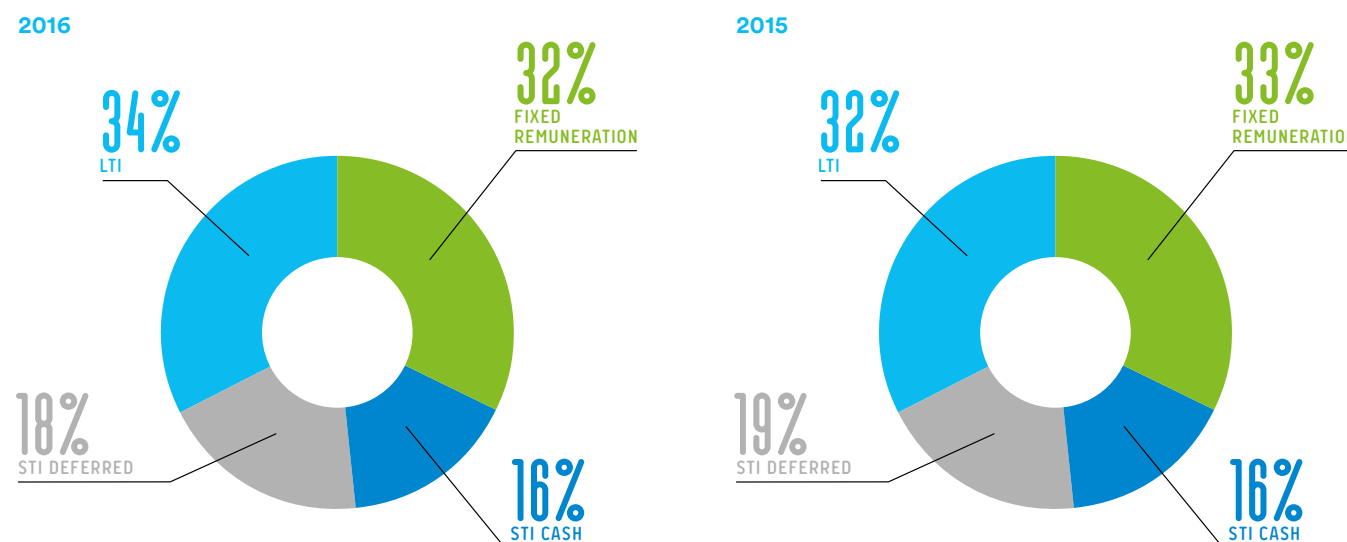
The remuneration mix percentages above reflect the desired remuneration mix for the CEO and Senior Executives. To the extent that any Senior Executive is not currently paid in line with this preferred remuneration mix, it is intended that future adjustments to remuneration will be made so as to, over a period of time, move the Senior Executive toward the desired remuneration mix (while taking into account the market benchmarking outlined on page 97). Market adjustments in 2016 have been focused on moving Senior Executives towards this desired remuneration mix and substantial progress has been made in this area.

The Board has continued to shift the mix of total target remuneration towards LTI, and for the CEO, LTI has increased from 35% in FY15 to 36% in FY16.

Further, the remuneration mix based on Remuneration Awarded (set out on page 92) may be different to the target remuneration mix (shown above) based on performance in the current year.

CEO Remuneration Mix

The charts below illustrate the percentage of the CEO's total remuneration awarded that is made up of fixed remuneration, STI (both cash and deferred) and LTI, for 2015 and 2016.



Mandatory Securityholding

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

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

- The CEO – the requirement is 150% of Total Package Value (TPV); and
- Senior Executives – the requirement is 100% of TPV or 100% of base salary for Senior Executives outside of Australia.

The mandatory holding for each Senior Executive is outlined below. The number of securities decreased in 2016 as a result of the increased security price when the mandatory holding was last reviewed in August 2015.

Executive	Total number of securities held by the Senior Executive as at 30 June 2016	Number of securities required under the Mandatory Securityholding as at 30 June 2016
Stephen McCann	827,194	195,000
Tarun Gupta	116,850	70,000
Denis Hickey	26,271	87,000
Daniel Labbad	161,139	79,000
Anthony Lombardo	247,308	67,000
Robert McNamara	340,749	80,000
Kylie Rampa	–	N/A ¹

1. Mandatory Securityholding requirements are reviewed in August each year. Mandatory Securityholding requirements for Kylie Rampa will be set for the first time in August 2016.

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

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

For Senior Executives who are based outside of Australia it is required that they should achieve the mandatory holding requirement within six years of their appointment as KMP.

Remuneration Report continued

d. How Rewards are Linked to Performance

Short Term Incentives (STI)

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

STI design	How the STI works
Overview	<ul style="list-style-type: none"> STI awards are only provided where executives perform well against their individual scorecard of Key Performance Indicators (KPIs), leadership capabilities, values and leadership behaviors. The KPIs include financial, strategic and operational goals. The Lendlease leadership capabilities include health and safety, sustainability and diversity. Combined, the STI rewards both 'what' is achieved as well as 'how' it is achieved. The funding model ensures a robust link between individual outcomes and Group performance to encourage all executives to think about both Group and individual goals. A significant portion of a Senior executive's STI is delivered as deferred securities. This encourages Senior Executives to deliver sustainable performance and aligns the interests of executives and securityholders.
STI funding	<ul style="list-style-type: none"> The pool of funds available to reward executives under the STI plan is determined by direct reference to Group financial performance and, where relevant, regional financial performance. Pool funding levels are set by the Board and correspond to threshold, target and stretch levels of PAT achievement. In determining the pool of funds available, the Board also considers the overall financial health of Lendlease including the sustainability of earnings. Typically, if profit performance is above target, sufficient funds will be available to pay awards above target. Payments to individual executives are generally limited to 150% of their STI target, however a payment above 150% of target may be made if the Group has performed at a level in excess of target and the executive has made a significant contribution to the result. Conversely, if PAT performance is below target, average STI awards will be below target. The CEO's and Senior Executives' awards will be determined based on their overall performance rating and contribution, relative to other executives.
STI targets	<ul style="list-style-type: none"> STI is based on 'target opportunities' which are set using the remuneration mix outlined on page 98. The CEO and Senior Executives receive notification of a target STI opportunity annually. The minimum possible STI outcome is zero and the maximum STI outcome is generally limited to 150% of the CEO's and Senior Executives' target STI opportunity. However, a payment above 150% of target may be made if the Group has performed at a level in excess of target and the Senior Executive has made a significant contribution to the result. For a Senior Executive to earn a bonus at 150% of target or above, outstanding individual performance must be coupled with above target financial performance by the Group and relevant region.
STI Key Performance Indicators	<ul style="list-style-type: none"> STI outcomes are based on performance during the financial year, primarily measured through the use of the CEO and Senior Executive scorecards. The CEO and Senior Executive scorecards consist of measures relating to financial performance, people, strategy formulation and execution, and management and operational excellence. These KPIs flow from Lendlease's short, medium and long term strategic and business goals. The CEO 2016 scorecard (approved by the Board) and performance against the scorecard is set out in summary on pages 88 and 89. Senior Executives are subject to a similar scorecard reflecting Group or regional goals as appropriate. Financial measures focus on PAT, cash flow and capital management. Non financial measures include achievement of strategic and operational excellence objectives as well as the successful implementation of safety and people leadership goals. Lendlease is committed to the safety and wellbeing of all of its employees. Rather than have a specific safety objective (with a specific weighting), safety is a specific outcome that the Board takes into account in assessing the overall performance of the CEO and each Senior Executive. While it is not structured formulaically or as a 'gateway' measure, expectations are clearly communicated to the CEO and Senior Executives that poor safety outcomes may lead to reduction in STI outcomes for the year. The P&C Committee also assesses each Senior Executive against Lendlease's defined leadership capabilities (including safety, sustainability and diversity), values and behaviours. In this way, the STI rewards 'what' is achieved as well as 'how' it is achieved.

STI design

How the STI works

How the STI is delivered	<ul style="list-style-type: none"> The actual STI award is delivered as a mix of cash and Deferred STI. The Deferred STI may be settled in Lendlease securities or in cash as determined by the Board. The significant portion (at least 50%) delivered as Deferred STI encourages executives to deliver sustainable performance. For STI awards up to 'target', 50% of the STI awarded is paid in cash in September following the performance year. The remaining 50% is deferred. 50% of the deferred portion (i.e. 25% of the total award) vests one year after the grant and the other half of the deferred portion vests after two years. For 'above target' STI awards, the above target portion is delivered one-third as cash and two-thirds deferred on the same basis as set out above. Distributions are not paid on any unvested Deferred STI for the CEO and Senior Executives. In calculating the value of the amount of Lendlease securities or cash provided on vesting of any Deferred STI, the value of any distributions made during the vesting period is taken into consideration. The Board's current intention is to deliver Deferred STI as Lendlease securities and Lendlease intends to purchase securities on market around September each year to satisfy these awards. Deferred STI awards are held in an employee share plan trust until vesting.
Malus	<ul style="list-style-type: none"> The Board has the discretion to forfeit part or all of any unvested Deferred STI awards prior to their vesting where it transpires that the award(s) would provide a participant with a benefit that was unwarranted, or inappropriate. It is anticipated that this will only be exercised in exceptional circumstances, including where the Board, acting reasonably, determines that: <ul style="list-style-type: none"> There has been a material misstatement in the Group's consolidated financial statements or those of any company in the Group including any misstatement which may be required to be disclosed to the ASX or any relevant regulator or other authority; or The participant has engaged in misconduct, or other dereliction of duty (whether or not that misconduct or dereliction of duty would warrant summary dismissal), which the Board reasonably considers either has had, or may have, a serious impact for the Group or the relevant Group entity, whether financial, reputational, operational or otherwise. The Board will be entitled to consider whether it is appropriate to exercise this discretion in respect of awards for all participants in a particular plan, in a region, in a business, in a team or for specified participants only. In considering the best interests of the Group, the Board would be required to take into account relevant information including: <ul style="list-style-type: none"> The individual's level of responsibility, accountability and influence for the incident or event; The quantum of any actual loss or damage; Whether the Group's directions, policies or practices have been breached; Whether any known information at the time of the action or inaction was deliberately withheld; and Any other circumstances the Board considers relevant to an assessment of the participant's conduct and the seriousness of its impact for the Group. The Board may delay vesting of any unvested Deferred STI in the event it is reviewing whether to exercise discretion to reduce or forfeit unvested awards: <ul style="list-style-type: none"> The CEO may exercise discretion under this policy in lieu of the Board for participants who are not Senior Executives. Where such discretion is exercised by the CEO, the CEO will notify the Board.
Termination	<ul style="list-style-type: none"> Malus provisions work alongside the existing provisions in the Deferred STI terms that allow the Board to adjust unvested awards on termination of employment. In particular: <ul style="list-style-type: none"> If an employee is terminated for fraud or other serious misconduct, unvested deferred securities will lapse; Where an employee is terminated for poor performance, the Board can adjust the number of unvested deferred securities at the time of termination; and Deferred STI awards are forfeited by the individual if they resign or are terminated for cause during the vesting period. For 'good leavers', the Deferred STI grant may remain on foot until the original vesting date, subject to the original terms. In exceptional circumstances (such as death or total and permanent disability), the Board may exercise its discretion and pay the award at the time of termination of employment.
Mandatory Securityholding	<ul style="list-style-type: none"> Mandatory Securityholdings for the CEO and other Senior Executives will be accumulated as grants of Deferred STI awarded from September 2012 begin to vest.
Hedging	<ul style="list-style-type: none"> Deferred STI awards are subject to the Securities Trading Policy, which prohibits executives from entering into any type of 'protection arrangements' (including hedging, derivatives and warrants).

Remuneration Report continued

d. How Rewards are Linked to Performance continued

Long Term Incentives (LTI) (current year)

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

The LTI plan was reviewed in 2013 as part of the comprehensive review of the Executive Reward Strategy. In this section, we summarise the key features of the 2016 LTI plan (granted September 2015). The same features applied to the 2015 plan (granted September 2014) and the 2014 plan (granted September 2013). Following this table, we have also included a summary of the key features of the 2012 and 2013 LTI plans.

The key features of the 2016 plan (granted September 2015) are:

LTI design

How the LTI works

Overview

- LTI awards are designed to reward executives for delivering on Lendlease's long term strategy and for delivering sustained long term securityholder value.
- LTI awards align the interests of Senior Executives and securityholders because of the Senior Executives' exposure to the Lendlease security price and through performance measures strongly tied to securityholder value.
- This year's LTI will vest half against a relative Total Shareholder Return (TSR) hurdle and half against a Return on Equity (ROE) hurdle.
- Half of the LTI for each performance measure is tested after three years and half after four.
- Relative TSR is measured against the S&P/ASX 100 companies.
- ROE is measured against an absolute measure with progressive vesting when average ROE over the performance period is between 11% and 15%.

Performance securities

- An annual grant of 'performance securities' is made to a limited number of executives.
- The allocation is made on a fair value basis to provide a value per performance security more reflective of the target value in the hands of the executives. The fair value is based on an estimate of the impact of the performance hurdles. For the TSR portion of the LTI, a discount of 35% is applied. 25% is applied to the ROE portion. This discount was determined to be appropriate after the Board took extensive advice by external valuation experts. Importantly, when Lendlease introduced the fair value allocation methodology in 2014, the dollar value into which the fair value was divided was reduced by a similar discount to ensure there was no windfall gain to the Senior Executives.
- The Board intends that the awards be settled in Lendlease securities, although the award may be settled in cash or other means at the Board's discretion.

Performance period

- 50% of the performance securities are assessed over a three year period. If the hurdle is not fully achieved at this time, those performance securities that have not vested will lapse.
- The remaining 50% of the performance securities are assessed after four years.
- There is no retesting on any portion of the LTI grant. If the performance hurdle is not met at the time of testing, the awards are forfeited.
- This performance period was chosen as the Board believes that the time frame appropriately reflects a balance between reward that motivates executives while reflecting the long term 'tail' of profitability and risk associated with 'today's decisions'.

LTI design

Performance hurdle

- For performance securities granted after 1 September 2013 (the 2014 plan), the award is 50% subject to Lendlease's Total Securityholder Return (TSR) compared to the companies in the S&P/ASX 100 Index and 50% subject to Return on Equity (ROE).

Relative TSR

The vesting schedule is

Relative TSR percentile ranking	Percentage of performance securities that vest if the Relative TSR hurdle is met
Below the 50th percentile	No vesting
At the 50th percentile	50% vesting
At or above the 51st percentile but below the 75th percentile	Pro rata vesting on a straight line basis between 52% and 98%
At the 75th percentile or greater	100% vesting

- Relative TSR was selected as the performance measure to link LTI awards to the delivery of superior (i.e. above median) securityholder returns relative to the S&P/ASX 100 companies over the performance period. This method was chosen after consultation with securityholders. The S&P/ASX 100 companies are determined at the start of the performance period.

Return on Equity

This is an absolute measure. The vesting schedule is

Average Return on Equity over the performance period	Percentage of performance securities that vest if the ROE hurdle is met
Less than 11%	No vesting
11%	25% vesting
Above 11% but below 15%	Pro rata vesting on a straight line basis between 25% and 100%
15% or greater	100% vesting

- The above performance hurdles were chosen for the LTI after a detailed review in 2013, including extensive consultation with securityholders and other stakeholders. The Board believes that these measures, when combined with the STI scorecards, the vesting periods for Deferred STI and LTI and the Mandatory Securityholding requirements provides the most suitable link to long term securityholder value creation because:
 - The use of Relative Total Shareholder Return ensures that the CEO and Senior Executives are motivated to deliver returns that are superior to what a securityholder could achieve in the market and ensures management maintain a strong focus on securityholder outcomes; and
 - Return on Equity reflects the capital intensive nature of Lendlease's activities and is an important long term measure of how well the management team generates acceptable earnings from capital invested and rewards for decisions in respect of developing, managing, acquiring and disposing of assets. The ROE measure was chosen after extensive analysis of our business strategy, business mix, market conditions, internal forecasts, market consensus and the costs of capital.
- The Group's currently stated ROE target is 11-15%. The Board is comfortable that the vesting range provides a realistic goal at the lower end (in the context of generally lower risk-free rates of return and bearing in mind that only 25% vests on achievement at the low end of the range) and a realistic stretch at the upper end.
- The hurdles are reviewed annually by the Board and the Board continues to believe that the ROE range will drive outperformance without incentivising excessive risk taking. The Board also has governance protocols in place to monitor levels of net debt and is conscious of the impact that debt can have on the ROE result.
- While the Board appreciates that there are at times different views held by different stakeholders, we believe that these measures provide the appropriate balance between market and non market measures.

Distributions

- Distributions are not paid on unvested performance securities.
- In calculating the value of the awards which vest, the value of any distributions made during the vesting period is taken into consideration.

Malus

- The Board may adjust the number of performance securities downwards prior to the date of vesting in the case of a material misstatement of the Group's financial accounts.
- The Board may adjust the number of LTI awards downwards where the Board reasonably determines that delivery of part or all of an LTI award would result in the Senior Executive receiving an inappropriate or unwarranted benefit (having regard to their personal performance, the performance of the Group and all other benefits they have received).

Termination of employment

- If the executive resigns or is terminated for cause, the unvested LTI is forfeited.
- If the executive is terminated for poor performance, the Board can adjust unvested LTI prior to the vesting date.
- For 'good leavers', the LTI grant may remain on foot subject to the original performance hurdle.
- In exceptional circumstances (such as death or total and permanent disability), the Board may exercise its discretion and pay the award at the time of termination of employment.

Mandatory Securityholding

- Mandatory Securityholdings for the CEO and Senior Executives will be accumulated when LTI awards begin to vest.

Hedging

- Pre-vesting hedging is prohibited.
- Unvested LTI grants will also be forfeited if an executive enters into a prohibited pre-vesting hedging arrangement in relation to their LTI awards.

Remuneration Report continued

d. How Rewards are Linked to Performance continued

Prior Year LTI Awards (2012 plan and 2013 plan)

The key features of the the 2012 plan (granted 1 September 2011) and the 2013 plan (granted 1 September 2012) are summarised below.

LTI design	How the LTI works										
Performance securities	<ul style="list-style-type: none"> An annual grant of 'performance securities' is made to a limited number of executives. The Board intends that the awards be settled in Lendlease securities, although the award may be settled in cash or other means at the Board's discretion. On vesting, each performance security entitles executives to one Lendlease security, or at the Board's discretion, cash or other instruments of equivalent value. 										
Performance hurdle	<ul style="list-style-type: none"> The performance hurdle is Lendlease's Total Securityholder Return (TSR) compared to the companies in the S&P/ASX 100 Index. The S&P/ASX 100 companies are determined at the start of the performance period. The vesting schedule is: <table> <tr> <th>Relative TSR percentile ranking</th><th>Percentage of performance securities that vest if the Relative TSR hurdle is met</th></tr> <tr> <td>Below the 50th percentile</td><td>No vesting</td></tr> <tr> <td>At the 50th percentile</td><td>50% vesting</td></tr> <tr> <td>At or above the 51st percentile but below the 75th percentile</td><td>Pro rata vesting on a straight line basis between 52% and 98%</td></tr> <tr> <td>At the 75th percentile or greater</td><td>100% vesting</td></tr> </table> Relative TSR was selected as the performance measure to link LTI awards to the delivery of superior (i.e. above median) securityholder returns relative to the S&P/ASX 100 companies over the performance period. This method was chosen after consultation with securityholders. 	Relative TSR percentile ranking	Percentage of performance securities that vest if the Relative TSR hurdle is met	Below the 50th percentile	No vesting	At the 50th percentile	50% vesting	At or above the 51st percentile but below the 75th percentile	Pro rata vesting on a straight line basis between 52% and 98%	At the 75th percentile or greater	100% vesting
Relative TSR percentile ranking	Percentage of performance securities that vest if the Relative TSR hurdle is met										
Below the 50th percentile	No vesting										
At the 50th percentile	50% vesting										
At or above the 51st percentile but below the 75th percentile	Pro rata vesting on a straight line basis between 52% and 98%										
At the 75th percentile or greater	100% vesting										
Performance period	<ul style="list-style-type: none"> 50% of the performance securities are assessed over a three year period. If the hurdle is not fully achieved at this time, those performance securities that have not vested will lapse. The remaining 50% of the performance securities are assessed after four years. There is no opportunity to retest any portion of the LTI grant. If the performance hurdle is not met, the awards are forfeited. 										
Distributions	<ul style="list-style-type: none"> Distributions are not paid on unvested performance securities. In calculating the value of the awards which vest, the value of any distributions made during the vesting period is taken into consideration. 										
Malus	<ul style="list-style-type: none"> For performance securities allocated after 1 July 2012, the Board may adjust the number of performance securities downwards prior to the date of vesting in the case of a material misstatement of the Group's financial accounts. 										
Termination of employment	<ul style="list-style-type: none"> If the executive resigns or is terminated for cause, the unvested LTI is forfeited. If the executive is terminated for poor performance, the Board can adjust unvested LTI prior to the vesting date. For 'good leavers', the LTI grant may be pro rated upon termination of employment and remain on foot subject to the original performance hurdle. In exceptional circumstances (such as death or total and permanent disability), the Board may exercise its discretion and pay the award at the time of termination of employment. 										
Mandatory Securityholding	<ul style="list-style-type: none"> Mandatory Securityholdings for the CEO and Senior Executives will be accumulated when LTI awards granted from September 2012 begin to vest. 										
Hedging	<ul style="list-style-type: none"> Unvested LTI grants will also be forfeited if an executive enters into a prohibited pre vesting hedging arrangement in relation to their LTI awards. 										

LTI Performance

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

2012 Award

The 2012 LTI award vested subject to Relative TSR performance over a three and four year period (50% each).

The three year tranche (ie. 50% of the 2012 LTI award) was tested in the prior year (in September 2014). 98% vested (i.e. 49% of the total 2012 LTI award).

The four year tranche (ie. 50% of the 2012 LTI award) was testing during this year (in September 2015). 100% vested (ie. 50% of the total 2012 LTI award).

2013 Award

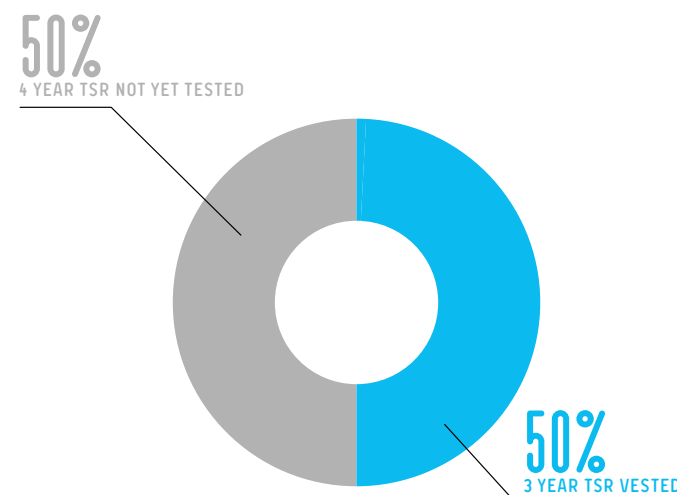
The 2013 LTI award vests subject to Relative TSR performance over a three and four year period (50% each).

The three year tranche (ie. 50% of the 2013 LTI award) was tested during this year (in September 2015). 100% vested (i.e. 50% of the total 2013 LTI award).

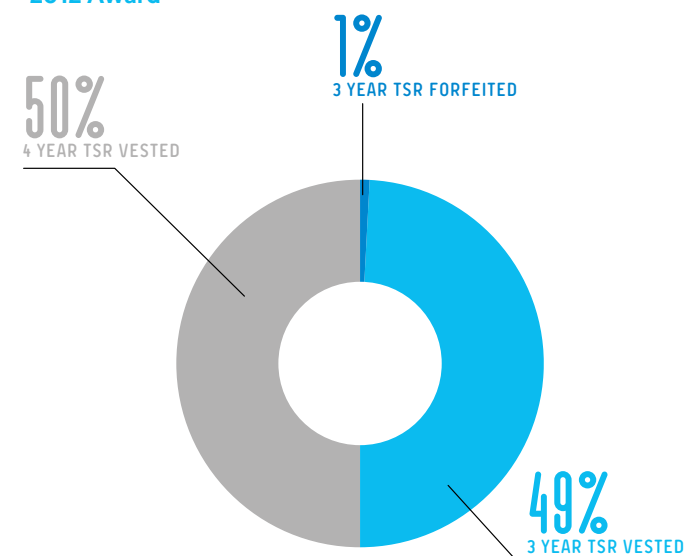
The four year tranche (ie. 50% of the 2013 LTI award) will be tested in September 2016.

The charts below outline the total hurdle achievement for the 2012 and 2013 LTI awards as at 30 June 2016.

2013 Award



2012 Award



Remuneration Report continued

d. How Rewards are Linked to Performance continued

How Risk Management is Incorporated into Executive Reward

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

Remuneration	How risk management is incorporated into the remuneration component
STI	<ul style="list-style-type: none"> The total value of STI awards is strongly linked to PAT and there are limits on the total incentive pool and individual STI payments. In determining the total incentive pool amount, the Board also considers the overall financial health of Lendlease and the sustainability of earnings. STI outcomes are based on performance and are determined based on a scorecard of financial and non financial KPIs. These KPIs are structured as 'building blocks' to achieve Lendlease's short, medium and long term strategic and business goals. STI outcomes are modified based upon an assessment of the executive against Lendlease's defined leadership capabilities (including safety, sustainability and diversity), values and behaviours. In this way, the STI rewards 'what' is achieved as well as 'how' it is achieved. A significant portion (at least 50%) of the actual STI award is retained and deferred into securities. In this way, executives continue to be incentivised to drive performance and are exposed to movements in the Lendlease security price. STI awards are subject to a malus clause which enables the Board to adjust downwards the Deferred STI that vests to an individual in certain circumstances. This provision operates alongside existing provisions in the Deferred STI terms that allow the Board to adjust unvested awards on termination of employment. In particular: <ul style="list-style-type: none"> If an employee is terminated for fraud or other serious misconduct, unvested deferred securities will lapse; and Where an employee is terminated for poor performance, the Board can adjust the Deferred STI at the time of termination.
LTI	<ul style="list-style-type: none"> 50% of the LTI is assessed over a three year period and 50% is assessed over a four year period. There is no retesting. As performance is assessed based on a combination of Relative TSR and ROE, any adverse financial, reputational or other events that could occur over the vesting period should be reflected in the number and value of LTI performance securities that ultimately vest. Malus provisions apply to unvested LTI awards from 1 July 2012, with broader discretions applying on awards issued from July 2013 (see pages 103 to 104).
Mandatory Securityholding	<ul style="list-style-type: none"> Executives are subject to a Mandatory Securityholding Policy that requires the CEO and Senior Executives to accumulate and maintain a holding of Lendlease securities. This encourages the CEO and Senior Executives to take a long term perspective when making decisions and strengthens alignment with securityholders.

e. Executive Contracts

CEO Contract

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

Fixed remuneration	The contract provides for fixed remuneration of A\$2,034,000, which includes superannuation. There has been no change to the CEO's fixed remuneration since this contract was agreed on 1 September 2013.	
Incentives	STI and LTI plan participation is at the Board's discretion. The CEO's target STI for 2016 was A\$1,750,000 and target LTI for 2016 was A\$2,150,000 (with the number of awards determined on a fair value basis). This results in a target 2016 remuneration package of A\$5,934,000.	
Notice periods	The contract has no fixed term. The notice periods under the contract are as follows:	
	Notice by CEO	6 months
	Notice by Lendlease	12 months
	Payment in lieu of notice	Where the CEO is not employed for the full period of notice, a payment in lieu of notice may be made. The payment in lieu of notice includes pro rata fixed remuneration and the cash value of statutory entitlements and benefits.
	Non compete period	12 months
	Non solicitation period	12 months
	Treatment of incentives	The CEO may continue to receive an STI award for the latest financial year based on assessment of his performance by the Board. LTI awards will be treated in accordance with the plan rules at that time. Deferred STI awards will remain on foot in certain mutually agreed termination circumstances.

Senior Executives' Contracts

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

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

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

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

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

Securities Trading Policy

The Lendlease Securities Trading Policy applies to all employees of the Lendlease Group. In accordance with the policy, Directors and Executives may only deal in Lendlease securities during designated periods. Directors and Executives must not enter into transactions or arrangements that operate to limit the economic risk of unvested entitlements to Lendlease securities. No Director or Executive may enter into a margin loan arrangement in respect of Lendlease securities.

Remuneration Report continued

f. Non Executive Directors' Fees

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

The maximum aggregate remuneration payable to Non Executive Directors is A\$3.5 million per year, as approved at the 2015 Annual General Meeting.

Board and Committee Fees

	Board	Nomination Committee	People and Culture Committee	Risk Management and Audit Committee	Sustainability Committee
Chair fee A\$	640,000	36,000	48,000	48,000	36,000
Member fee A\$	160,000	Nil	36,000	36,000	20,000

During the year the Board reviewed the fees payable to Non Executive Directors having regard to commentary on market positioning provided by PwC. The Board determined that the fees payable to the Chair and Members of the Sustainability Committee should be aligned with those paid to the Chair and Members of the People and Culture Committee and the Risk Management and Audit Committee. This change recognises the similar workload requirements, complexity and importance of each Committee to Lendlease. The change will be effective from 1 July 2016.

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

	Fee (each way) A\$
Travel less than 4 hours	Nil
Travel between 4 and 10 hours	2,800
Travel over 10 hours	6,000

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

Remuneration of Non Executive Directors for the Years Ended 2016 and 2015

A\$000s	Year	SHORT TERM BENEFITS			POST EMPLOYMENT BENEFITS			Total
		Base fees	Committee chair fees	Committee membership fees	Travel fees	Superannuation ¹		
D A Crawford	2016	640	-	-	48	19		707
	2015	640	-	-	41	19		700
C B Carter	2016	160	36	56	48	19		319
	2015	160	36	56	35	19		306
P M Colebatch	2016	160	-	36	59	19		274
	2015	160	-	36	84	19		299
S B Dobbs	2016	160	-	56	66	19		301
	2015	80	-	-	39	-		119
J S Hemstritch	2016	160	48	-	48	19		275
	2015	160	48	-	35	19		262
D J Ryan	2016	160	48	36	48	19		311
	2015	160	48	36	41	19		304
M J Ullmer	2016	160	36	36	48	19		299
	2015	160	36	36	41	19		292
N M Wakefield Evans	2016	160	-	56	48	19		283
	2015	160	-	20	41	21		242
D P Craig ²	2016	53	-	12	12	7		84

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

2. D P Craig was appointed to the Board and as a member of the Risk Management and Audit Committee in March 2016.

g. Equity Based Remuneration

Deferred Securities

In 2016, deferred STI awards were granted to the CEO and Senior Executives based on the value of the 2015 STI award that was deferred. Half of the deferred STI awarded will vest after one year and half after two years (or over years one, two and three in the case of the CEO's award in 2013), subject to the CEO and Senior Executives continuing in employment to the date of vesting.

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

Name	Plan	STI award performance year	Grant date	Vesting date	Number granted	Fair value per deferred security ¹ A\$	Total fair value at grant date ^{1,2} A\$	Expense for the year ended 30 June 2016 A\$	% Vested	% Forfeited
Stephen McCann	Deferred STI	2013	1/09/2013	1/09/2015	76,180	8.97	683,335	-	100%	-
	Deferred STI	2013	1/09/2013	1/09/2016	76,180	8.97	683,335	227,778	-	-
	Deferred STI	2014	1/09/2014	1/09/2015	47,414	13.53	641,511	-	100%	-
	Deferred STI	2014	1/09/2014	1/09/2016	47,414	13.53	641,511	320,756	-	-
	Deferred STI	2015	1/09/2015	1/09/2016	43,304	13.47	583,171	583,171	-	-
	Deferred STI	2015	1/09/2015	1/09/2017	43,304	13.47	583,171	291,585	-	-
Total					333,796		3,816,034	1,423,290		
Tarun Gupta	Deferred STI	2013	1/09/2013	1/09/2015	24,236	8.97	217,397	-	100%	-
	Deferred STI	2014	1/09/2014	1/09/2015	24,834	13.53	336,004	-	100%	-
	Deferred STI	2014	1/09/2014	1/09/2016	24,834	13.53	336,004	168,002	-	-
	Deferred STI	2015	1/09/2015	1/09/2016	26,733	13.47	360,011	360,011	-	-
	Deferred STI	2015	1/09/2015	1/09/2017	26,733	13.47	360,011	180,005	-	-
Total					127,370		1,609,427	708,018		
Denis Hickey	Deferred STI	2013	1/09/2013	1/09/2015	35,257	8.97	316,255	-	100%	-
	Deferred STI	2014	1/09/2014	1/09/2015	22,018	13.53	297,904	-	100%	-
	Deferred STI	2014	1/09/2014	1/09/2016	22,018	13.53	297,904	148,952	-	-
	Deferred STI	2015	1/09/2015	1/09/2016	29,193	13.47	393,139	393,139	-	-
	Deferred STI	2015	1/09/2015	1/09/2017	29,193	13.47	393,139	196,570	-	-
Total					137,679		1,698,341	738,661		
Daniel Labbad	Deferred STI	2013	1/09/2013	1/09/2015	29,348	8.97	263,252	-	100%	-
	Deferred STI	2014	1/09/2014	1/09/2015	23,862	13.53	322,853	-	100%	-
	Deferred STI	2014	1/09/2014	1/09/2016	23,862	13.53	322,853	161,426	-	-
	Deferred STI	2015	1/09/2015	1/09/2016	27,521	13.47	370,623	370,623	-	-
	Deferred STI	2015	1/09/2015	1/09/2017	27,521	13.47	370,623	185,311	-	-
Total					132,114		1,650,204	717,360		
Anthony Lombardo	Deferred STI	2013	1/09/2013	1/09/2015	30,327	8.97	272,033	-	100%	-
	Deferred STI	2014	1/09/2014	1/09/2015	22,765	13.53	308,010	-	100%	-
	Deferred STI	2014	1/09/2014	1/09/2016	22,765	13.53	308,010	154,005	-	-
	Deferred STI	2015	1/09/2015	1/09/2016	20,050	13.47	270,011	270,011	-	-
	Deferred STI	2015	1/09/2015	1/09/2017	20,050	13.47	270,011	135,006	-	-
Total					115,957		1,428,075	559,022		

Remuneration Report continued

g. Equity Based Remuneration continued

Deferred Securities continued

Name	Plan	STI award performance year	Grant date	Vesting date	Number granted	Fair value per deferred security ¹ A\$	Total fair value at grant date ^{1,2} A\$	Expense for the year ended 30 June 2016 A\$	% Vested	% Forfeited
Robert McNamara	Other Incentive ³	2012	1/09/2012	1/09/2015	31,784	8.11	258,922	14,385	100%	-
	Deferred STI	2013	1/09/2013	1/09/2015	30,500	8.97	273,585	-	100%	-
	Deferred STI	2014	1/09/2014	1/09/2015	27,600	13.53	373,428	-	100%	-
	Deferred STI	2014	1/09/2014	1/09/2016	27,600	13.53	373,428	186,714	-	-
	Deferred STI	2015	1/09/2015	1/09/2016	26,911	13.47	362,408	362,408	-	-
	Deferred STI	2015	1/09/2015	1/09/2017	26,911	13.47	362,408	181,204	-	-
	Total				171,306		2,004,179	744,711		
Kylie Rampa	Deferred STI	2014	1/09/2014	1/09/2016	16,445	13.53	222,501	18,542	-	-
	Deferred STI	2015	1/09/2015	1/09/2016	17,636	13.47	237,502	39,584	-	-
	Deferred STI	2015	1/09/2015	1/09/2017	17,636	13.47	237,502	19,792	-	-
	Total				51,717		697,505	77,918		
Former Executive										
Rod Leaver	Deferred STI	2013	1/09/2013	1/09/2015	28,761	8.97	257,986	-	100%	-
	Deferred STI	2014	1/09/2014	1/09/2015	12,302	13.53	166,446	-	100%	-
	Deferred STI	2014	1/09/2014	1/09/2016	12,302	13.53	166,446	(83,223)	-	100%
	Deferred STI	2015	1/09/2015	1/09/2016	16,621	13.47	223,833	-	-	100%
	Deferred STI	2015	1/09/2015	1/09/2017	16,621	13.47	223,833	-	-	100%
	Total				86,607		1,038,544	(83,223)		

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

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

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

LTI Awards

Name	Plan (for the year ended)	Grant date	Vesting date ¹	Number granted	Fair value per performance security ² A\$	Total fair value at grant date ² A\$	Expense for the year ended 30 June 2016 A\$	% Vested	% Forfeited
CEO									
Stephen McCann	June 2012 LTI (50%)	Sept 2011	Sept 2015	78,515	5.90	463,238	19,301	100%	-
	June 2013 LTI (50%)	Sept 2012	Sept 2015	85,964	5.38	462,489	25,694	100%	-
	June 2013 LTI (50%)	Sept 2012	Sept 2016	85,965	5.53	475,384	118,846	-	-
	June 2014 LTI (50%)	Sept 2013	Sept 2016	140,067	7.71	1,079,924	359,975	-	-
	June 2014 LTI (50%)	Sept 2013	Sept 2017	140,069	7.80	1,092,530	273,133	-	-
	June 2015 LTI (50%)	Sept 2014	Sept 2017	106,128	11.14	1,182,266	394,089	-	-
	June 2015 LTI (50%)	Sept 2014	Sept 2018	106,128	11.27	1,195,532	298,883	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2018	101,818	10.34	1,052,289	292,303	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2019	101,818	10.56	1,074,689	223,894	-	-
	Total			946,472		8,078,341	2,006,118		
Current Senior Executives									
Tarun Gupta	June 2012 LTI (50%)	Sept 2011	Sept 2015	16,468	5.90	97,161	4,048	100%	-
	June 2013 LTI (50%)	Sept 2012	Sept 2015	18,596	5.38	100,046	5,558	100%	-
	June 2013 LTI (50%)	Sept 2012	Sept 2016	18,596	5.53	102,836	25,709	-	-
	June 2014 LTI (50%)	Sept 2013	Sept 2016	25,988	7.71	200,375	66,792	-	-
	June 2014 LTI (50%)	Sept 2013	Sept 2017	25,990	7.80	202,714	50,679	-	-
	June 2015 LTI (50%)	Sept 2014	Sept 2017	21,226	11.14	236,458	78,819	-	-
	June 2015 LTI (50%)	Sept 2014	Sept 2018	21,226	11.27	239,111	59,778	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2018	23,679	10.34	244,722	67,978	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2019	23,679	10.56	249,932	52,069	-	-
	Total			195,448		1,673,355	411,430		
Denis Hickey	June 2014 LTI (50%)	Sept 2013	Sept 2016	20,009	7.71	154,273	51,424	-	-
	June 2014 LTI (50%)	Sept 2013	Sept 2017	20,010	7.80	156,074	39,019	-	-
	June 2015 LTI (50%)	Sept 2014	Sept 2017	18,573	11.14	206,903	68,968	-	-
	June 2015 LTI (50%)	Sept 2014	Sept 2018	18,573	11.27	209,225	52,306	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2018	16,576	10.34	171,313	47,587	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2019	16,576	10.56	174,960	36,450	-	-
	Total			110,317		1,072,748	295,754		
Daniel Labbad	June 2012 LTI (50%)	Sept 2011	Sept 2015	18,119	5.90	106,902	4,454	100%	-
	June 2013 LTI (50%)	Sept 2012	Sept 2015	20,146	5.38	108,383	6,021	100%	-
	June 2013 LTI (50%)	Sept 2012	Sept 2016	20,146	5.53	111,405	27,851	-	-
	June 2014 LTI (50%)	Sept 2013	Sept 2016	25,988	7.71	200,375	66,792	-	-
	June 2014 LTI (50%)	Sept 2013	Sept 2017	25,990	7.80	202,714	50,679	-	-
	June 2015 LTI (50%)	Sept 2014	Sept 2017	18,573	11.14	206,903	68,968	-	-
	June 2015 LTI (50%)	Sept 2014	Sept 2018	18,573	11.27	209,225	52,306	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2018	18,943	10.34	195,776	54,382	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2019	18,943	10.56	199,943	41,655	-	-
	Total			185,421		1,541,626	373,108		

Remuneration Report continued

g. Equity Based Remuneration continued

LTI Awards continued

Name	Plan (for the year ended)	Grant date	Vesting date ¹	Number granted	Fair value per performance security ² A\$	Total fair value at grant date ² A\$	Expense for the year ended 30 June 2016 A\$	% Vested	% Forfeited
Anthony Lombardo	June 2012 LTI (50%)	Sept 2011	Sept 2015	16,807	5.90	99,164	4,132	100%	-
	June 2013 LTI (50%)	Sept 2012	Sept 2015	19,216	5.38	103,379	5,743	100%	-
	June 2013 LTI (50%)	Sept 2012	Sept 2016	19,216	5.53	106,262	26,565	-	-
	June 2014 LTI (50%)	Sept 2013	Sept 2016	25,988	7.71	200,375	66,792	-	-
	June 2014 LTI (50%)	Sept 2013	Sept 2017	25,990	7.80	202,714	50,679	-	-
	June 2015 LTI (50%)	Sept 2014	Sept 2017	21,226	11.14	236,458	78,819	-	-
	June 2015 LTI (50%)	Sept 2014	Sept 2018	21,226	11.27	239,111	59,778	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2018	23,679	10.34	244,722	67,978	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2019	23,679	10.56	249,932	52,069	-	-
Total				197,027		1,682,117	412,555		
Robert McNamara	June 2012 LTI (50%)	Sept 2011	Sept 2015	16,370	5.90	96,583	4,024	100%	-
	June 2013 LTI (50%)	Sept 2012	Sept 2015	17,412	5.38	93,674	5,204	100%	-
	June 2013 LTI (50%)	Sept 2012	Sept 2016	17,412	5.53	96,286	24,071	-	-
	June 2014 LTI (50%)	Sept 2013	Sept 2016	24,011	7.71	185,133	61,711	-	-
	June 2014 LTI (50%)	Sept 2013	Sept 2017	24,013	7.80	187,294	46,823	-	-
	June 2015 LTI (50%)	Sept 2014	Sept 2017	19,634	11.14	218,723	72,908	-	-
	June 2015 LTI (50%)	Sept 2014	Sept 2018	19,634	11.27	221,177	55,294	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2018	20,128	10.34	208,023	57,784	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2019	20,128	10.56	212,451	44,261	-	-
Total				178,742		1,519,344	372,080		
Kylie Rampa	June 2013 LTI (50%)	Sept 2012	Sept 2016	17,412	5.53	87,410	3,642	-	-
	June 2014 LTI (50%)	Sept 2013	Sept 2016	24,011	7.71	110,450	6,136	-	-
	June 2014 LTI (50%)	Sept 2013	Sept 2017	24,013	7.80	111,739	4,656	-	-
	June 2015 LTI (50%)	Sept 2014	Sept 2017	19,634	11.14	106,409	5,912	-	-
	June 2015 LTI (50%)	Sept 2014	Sept 2018	19,634	11.27	107,603	4,484	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2018	20,128	10.34	97,893	4,532	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2019	20,128	10.56	99,977	3,472	-	-
Total				144,960		721,481	32,834		
Former Executive									
Rod Leaver	June 2012 LTI (50%)	Sept 2011	Sept 2015	21,245	5.90	125,346	5,223	100%	-
	June 2013 LTI (50%)	Sept 2012	Sept 2015	21,502	5.38	115,681	6,427	100%	-
	June 2013 LTI (50%)	Sept 2012	Sept 2016	21,502	5.53	118,906	(84,225)	-	100%
	June 2014 LTI (50%)	Sept 2013	Sept 2016	24,011	7.71	185,133	71,996	-	-
	June 2014 LTI (50%)	Sept 2013	Sept 2017	24,013	7.80	187,294	101,451	-	-
	June 2015 LTI (50%)	Sept 2014	Sept 2017	15,920	11.14	177,349	128,085	-	-
	June 2015 LTI (50%)	Sept 2014	Sept 2018	15,920	11.27	179,339	141,977	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2018	14,208	10.34	146,840	146,840	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2019	14,208	10.56	149,965	149,965	-	-
Total				172,529		1,385,853	667,739		

- At vesting, the minimum value is nil and the estimate of the maximum value is the fair value multiplied by the number of securities granted.
- The fair value at grant date represents an actuarial valuation of the award using assumptions underlying the Black-Scholes methodology to produce a Monte-Carlo simulation model in accordance with Australian Accounting Standards rounded to two decimal places.

Equity Holdings and Transactions for the Year Ended 30 June 2016

	Year	Securities held at beginning of financial year	Securities received during the year ¹	Other net change to securities	Securities held at end of financial year
Non Executive Directors					
D A Crawford	2016	77,858		1,530	79,388
	2015	76,459		1,399	77,858
C B Carter	2016	15,000			15,000
	2015	15,000			15,000
P M Colebatch	2016	18,323			18,323
	2015	18,323			18,323
D P Craig ²	2016			14,870	14,870
S B Dobbs	2016	2,000			2,000
	2015	2,000			2,000
J S Hemstritch	2016	20,000			20,000
	2015	20,000			20,000
D J Ryan	2016	35,312		860	36,172
	2015	31,273		4,039	35,312
M J Ullmer	2016	50,000			50,000
	2015	25,000		25,000	50,000
N M Wakefield Evans	2016	4,000		8,517	12,517
	2015	4,000			4,000
Executive Director					
S B McCann	2016	712,487	315,625	(200,918)	827,194
	2015	680,227	382,260	(350,000)	712,487
Executives					
T Gupta	2016	75,760	91,090	(50,000)	116,850
	2015	34,134	91,626	(50,000)	75,760
D Hickey ³	2016	22,250	26,021	(22,000)	26,271
	2015		22,250		22,250
D Labbad ³	2016	100,415	60,724		161,139
	2015	130,499	81,539	(111,623)	100,415
A Lombardo	2016	173,251	96,057	(22,000)	247,308
	2015	205,420	98,962	(131,131)	173,251
R McNamara ³	2016	267,185	73,564		340,749
	2015	155,980	111,205		267,185
K Rampa ⁴	2016				-
Former Executive					
R Leaver ⁵	2015	175,534	114,582	(180,582)	109,534
Total	2016	1,573,841	663,081	(269,141)	1,967,781
Total	2015	1,573,849	902,424	(792,898)	1,683,375

- For the Executive Director and Executives, securities received relate to security entitlements under employee benefit vehicles.
- D P Craig joined the Board in March 2016.
- Securities received during the period were after withholding tax obligations.
- K Rampa became a KMP from 1 May 2016.
- R Leaver was a KMP until 30 April 2016.

Loans to Key Management Personnel

No loans were made to Key Management Personnel or their related parties during the current year or prior year.

Other Transactions with Key Management Personnel

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

Remuneration Report continued

h. Appendix

Terms Used in this Remuneration Report

Term	What it means
Face value of a security	The value of a Lendlease security at the applicable time.
Fair value of a security	The value of a Lendlease security, derived by applying a discount rate determined by the Board, designed to reflect the likelihood of vesting (in cases where there are performance hurdles to be met before vesting can occur).
Good leaver	A Senior Executive who is leaving Lendlease for a reason such as retirement, redundancy, or resignation where the Senior Executive is not joining a competitor, and who may remain eligible for part or all of an incentive opportunity.
Key Management Personnel (KMP)	Those executives who have the authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly (as per Accounting Standard AASB 124 <i>Related Party Disclosures</i>).
KPIs	Key Performance Indicators.
Long Term Incentive (LTI)	An incentive scheme which provides Lendlease equity (or cash, in some circumstances) to participating executives that may vest, in whole or part, if specified performance measures are met over a three or four year period.
LTI (face value)	Refers to the number of LTI performance securities granted multiplied by the Lendlease security price at the applicable time.
PAT	Statutory Profit after Tax.
People and Culture (P&C) Committee	The Board subcommittee that helps the Board fulfil its responsibilities in people management and reward policies. It is made up entirely of independent Non Executive Directors.
Return on Equity (ROE)	ROE is calculated as the annual statutory Profit after Tax divided by the arithmetic average of beginning, half year and year end securityholders' equity.
Senior Executives	Executives who are KMP.
Short Term Incentive (STI)	Incentives awarded with direct reference to the achievement of Group, regional and individual performance. The measures are selected annually and align to our long term strategic priorities.
Total Package Value (TPV)	Salary plus the value of salary package items such as motor vehicles and parking and compulsory superannuation contributions paid on behalf of an employee.
Total Shareholder Return/ Total Securityholder Return (TSR)	The movement in a company's share/security price, dividend yield and any return of capital over a specific period. It is often expressed as a percentage.

Directors' Report

The Directors' Report for the financial year ended 30 June 2016 has been prepared in accordance with the requirements of the Corporations Act 2001. The information below forms part of this Directors' Report:

- Principal activities on page 8
- Operating and Financial Review on pages 8 to 65 incorporating the Performance and Outlook on pages 52 to 65
- Biographical information for the Directors and Company Secretary on pages 74 to 79
- Officers who were previously partners of the Audit Firm on page 79
- Board and Committee meetings and attendance on page 80
- Director's interests in capital on page 81
- Remuneration Report on pages 82 to 114
- Auditor's Independence Declaration on page 117

a. Dividends/Distributions

The 2015 final dividend/distribution of A\$156.7 million (27.0 cents per security, 25% franked) referred to in the Directors' Report dated 24 August 2015, was paid on 18 September 2015. Details of dividends/distributions in respect of the current year are as follows:

	A\$m
Interim dividends/distributions of 30.0 cents per security (unfranked) paid on 15 March 2016 ¹	174.4
Final dividends/distributions of 30.0 cents per security (unfranked) declared by Directors to be paid on 14 September 2016 ²	174.7
Total dividends/distributions	349.1

1. Comprised of an unfranked dividend of 21.350462 cents per share paid by the Company and a trust distribution of 8.649538 cents per unit paid by LLT.
2. Comprised of an unfranked dividend of 27.475110 cents per share payable by the Company and a trust distribution of 2.524890 cents per unit payable by LLT.

b. Significant Changes in State of Affairs

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

c. Events Subsequent to Balance Date

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

d. Security Options

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

e. Indemnification and Insurance of Directors and Officers

Rule 12 of the Company's Constitution provides for indemnification in favour of each of the Directors named on pages 74 to 78 of this report; the officers of the Company or of wholly owned subsidiaries or related entities of the Company (Officers) to the extent permitted by the *Corporations Act 2001*. Rule 12 does not indemnify a Director, Company Secretary or Officer for any liability involving a lack of good faith.

In conformity with Rule 12 of the Company's Constitution, the Company has entered into Deeds of Indemnity, Insurance and Access with each of the Directors named on pages 74 to 78 of this Report. The indemnities operate to the full extent permitted by law and are not subject to a monetary limit. The Company is not aware of any liability having arisen, and no claims have been made, during or since the financial year under the Deeds of Indemnity, Insurance and Access.

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

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

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

f. Environmental Regulation

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

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

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

Directors' Report continued

g. Non Audit Services

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

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

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

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

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

	CONSOLIDATED	
	June 2016 A\$000s	June 2015 A\$000s
Audit and Other Assurance Services		
Audit services	5,536	5,592 ¹
Other assurance services	683	464
Total audit and other assurance services	6,219	6,056
Non audit services	-	-
Total audit, non audit and other assurance services	6,219	6,056

1. Prior year Audit services has been restated by \$57,000 to include additional fees incurred related to the 30 June 2015 financial year.

h. Rounding Off

Lendlease Corporation Limited is a company of the kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and, in accordance with that Instrument, amounts in the consolidated financial statements and this report have been rounded off to the nearest tenth of a million dollars or, where the amount is A\$50,000 or less, zero, unless specifically stated to be otherwise.

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

D A Crawford, AO
Chairman

S B McCann
Group Chief Executive Officer and Managing Director
Sydney, 19 August 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 audit for the financial year ended 30 June 2016 there have been:

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

KPMG

S J Marshall
Partner

Sydney

19 August 2016

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Financial Statements

Financial Statements

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Lendlease Corporation Limited (the Company) is incorporated and domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2016 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 19 August 2016.

Consolidated Financial Statements

Income Statement

Year Ended 30 June 2016

	Note	June 2016 A\$m	June 2015 A\$m
Revenue	4	15,088.5	13,280.9
Cost of sales		(13,388.5)	(11,613.3)
Gross profit		1,700.0	1,667.6
Other income	5	256.9	251.8
Other expenses		(1,136.3)	(1,051.8)
Results from operating activities		820.6	867.6
Finance revenue	7	16.8	17.7
Finance costs	7	(126.2)	(137.2)
Net finance costs		(109.4)	(119.5)
Share of profit of equity accounted investments	8	151.6	19.9
Profit before Tax		862.8	768.0
Income tax expense	9	(164.7)	(149.1)
Profit after Tax		698.1	618.9
Profit after Tax attributable to:			
Members of Lendlease Corporation Limited		557.8	530.2
Unitholders of Lendlease Trust		140.4	88.4
Profit after Tax attributable to securityholders		698.2	618.6
External non controlling interests		(0.1)	0.3
Profit after Tax		698.1	618.9
Basic/Diluted Earnings per Lendlease Corporation Limited Share (EPS)			
Shares excluding treasury shares	(cents) 3	100.9	96.4
Shares on issue	(cents) 3	95.9	91.5
Basic/Diluted Earnings per Lendlease Group Stapled Security (EPSS)			
Securities excluding treasury securities	(cents) 3	126.3	112.4
Securities on issue	(cents) 3	120.1	106.8

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statement of Comprehensive Income

Year Ended 30 June 2016

	Note	June 2016 A\$m	June 2015 A\$m
Profit after Tax		698.1	618.9
Other Comprehensive Income/(Expense) After Tax			
Items that may be reclassified subsequently to profit or loss:			
Movements in fair value revaluation reserve	9b	(1.7)	5.9
Movements in hedging reserve	9b	8.9	(17.8)
Movements in foreign currency translation reserve	9b	16.0 ¹	56.6 ¹
Total items that may be reclassified subsequently to profit or loss		23.2	44.7
Items that will not be reclassified to profit or loss:			
Movements in non controlling interest acquisition reserve	9b	0.5	(14.0)
Defined benefit plan remeasurements	9b	38.3	(56.3)
Total items that will not be reclassified to profit or loss		38.8	(70.3)
Total comprehensive income after tax		760.1	593.3
Total comprehensive income after tax attributable to:			
Members of Lendlease Corporation Limited		619.5	503.6
Unitholders of Lendlease Trust		140.4	88.4
Total comprehensive income after tax attributable to securityholders		759.9	592.0
External non controlling interests		0.2	1.3
Total comprehensive income after tax		760.1	593.3

1. Includes A\$0.3 million relating to external non controlling interests (June 2015: A\$1.0 million).

The accompanying notes form part of these consolidated financial statements.

Statement of Financial Position

As at 30 June 2016

	Note	June 2016 A\$m	June 2015 A\$m
Current Assets			
Cash and cash equivalents	15	1,008.4	750.1
Loans and receivables	22	2,785.0	3,631.0
Inventories	11	1,923.0	1,980.0
Other financial assets	14	50.7	42.7
Current tax assets		21.6	8.6
Other assets		69.2	83.2
Total current assets		5,857.9	6,495.6
Non Current Assets			
Loans and receivables	22	285.4	320.1
Inventories	11	2,679.9	2,124.2
Equity accounted investments	12	1,152.6	1,235.8
Investment properties	13a	5,940.7	5,994.9
Other financial assets	14	628.8	625.7
Deferred tax assets	9c	109.5	305.5
Property, plant and equipment		432.3	348.8
Intangible assets	32	1,446.8	1,444.7
Defined benefit plan asset		7.5	9.2
Other assets		51.5	54.7
Total non current assets		12,735.0	12,463.6
Total assets		18,592.9	18,959.2
Current Liabilities			
Trade and other payables	23	4,328.8	5,036.1
Resident liabilities	13b	4,119.5	4,080.4
Provisions		292.4	328.8
Borrowings and financing arrangements	17a		227.3
Other financial liabilities		83.6	33.7
Total current liabilities		8,824.3	9,706.3
Non Current Liabilities			
Trade and other payables	23	1,909.4	1,586.0
Provisions		70.6	46.0
Borrowings and financing arrangements	17a	2,031.3	2,223.0
Defined benefit plan liability	33	3.4	68.8
Other financial liabilities		9.7	32.3
Deferred tax liabilities	9c	129.5	128.6
Total non current liabilities		4,153.9	4,084.7
Total liabilities		12,978.2	13,791.0
Net assets		5,614.7	5,168.2
Equity			
Issued capital	18	1,276.3	1,256.3
Treasury securities		(99.5)	(89.9)
Reserves		98.0	91.7
Retained earnings		3,289.6	2,936.0
Total equity attributable to members of Lendlease Corporation Limited		4,564.4	4,194.1
Total equity attributable to unitholders of Lendlease Trust		1,048.6	968.0
Total equity attributable to securityholders		5,613.0	5,162.1
External non controlling interests		1.7	6.1
Total equity		5,614.7	5,168.2

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statement of Changes in Equity

Year Ended 30 June 2016

	RESERVES										Members of Lendlease Corporation Limited A\$m	Unitholders of Lendlease Trust A\$m	External Non Controlling Interests A\$m	Total Equity A\$m
	Issued Capital A\$m	Treasury Securities' 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				
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										530.2	530.2	88.4	0.3	618.9
Other Comprehensive Income (Net of tax)			5.9	(17.8)	55.6	(14.0)				(56.3)	(26.6)		1.0	(25.6)
Total Comprehensive Income	-	-	5.9	(17.8)	55.6	(14.0)	-	-	-	473.9	503.6	88.4	1.3	593.3
Other Comprehensive Income (Net of tax)														
Fair value gains			8.9								8.9			8.9
Fair value hedging			(7.2)								(7.2)			(7.2)
Net investment hedging					(22.2)						(22.2)			(22.2)
Effect of foreign exchange movements			2.1	(1.3)	79.9	(14.1)					66.6		1.0	67.6
Effective cash flow hedges				(16.5)							(16.5)			(16.5)
Asset disposals and transfers			2.1		(2.1)									
Defined benefit plans remeasurements										(56.3)	(56.3)			(56.3)
Other movements						0.1					0.1			0.1
Other Comprehensive Income (Net of Tax)	-	-	5.9	(17.8)	55.6	(14.0)	-	-	-	(56.3)	(26.6)	-	1.0	(25.6)
Transactions with Owners of the Company														
Recapitalisation of Lendlease Trust	(400.5)										(400.5)	400.5		
Distribution reinvestment plan (DRP)	38.6										38.6	6.0		44.6
Dividends and distributions										(361.5)	(361.5)	(40.2)		(401.7)
Treasury securities acquired		(7.7)									(7.7)			(7.7)
Treasury securities vested		33.9									33.9			33.9
Fair value movement on allocation and vesting of securities								4.5			4.5			4.5
Asset disposals and transfers			(23.3) ²	53.5 ²	2.9 ²						33.1		(0.2)	32.9
Other movements										(0.4)	(0.4)			(0.4)
Total other movements through reserves	(361.9)	26.2	(23.3)	53.5	2.9	-	-	4.5	-	(361.9)	(660.0)	366.3	(0.2)	(293.9)
Balance as at 30 June 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
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										557.8	557.8	140.4	(0.1)	698.1
Other Comprehensive Income (Net of tax)			(1.7)	8.9	15.7	0.5				38.3	61.7		0.3	62.0
Total Comprehensive Income	-	-	(1.7)	8.9	15.7	0.5	-	-	-	596.1	619.5	140.4	0.2	760.1
Other Comprehensive Income (Net of tax)														
Fair value gains			2.0								2.0			2.0
Fair value hedging			(1.0)								(1.0)			(1.0)
Net investment hedging					(9.6)						(9.6)			(9.6)
Effect of foreign exchange movements			(2.7)	(0.1)	25.3	0.6					23.1		0.3	23.4
Effective cash flow hedges				9.0							9.0			9.0
Defined benefit plans remeasurements										38.3	38.3			38.3
Other movements						(0.1)					(0.1)			(0.1)
Other Comprehensive Income (Net of Tax)	-	-	(1.7)	8.9	15.7	0.5	-	-	-	38.3	61.7	-	0.3	62.0
Transactions with owners of the Company														
Distribution reinvestment plan (DRP)	20.0										20.0	4.6		24.6
Dividends and distributions										(242.5)	(242.5)	(64.4)		(306.9)
Treasury securities acquired		(49.7)									(49.7)			(49.7)
Treasury securities vested		40.1									40.1			40.1
Fair value movement on allocation and vesting of securities								2.9			2.9			2.9
Asset disposal and transfers				10.8 ²	(30.2) ²						(19.4)			(19.4)
Other movements									(0.6)		(0.6)		(4.6)	(5.2)
Total other movements through reserves	20.0	(9.6)	-	10.8	(30.2)	-	-	2.9	(0.6)	(242.5)	(249.2)	(59.8)	(4.6)	(313.6)
Balance as at 30 June 2016	1,276.3	(99.5)	29.8	(35.6)	(54.4)	(88.9)	111.7	81.6	53.8	3,289.6	4,564.4	1,048.6	1.7	5,614.7

1. Opening balance for number of treasury securities 1 July 2015 was 28.8 million (1 July 2014: 32.1 million) and closing balance at 30 June 2016 was 29.2 million.
2. These movements in reserves were transferred to profit and loss in the year.

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statement of Cash Flows

Year Ended 30 June 2016

	Note	June 2016 A\$m	June 2015 A\$m
Cash Flows from Operating Activities			
Cash receipts in the course of operations		16,028.4	11,896.7
Cash payments in the course of operations		(15,154.9)	(11,866.7)
Interest received		12.8	15.2
Interest paid		(134.8)	(151.2)
Dividends/distributions received		90.0	61.4
Income tax received/(paid) in respect of operations		11.5	(122.0)
Net cash provided by/(used in) operating activities	16	853.0	(166.6)
Cash Flows from Investing Activities			
Sale/redemption of investments		330.5	615.0
Acquisition of investments		(563.2)	(653.0)
Acquisition of/capital expenditure on investment properties		(25.7)	(209.2)
Net loans from/(to) associates and joint ventures		38.6	(22.5)
Acquisition of consolidated entities (net of cash acquired and acquisition costs)			(5.7)
Disposal of consolidated entities (net of cash disposed and transaction costs)		382.5	7.0
Disposal of property, plant and equipment		16.7	11.7
Acquisition of property, plant and equipment		(132.7)	(57.4)
Acquisition of intangible assets		(46.1)	(67.3)
Other investing activities			(2.0)
Net cash provided by/(used in) investing activities		0.6	(383.4)
Cash Flows from Financing Activities			
Proceeds from borrowings		5,327.6	2,276.6
Repayment of borrowings		(5,626.0)	(2,333.4)
Dividends/distributions paid		(293.2)	(374.2)
Other financing activities		(28.8)	(34.2)
Net cash used in financing activities		(620.4)	(465.2)
Other Cash Flow Items			
Effect of foreign exchange rate movements on cash and cash equivalents		25.1	49.5
Net increase/(decrease) in cash and cash equivalents		258.3	(965.7)
Cash and cash equivalents at beginning of financial year		750.1	1,715.8
Cash and cash equivalents at end of financial year	15	1,008.4	750.1

The accompanying notes form part of these consolidated financial statements.

Notes to Consolidated Financial Statements

Basis of Preparation

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

- has been prepared in accordance with **Australian Accounting Standards** (AASBs) adopted by the Australian Accounting Standards Board, and the *Corporations Act 2001*;
- complies with **International Financial Reporting Standards** (IFRSs) adopted by the International Accounting Standards Board;
- is presented in **Australian dollars**, with all values **rounded off to the nearest tenth of a million 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 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.

Significant accounting policies have been:

- included in the relevant notes to which the policies relate, and other significant accounting policies are discussed in Note 36; and
- consistently applied to all financial years presented in the consolidated financial statements and by all entities in the Group, except as explained in Note 35 'Impact of New and Revised Accounting Standards'.

The preparation of a financial report that complies with AASBs 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 significant accounting policies highlight information about **accounting judgements** in applying accounting policies that have the most significant effects on reported amounts and further information about estimated uncertainties that have a significant risk of resulting in material adjustments within the next financial year.

The Group presents assets and liabilities in the Statement of Financial Position as **current** or **non current**.

- Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for sale or use in, the course of the Group's operating cycle. All other assets are classified as non current.
- Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled in the course of the Group's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non current. Refer to Note 13 'Investment Properties', for further detail on classification of resident liabilities.

Notes to 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 the operational activity. The key line items of the Income Statement along with their components provide detail behind the reported balances. Group performance will also impact the earnings per stapled security and dividend payout, therefore disclosure on these items has been included in this section. Further information and analysis on performance can be found in the Performance & Outlook section of the Directors' Report.

1. Segment Reporting

Accounting Policies

The Group has re-evaluated its segments to better reflect the operational focus and underlying revenue generating activities in each segment. The revised segments are based on the operational activity of each segment and not the geographical region of the operations. The three revised segments are Development, Construction and Investments. 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. The prior year amounts in the disclosures below have been restated to reflect the revised segmentation.

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 operating segments are as follows:

Development

Operates in all four major geographic regions. It is involved in the development of communities, inner-city mixed-use developments, apartments, retirement, retail, commercial assets and social and economic infrastructure.

Construction

Operates across all four geographic regions, to provide a project management, design, and construction service, predominantly in the infrastructure, defence, mixed-use, commercial, and residential sectors.

Investments

Own and/or manage investments across all four geographic regions. The Investments segment includes a leading wholesale investment management platform and also includes the Group's ownership interests in property and infrastructure Co-Investments, Retirement Living and US Military Housing.

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

Financial Disclosure

	PROFIT BEFORE TAX		INCOME TAX BENEFIT/(EXPENSE)		PROFIT AFTER TAX	
	June 2016 A\$m	June 2015 ¹ A\$m	June 2016 A\$m	June 2015 ² A\$m	June 2016 A\$m	June 2015 ³ A\$m
Development	499.3	382.1	(132.9)	(104.9)	366.4	277.2
Construction	251.3	234.3	(60.4)	(75.3)	190.9	159.0
Investments	454.8	475.0	(84.1)	(66.4)	370.7	408.6
Total segment	1,205.4	1,091.4	(277.4)	(246.6)	928.0	844.8
Reconciling items						
Corporate activities	(342.5)	(323.4)	112.7	97.2	(229.8)	(226.2)
Statutory result attributable to securityholders	862.9	768.0	(164.7)	(149.4)	698.2	618.6
External non controlling interests	(0.1)			0.3	(0.1)	0.3
Statutory result	862.8	768.0	(164.7)	(149.1)	698.1	618.9

- June 2015 has been restated to reflect the change in reporting segments as noted above. Profit Before Tax for Infrastructure Development of A\$132.2 million has been restated to Investments A\$70.3 million and Development A\$61.9 million. Development A\$175.5 million has been restated to Investments.
- June 2015 has been restated to reflect the change in reporting segments as noted above. Income Tax Expense for Infrastructure Development of A\$29.2 million has been restated to Investments A\$14.2 million and Development A\$15.0 million. Development A\$16.1 million has been restated to Investments.
- June 2015 has been restated to reflect the change in reporting segments as noted above. Profit After Tax for Infrastructure Development of A\$103.0 million has been restated to Investments A\$56.1 million and Development A\$46.9 million. Development A\$159.4 million has been restated to Investments.

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

	Segment revenue ¹ A\$m	Finance revenue A\$m	Finance expense A\$m	Share of results EAI ² A\$m	Depreciation and amortisation A\$m	Material non cash items ³ A\$m	Non current segment assets ⁴ A\$m	Group total assets A\$m
Year Ended June 2016								
Development	2,543.9	3.3	(0.2)	91.3	(4.0)	(22.4)	3,314.8	5,667.8
Construction	12,032.4	1.1	(0.1)	3.1	(37.9)	(99.0)	1,641.3	4,499.1
Investments	510.5	4.1	(0.1)	58.3	(6.9)	(21.3)	6,786.0	7,959.4
Total segment	15,086.8	8.5	(0.4)	152.7	(48.8)	(142.7)	11,742.1	18,126.3
Corporate activities	18.5	8.3	(125.8)	(1.1)	(33.9)	25.6	247.1	466.6
Statutory result	15,105.3	16.8	(126.2)	151.6	(82.7)	(117.1)	11,989.2	18,592.9
Year Ended June 2015⁵								
Development	1,875.4	0.2		3.1	(4.1)	(14.6)	2,748.8	6,547.1
Construction	10,936.9	1.4	(0.1)	3.3	(46.0)	(86.8)	1,596.6	4,431.6
Investments	468.0	4.7	(0.5)	14.3	(7.1)	(24.6)	6,993.7	7,868.5
Total segment	13,280.3	6.3	(0.6)	20.7	(57.2)	(126.0)	11,339.1	18,847.2
Corporate activities	18.3	11.4	(136.6)	(0.8)	(22.3)	(75.4)	184.1	112.0
Statutory result	13,298.6	17.7	(137.2)	19.9	(79.5)	(201.4)	11,523.2	18,959.2

- Segment revenue as disclosed in the Performance & Outlook is comprised of Revenue and Finance Revenue.
- Equity accounted investments.
- The material non cash items relate to impairments and provisions raised or written back, unrealised foreign exchange movements and investment property fair value gains or losses.
- Excludes deferred tax assets, financial instruments and pension assets.
- June 2015 has been restated to reflect the change in reporting segments as noted below:
 - Segment Revenue for Infrastructure Development of A\$204.2 million has been restated to Investments A\$86.4 million and Development A\$117.8 million. Development A\$169.4 million has been restated to Investments.
 - Finance Revenue for Infrastructure Development of A\$3.1 million has been restated to Investments.
 - Finance Expense for Infrastructure Development of A\$0.5 million has been restated to Investments.
 - Share of results EAI for Infrastructure Development of A\$(31.2) million has been restated to Investments A\$(33.9) million and Development A\$2.7 million.
 - Depreciation and amortisation for Infrastructure Development of A\$1.4 million has been restated to Investments A\$1.3 million and Development A\$0.1 million. Development A\$2.6 million has been restated to Investments.
 - Material non cash items for Development of A\$14.2 million and Infrastructure Development A\$4.7 million has been restated to Investments.
 - Non current segment assets for Infrastructure Development of A\$297.2 million has been restated to Development and Development A\$5,995.6 million has been restated to Investments.
 - Group total assets for Infrastructure Development of A\$563.4 million has been restated to Investments A\$176.7 million and Development A\$386.7 million. Development A\$6,071.4 million has been restated to Investments.

The operating segments generate earnings in the following regions.

	REVENUE ¹		NON CURRENT ASSETS ²	
	June 2016 A\$m	June 2015 A\$m	June 2016 A\$m	June 2015 A\$m
Australia	8,665.1	7,743.6	9,600.4	9,580.2
Asia ³	406.6	271.5	517.6	472.3
Europe ⁴	1,798.1	1,623.6	1,047.0	813.6
Americas	4,217.0	3,641.6	577.1	473.0
Total segment	15,086.8	13,280.3	11,742.1	11,339.1
Corporate activities	18.5	18.3	247.1	184.1
Statutory result	15,105.3	13,298.6	11,989.2	11,523.2

- Segment revenue as disclosed in the Performance & Outlook is comprised of Revenue and Finance Revenue.
- Excludes deferred tax assets, financial instruments and pension assets and are based on the geographical location of assets.
- The majority of revenue and non current segment assets from Asia are attributable to Singapore.
- The majority of revenue and non current segment assets from Europe are attributable to the UK.

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

Notes to Consolidated Financial Statements continued

Section A: Performance continued

2. Dividends/Distributions¹

			COMPANY/TRUST	
			June 2016 A\$m	June 2015 A\$m
	Cents Per Share/Unit	Franked Amount Per Share %		
Parent Company Interim Dividend				
December 2015 – paid 15 March 2016	21.4		124.1	
December 2014 – paid 18 March 2015	24.0			139.0
Lendlease Trust Interim Distribution				
December 2015 – paid 15 March 2016	8.6		50.3	
December 2014 – paid 18 March 2015	3.0			17.5
Parent Company Final Dividend				
June 2016 – declared subsequent to reporting date ²	27.5		160.0	
June 2015 – paid 18 September 2015	22.9	25		132.7
Lendlease Trust Final Distribution				
June 2016 – provided for (payable 14 September 2016)	2.5		14.7	
June 2015 – paid 18 September 2015	4.1			24.0
			349.1	313.2

1. Interim dividends/distributions were not franked in the current and prior year. The June 2015 final dividend component was franked to 25%.

2. No provision for this dividend has been recognised in the Statement of Financial Position at 30 June 2016, as it was declared after the end of the financial year.

Dividend Franking

The amount of franking credits available for use in subsequent reporting periods as at 30 June 2016 is A\$4.8 million, based on a 30% tax rate (30 June 2015: A\$17.3 million). This is calculated after adjusting for franking credits which will arise from the payment of income tax provided in the financial statements and tax losses utilised in the current financial year.

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

Accounting Policies

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

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

Diluted EPS/EPSS is determined by adjusting the Profit/(loss) after Tax attributable to members of the Company and Group, and the weighted average number of ordinary shares/securities outstanding for the effects of all dilutive potential ordinary shares/securities. The Group currently does not have any dilutive potential ordinary shares/securities. Dilution occurs when treasury shares and employee share options are included in outstanding shares.

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

Financial Disclosure

Financial Disclosure		JUNE 2016		JUNE 2015	
		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 (Company) used in calculating basic/diluted EPS	A\$m	557.8	557.8	530.2	530.2
Weighted average number of ordinary shares	m	552.6	581.4	550.2	579.4
Basic/Diluted EPS	cents	100.9	95.9	96.4	91.5
Basic/Diluted Earnings Per Stapled Security (EPSS)					
Profit attributable to securityholders of Lendlease Group used in calculating basic/diluted EPSS	A\$m	698.2	698.2	618.6	618.6
Weighted average number of stapled securities	m	552.6	581.4	550.2	579.4
Basic/Diluted EPSS	cents	126.3	120.1	112.4	106.8

4. Revenue

Accounting Policies

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

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

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

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

The measurement of revenue from the sale of development properties is another **accounting judgement** as it requires management to exercise its judgement in valuing the individual components of a development property sale, given the due consideration to cost inputs, market conditions and commercial factors.

Rental revenue, including lease incentives granted, is recognised in the Income Statement on a straight line basis over the term of the lease.

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

Financial Disclosure

	June 2016 A\$m	June 2015 A\$m
Revenue from the provision of services		
Construction	12,029.8	10,934.8
Development ¹	325.3	263.1
Investments ¹	460.0	401.7
Total revenue from the provision of services	12,815.1	11,599.6
Revenue from the sale of development properties	2,202.5	1,616.7
Rental revenue	11.4	9.7
Other revenue	59.5	54.9
Total revenue	15,088.5	13,280.9

1. June 2015 has been restated to reflect the change in reporting segments as noted in Note 1 'Segment Reporting'. Revenue from the provision of services for Infrastructure Development A\$197.8 million has been restated to Investments A\$89.4 million and Development A\$108.4 million. Development revenues of A\$147.8 million has been restated to Investments.

Notes to Consolidated Financial Statements continued

Section A: Performance continued

5. Other Income

Accounting Policies

Other Income

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

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

Financial Disclosure

	June 2016 A\$m	June 2015 A\$m
Net gain on sale/transfer of investments		
Equity accounted investments	36.8	29.2
Other assets and liabilities	21.5	23.6
Consolidated entities	163.3 ¹	48.0
Available for sale financial assets	15.8	31.9
Total net gain on sale/transfer of investments	237.4	132.7
Net gain on fair value measurement		
Derivative contracts held for trading		3.5
Fair value through profit or loss assets	11.9	21.4
Total net gain on fair value measurement	11.9	24.9
Other	7.6	94.2
Total other income	256.9	251.8

1. Includes gain on sale of Australian PPP entities and New Zealand Retirement Living business.

6. Other Expenses

Accounting Policies

Other expenses in general are recognised as incurred.

Employee Benefit Expenses

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

For cash bonuses, the Group recognises an accrued liability for the amount expected to be paid. This is based on a formula that takes into consideration the profit attributable to the Group's securityholders after certain adjustments. Refer to Note 34a 'Short Term Incentives' for further detail.

Share Based Compensation

The Group operates equity settled share based compensation plans that are linked to Lendlease's security price. The fair value of the equity received in exchange for the grant is recognised as an expense and a corresponding increase in equity, in the Equity Compensation Reserve. The total amount to be expensed over the vesting period is determined by reference to the fair value of the equity granted.

The fair value is primarily determined using a Monte-Carlo simulation model. Refer to Note 34c 'Amounts Recognised in the Financial Statements' for further detail. Management consider the fair value assigned to be an area of **estimation uncertainty** as it requires judgements on Lendlease's security price and whether vesting conditions will be satisfied.

At each balance sheet date, the Group revises its estimates of the entitlement due. It recognises the impact of revision of original estimates, if any, in the Income Statement, and a corresponding adjustment to equity over the remaining vesting period. Changes in entitlement for equity settled plans are not recognised if they fail to vest due to market conditions not being met.

Superannuation Accumulation Plan Expense

All employees in the Australia region are entitled to benefits on retirement, disability or death from the Group's superannuation accumulation plan. The majority of these employees are party to a defined contribution plan and receive fixed contributions from the Group. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. The Group also operates a defined benefit superannuation plan, membership of which is now closed. Refer to Note 33 'Defined Benefit Plans' for further detail.

Impairment

The carrying amounts of the Group's assets, subject to impairment tests are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The calculation of this recoverable amount is dependent on the type of asset. The material assets' accounting policies will contain further information on these calculations.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Income Statement unless an asset has been previously revalued through reserves.

Reversals of Impairment

Impairment losses on assets can be reversed (other than goodwill) when there is a subsequent increase in the recoverable amount. The increase could be due to a specific event, the indication of impairment may no longer exist or there is a change in estimates used to determine the recoverable amount.

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

Operating Lease Expense

Payments made under operating leases, including lease incentives, are recognised in the Income Statement on a straight line basis over the term of the lease.

Depreciation and Amortisation

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

Notes to Consolidated Financial Statements continued

Section A: Performance continued

6. Other Expenses continued

Financial Disclosure	June 2016 A\$m	June 2015 A\$m
Profit before income tax includes the following other expense items:		
Employee benefit expenses ¹	2,079.2	2,259.1
Superannuation accumulation plan expense	54.2	43.5
Net defined benefit plans expense	6.5	4.5
Expenses include impairments raised/(reversals) relating to:		
Loans and receivables	(0.2)	(9.9)
Property inventories	(7.4)	4.3
Property, plant and equipment		7.8
Equity accounted investments	(3.3)	(4.2)
Other financial assets	3.4	3.7
Net fair value loss on investment properties	2.2	12.1
Operating lease expense	84.9	84.3
Depreciation and amortisation	82.7	79.5
Net foreign exchange loss	2.7	14.3

1. Total expense before recoveries through projects.

Auditors' Remuneration	June 2016 A\$000s	June 2015 A\$000s
Amounts received or due and receivable by the auditors of Lendlease Group for:		
Audit and Other Assurance Services		
Audit services	5,536	5,592 ¹
Other assurance services	683	464
Total audit and other assurance services	6,219	6,056
Non audit services	–	–
Total audit, other assurance and non audit services	6,219	6,056

1. Prior year Audit services has been restated by \$57,000 to include additional fees incurred related to the 30 June 2015 financial year.

7. Finance Revenue and Finance Costs

Accounting Policies

Finance revenue is recognised as it is earned using the effective interest method, which applies the interest rate that discounts estimated future cash receipts over the expected life of the financial instrument. The discount is then recognised as finance revenue over the remaining life of the financial instrument.

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

Financial Disclosure	June 2016 A\$m	June 2015 A\$m
Finance Revenue		
Related parties	1.1	0.2
Other corporations	10.6	13.6
Total interest finance revenue	11.7	13.8
Interest discounting	5.1	3.9
Total finance revenue	16.8	17.7
Finance Costs		
Other corporations	133.8	149.0
Less: Capitalised interest finance costs ¹	(23.2)	(26.4)
Total interest finance costs	110.6	122.6
Non interest finance costs	15.6	14.6
Total finance costs	126.2	137.2
Net finance costs	(109.4)	(119.5)

1. The weighted average interest rate used to determine the amount of interest finance costs eligible for capitalisation was 4.5% (30 June 2015: 5.4%), which is the effective interest rate.

Notes to Consolidated Financial Statements continued

Section A: Performance continued

8. Share of Profit of Equity Accounted Investments

Accounting Policies

Investments in associates and joint ventures are accounted for using the equity method. The share of profit recognised under the equity method is the Group's share of the investment's profit or loss based on ownership interest held. Associates (including partnerships) are entities in which the Group, as a result of its voting rights, has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

For associates, this is from the date that significant influence commences until the date that significant influence ceases, and for joint ventures, this is from the date joint control commences until the date joint control ceases.

Financial Disclosure	June 2016 A\$m	June 2015 A\$m
Associates		
Share of profit	13.8	24.8
Joint Ventures		
Share of profit/(loss)	137.8	(4.9)
Total share of profit of equity accounted investments	151.6	19.9

a. Associates ¹	June 2016 A\$m	June 2015 A\$m
Australia		
Development		
Lendlease Communities Fund 1	0.1	0.7
Investments		
Lendlease Real Estate Partners 3		8.1
Lendlease Sub Regional Retail Fund	3.8	3.3
Total Australia	3.9	12.1
Asia		
Investments		
Lendlease Asian Retail Investment Fund 2	(0.8)	3.1
Lendlease Asian Retail Investment Fund 3	5.0	7.3
Total Asia	4.2	10.4
Europe		
Development		
Other	3.3	
Total Europe	3.3	-
Americas		
Investments		
Other	2.4	2.3
Total Americas	2.4	2.3
Total share of profit from associates	13.8	24.8

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.

b. Joint Ventures ¹	June 2016 A\$m	June 2015 A\$m
Australia		
Development		
Sunshine Coast University Hospital	7.2	4.5
ICC Sydney (Darling Harbour Live)	6.5	0.4
Other	7.8	0.8
Investments		
Lend Lease International Towers Sydney Trust	53.3	31.7
Lend Lease One International Towers Sydney Trust	6.2	
Total Australia	81.0	37.4
Asia		
Development		
Other	(4.5)	
Investments		
CDR JV Ltd (313@somerset)	(16.5)	(6.8)
Total Asia	(21.0)	(6.8)
Europe		
Development		
Stratford City Business District Limited ²	69.4	
Investments		
Majadahonda Hospital	0.5	1.3
Global Renewables Lancashire Holdings Limited		(40.7)
Other	7.8	3.7
Total Europe	77.7	(35.7)
Americas		
Development		
Other	0.1	0.2
Total Americas	0.1	0.2
Total share of profit from joint ventures	137.8	(4.9)
Total share of profit from equity accounted investments	151.6	19.9

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 year 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.

Notes to Consolidated Financial Statements continued

Section A: Performance continued

8. Share of Profit of Equity Accounted Investments continued

c. Material Associates and Joint Ventures Summarised Financial Information¹

The table below provides summarised financial information for those 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	
	June 2016 A\$m	June 2015 A\$m	June 2016 ² A\$m	June 2015 A\$m
Revenue from provision of services	96.9			
Interest income	0.4	0.1	0.2	
Fair value revaluations	306.5	217.5	59.3	
Interest expense	(20.5)			
Other expenses	(28.0)	(6.2)	(5.0)	
Income tax expense				
Profit/(loss) for the year³	355.3	211.4	54.5	-
Other comprehensive income				
Total comprehensive income	355.3	211.4	54.5	-
Group's ownership interest	15.0%	15.0%	12.5%	37.5%
Group's total share of:				
Profit/(loss)	53.3	31.7	6.2²	-
Other comprehensive income				
Total comprehensive income	53.3	31.7	6.2	-
Dividends received from joint ventures	(4.0)	-	-	-

- Lendlease Asian Retail Investment Fund 3 and CDR JV Ltd (313@somerset) are no longer considered to be material equity accounted investments for the Group.
- Lendlease Trust 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 was no depreciation and amortisation expense in the current or prior year 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	
	June 2016 A\$m	June 2015 ¹ A\$m	June 2016 A\$m	June 2015 ¹ A\$m
Aggregate amounts of the Group's share of:				
Profit/(loss) from continuing operations	13.8	24.8	78.3	(36.6)
Other comprehensive income/(expense)	5.0	12.9	10.2	10.7
Aggregate amounts of Group's share of total comprehensive income/ (expense) of individually immaterial equity accounted investments	18.8	37.7	88.5	(25.9)

- June 2015 comparatives have been revised to include Lendlease Asian Retail Investment Fund 3 and CDR JV Ltd (313@somerset) as they are no longer considered material to the Group.

9. Taxation

Accounting Policies

Income Taxes

Income tax on the profit or loss for the financial year comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Under current Australian income tax law LLT is not liable for income tax, including capital gains tax, to the extent that unitholders are presently entitled to the income of LLT.

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

Deferred tax is the expected tax payable in future periods as a result of past transactions or events and is calculated by comparing the accounting balance sheet to the tax balance sheet. Temporary differences are provided for any differences in the carrying amounts of assets and liabilities between the accounting and tax balance sheets. The following temporary differences are not provided for:

- The initial recognition of goodwill;
- The initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and
- Differences relating to investments in subsidiaries to the extent that they are not likely to reverse in the foreseeable future.

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

Recognition of deferred tax assets is only to the extent it is probable that future taxable profits will be available so as the related tax asset will be realised. Deferred tax assets may include the following:

- Deductible temporary differences;
- Unused tax losses; and
- Unused tax credits.

Management consider the estimation of future taxable profits to be an area of **estimation uncertainty** as a change in any of the assumptions used in budgeting and forecasting would have an impact on the future profitability of the Group. The Group prepares financial budgets and forecasts, covering a five year period, which are reviewed on a regular basis. These forecasts and budgets form the basis of future profitability to support the carrying value of the deferred tax assets. The performance of the Group is influenced by a variety of general economic and business conditions, which are outside the control of the Group, including the level of inflation, interest rates, exchange rates, commodity prices, ability to access funding, oversupply and demand conditions and government fiscal, monetary and regulatory policies.

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

Tax Consolidation

The Company is the head entity of the Australian Tax Consolidated Group comprising all the Australian wholly owned subsidiaries, which excludes LLT. As a consequence, all members of the Australian Tax Consolidation Group are taxed as a single entity.

Notes to Consolidated Financial Statements continued

Section A: Performance continued

9. Taxation continued

a. Income Tax Expense

	June 2016 A\$m	June 2015 A\$m
Recognised in the Income Statement		
Current Tax Expense		
Current year	172.3	(29.1)
Adjustments for prior years	(1.1)	(17.7)
Benefits of tax losses recognised	(11.9)	(18.6)
	159.3	(65.4)
Deferred Tax Expense		
Origination and reversal of temporary differences	19.7	218.9
Temporary differences recognised/recovered	(38.8)	(10.5)
Net tax losses written off	24.6	4.5
Change in tax rate	(4.6)	3.3
Adjustments for prior years	4.5	(1.7)
	5.4	214.5
Total income tax expense	164.7	149.1
Reconciliation of Effective Tax Rate		
Profit before Tax	862.8	768.0
Income tax using the domestic corporation tax rate 30%	258.8	230.4
Adjustments for prior year tax claim	(1.1)	(17.7)
Non assessable and exempt income ¹	(70.1)	(70.3)
Non allowable expenses ²	9.1	8.9
Net writeoff/recognition of tax losses through income tax expense	13.3	13.8
Temporary differences recognised through income tax expense ³	(11.4)	(18.2)
Utilisation of capital losses on disposal of assets	(11.9)	(7.4)
Effect of tax rates in foreign jurisdictions ⁴	(15.7)	17.1
Other	(6.3)	(7.5)
Income tax expense	164.7	149.1
Deferred Tax Recognised Directly in Equity		
Relating to:		
Equity issue costs		0.1
Fair value revaluation reserve	(0.7)	(5.7)
Defined benefit plans remeasurements	9.7	(12.9)
Foreign currency translation reserve on equity accounted investments	4.9	9.3
Hedging reserve	0.8	0.1
Non controlling interest acquisition reserve	3.0	3.0
Total deferred tax expense/(benefit) recognised directly in equity	17.7	(6.1)

1. Includes LLT profit and tax exemptions obtained for major asset sales in the year.

2. Includes accounting expenses for which a tax deduction is not allowed permanently.

3. Includes temporary differences recognised in a previous year but are subsequently written off to the income tax expense in the current year and temporary differences that arose in a previous year but were not recognised until the current year.

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. Also includes the effect of change in tax rates.

b. Tax Effect Relating to Other Comprehensive Income

	JUNE 2016			JUNE 2015		
	Before Tax A\$m	Tax (Expense)/ Benefit A\$m	Net of Tax A\$m	Before Tax A\$m	Tax (Expense)/ Benefit A\$m	Net of Tax A\$m
Movements in fair value revaluation reserve	(2.4)	0.7	(1.7)	0.2	5.7	5.9
Movements in hedging reserve	9.7	(0.8)	8.9	(17.7)	(0.1)	(17.8)
Movements in foreign currency translation reserve	20.9	(4.9)	16.0 ¹	64.9	(9.3)	55.6 ¹
Movements in non controlling interest acquisition reserve	0.5		0.5	(14.0)		(14.0)
Movements in defined benefit plan remeasurements in retained earnings	48.0	(9.7)	38.3	(69.2)	12.9	(56.3)
Total other comprehensive income net of tax	76.7	(14.7)	62.0	(35.8)	9.2	(26.6)

1. Includes A\$0.3 million relating to external non controlling interests (June 2015: A\$1.0 million).

c. Deferred Tax Assets and Liabilities

	JUNE 2016		JUNE 2015	
	Assets A\$m	Liabilities A\$m	Assets A\$m	Liabilities A\$m
Recognised Deferred Tax Assets and Liabilities				
Deferred tax assets and liabilities are attributable to the following:				
Loans and receivables	2.6	(143.6)	7.6	(425.4)
Inventories	66.8	(311.6)	240.7	(271.2)
Other financial assets	21.5	(69.6)	2.1	(68.4)
Other assets	4.4	(5.6)	12.7	(5.5)
Equity accounted investments	8.1	(42.8)	5.9	(64.0)
Investment properties	0.3	(189.5)	0.7	(140.2)
Property, plant and equipment	27.8	(25.6)	22.1	(17.2)
Intangible assets		(14.0)		(9.3)
Net defined benefit plans	28.4	(24.2)	42.7	(25.9)
Trade and other payables	193.9	(5.0)	153.9	(0.1)
Resident liabilities	107.4		150.0	
Provisions	97.8		134.9	
Borrowings and financing arrangements	0.6		0.6	(0.4)
Other financial and non financial liabilities	6.6	(1.3)		
Unused revenue tax losses recognised	237.9		420.6 ¹	
Unused capital tax losses recognised	12.6		6.9	
Items with a tax base but no carrying value	22.9	(26.8)	24.8	(21.7)
Total deferred tax assets/(liabilities)	839.6	(859.6)	1,226.2	(1,049.3)
Deferred tax set off	(730.1)	730.1	(920.7)	920.7
Net deferred tax assets/(liabilities)	109.5	(129.5)	305.5	(128.6)

	1 July 2015 A\$m	Recognised in Income A\$m	Recognised in Equity A\$m	Other/ Foreign Exchange A\$m	30 June 2016 A\$m
June 2016					
Movement in temporary differences during the financial year:					
Loans and receivables	(417.8)	278.7		(1.9)	(141.0)
Inventories	(30.5)	(219.3)		5.0	(244.8)
Other financial assets	(66.3)	18.7	0.7	(1.2)	(48.1)
Other assets	7.2	(8.6)		0.2	(1.2)
Equity accounted investments	(58.1)	28.1	(4.5)	(0.2)	(34.7)
Investment properties	(139.5)	(51.6)		1.9	(189.2)
Property, plant and equipment	4.9	(3.1)		0.4	2.2
Intangible assets	(9.3)	(4.7)			(14.0)
Net defined benefit plans	16.8	(1.4)	(9.7)	(1.5)	4.2
Trade and other payables	153.8	34.2		0.9	188.9
Resident liabilities	150.0	(42.6)			107.4
Provisions	134.9	(39.6)		2.5	97.8
Borrowings and financing arrangements	0.2	0.8		(0.4)	0.6
Other financial and non financial liabilities		6.6	(1.2)	(0.1)	5.3
Unused revenue tax losses recognised	420.6			(182.7)	237.9
Unused capital tax losses recognised	6.9	5.7			12.6
Items with a tax base but no carrying value	3.1	(7.3)	(3.0)	3.3	(3.9)
Total deferred tax assets/(liabilities)	176.9	(5.4)	(17.7)	(173.8)	(20.0)

1. Includes research and development tax credits carried forward.

Notes to Consolidated Financial Statements continued

Section A: Performance continued

9. Taxation continued

c. Deferred Tax Assets and Liabilities continued

June 2015	1 July 2014 A\$m	Recognised in Income A\$m	Recognised in Equity A\$m	Other/Foreign Exchange A\$m	30 June 2015 A\$m
Loans and receivables	(142.7)	(274.0)		(1.1)	(417.8)
Inventories	(95.6)	117.3		(52.2)	(30.5)
Other financial assets	(69.9)	6.2	5.7	(8.3)	(66.3)
Other assets	(2.6)	5.8		4.0	7.2
Equity accounted investments	(37.4)	(18.7)	(9.4)	7.4	(58.1)
Investment properties	(109.8)	(29.7)			(139.5)
Property, plant and equipment	8.9	(6.6)		2.6	4.9
Intangible assets	(1.8)	(2.8)		(4.7)	(9.3)
Net defined benefit plans	11.9	(9.3)	12.9	1.3	16.8
Trade and other payables	127.7	17.1		9.0	153.8
Resident liabilities	138.9	(63.3)		74.4	150.0
Provisions	93.1	11.7		30.1	134.9
Borrowings and financing arrangements	(0.2)	0.4			0.2
Other financial liabilities	1.7	(1.6)		(0.1)	
Unused revenue tax losses recognised	242.9	46.4		131.3	420.6
Unused capital tax losses recognised	12.9	(3.7)		(2.3)	6.9
Items with a tax base but no carrying value	16.6	(9.7)	(3.1)	(0.7)	3.1
Total deferred tax assets/(liabilities)	194.6	(214.5)	6.1	190.7	176.9

	June 2016 A\$m	June 2015 A\$m
Unrecognised Deferred Tax Assets		
Deferred tax assets have not been recognised in respect of the following items:		
Capital losses	9.8	27.5
Revenue losses	56.9	57.3
Deductible temporary differences	54.0	65.5
Total unrecognised deferred tax assets	120.7	150.3

Of the unrecognised deferred tax asset of A\$120.7 million, only A\$15.1 million expires by 2036. The remainder of the unrecognised deferred tax assets have no expiry date.

10. Events Subsequent to Balance Date

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

Section B: Investment

Investment in the 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

Accounting Policies

Development Properties

Property acquired for development and sale in the ordinary course of business is carried at the lower of cost and Net Realisable Value (NRV). The cost of development properties includes expenditure incurred in acquiring the property, preparing it for sale and borrowing costs incurred.

The NRV is the estimated selling price, less the estimated costs of completion and selling expenses. Management consider the estimation of both selling prices and costs of completion to be an area of **estimation uncertainty**, as these estimations take into consideration market conditions affecting each property and the underlying strategy for selling the property.

The recoverable amount of each property is assessed at each balance date and **accounting judgement** is required to assess whether a provision is raised where cost (including costs to complete) exceeds NRV.

Inventories are expensed as cost of sales in the Income Statement. Management uses **accounting judgement** in determining the following:

- The apportionment of cost of sales through either land area or sales revenue;
- The amount of cost of sales, which includes costs incurred to date and final forecast costs; and
- The nature of the expenditure, which may include acquisition costs, development costs, borrowing costs and those costs incurred in preparing the property for sale.

Construction Work in Progress

The gross amount of construction and development work in progress consists of costs attributable to work performed, including recoverable pre contract and project bidding costs and emerging profit after providing for any foreseeable losses. In applying the accounting policies on providing for these losses **accounting judgement** is required.

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

Financial Disclosure	June 2016 A\$m	June 2015 A\$m
Current		
Development properties	1,020.1	1,115.2
Construction work in progress	894.0	857.9
Other	8.9	6.9
Total current	1,923.0	1,980.0
Non Current		
Development properties	2,679.9	2,124.2
Total non current	2,679.9	2,124.2
Total inventories	4,602.9	4,104.2

Notes to Consolidated Financial Statements continued

Section B: Investment continued

12. Equity Accounted Investments

Accounting Policies

Equity Accounted Investments (Associates and Joint Ventures)

As discussed in Note 8 'Share of Profit of Equity Accounted Investments', investments in Associates and Joint Ventures are equity accounted. The share of investment recognised under the equity method is the Group's share of the investment's net assets based on ownership interest held.

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

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

Service Concession Arrangements (SCAs)

The Group equity accounts its investment in project companies with SCAs through public private partnerships (PPPs). These arrangements provide facilities management and maintenance services with terms generally of 25 to 30 years. They also incorporate contractual obligations to make available the individual assets for their prescribed use and, where necessary, overhaul or replace major items of plant and equipment related to the assets with payment obtained through periodic draw-downs from the relevant government authorities.

Joint Operations

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

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

Financial Disclosure

	June 2016 A\$m	June 2015 A\$m
Associates		
Investment in associates	228.1	236.8
Less: Impairment	(5.9)	(6.3)
Total associates	222.2	230.5
Joint Ventures		
Investment in joint ventures	946.9	1,012.4
Less: Impairment	(16.5)	(7.1)
Total joint ventures	930.4	1,005.3
Total equity accounted investments	1,152.6	1,235.8

a. Associates

	INTEREST		NET BOOK VALUE	
	June 2016 %	June 2015 %	June 2016 A\$m	June 2015 A\$m
Australia				
Development				
Lendlease Communities Fund 1	20.8	20.8	4.3	9.9
Investments				
Lendlease Sub Regional Retail Fund ¹	10.0	10.0	38.0	36.7
Other				0.5
Total Australia			42.3	47.1
Asia				
Investments				
Lendlease Asian Retail Investment Fund 2	35.9	35.9	24.0	28.7
Lendlease Asian Retail Investment Fund 3	20.1	20.1	156.4	154.7
Total Asia			180.4	183.4
Europe				
Development				
Other			4.0	4.6
Total Europe			4.0	4.6
Americas				
Investments				
Other			1.4	1.7
Total Americas			1.4	1.7
Total			228.1	236.8
Less: Impairment			(5.9)	(6.3)
Total associates			222.2	230.5

1. Although the Group has a 10% ownership interest in Lendlease 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.

Notes to Consolidated Financial Statements continued

Section B: Investment continued

12. Equity Accounted Investments continued

b. Joint Ventures

	INTEREST		NET BOOK VALUE	
	June 2016 %	June 2015 %	June 2016 A\$m	June 2015 A\$m
Australia¹				
Investments				
Lend Lease International Towers Sydney Trust	15.0	15.0	380.3	181.5
Lend Lease One International Towers Sydney Trust ²	12.5	37.5	107.5	191.3
Development				
ICC Sydney (Darling Harbour Live) ³		50.0		116.2
Sunshine Coast University Hospital ³		50.0		89.2
New Bendigo Hospital ³		50.0		18.2
Eastern Goldfields Regional Prison	50.0	50.0		3.3
Other			19.9	8.2
Total Australia			507.7	607.9
Asia				
Investments				
CDR JV Ltd (313@somerset)	25.0	25.0	90.6	105.7
Development				
Paya Lebar Quarter	30.0	30.0	177.3	158.7
Other				0.7
Total Asia			267.9	265.1
Europe¹				
Development				
Stratford City Business District Limited	50.0	50.0	45.8	26.5
Hungate (York) Regeneration Limited	50.0	50.0	4.8	6.0
Investments				
Majadahonda Hospital		25.0		9.0
Treviso	50.0	49.0	7.6	0.5
Other			5.0	9.8
Total Europe			63.2	51.8
Americas				
Development				
281 Fifth Avenue	40.0	40.0	53.3	51.9
Riverline	60.0	60.0	48.9	30.9
Other			5.9	4.8
Total Americas			108.1	87.6
Total			946.9	1,012.4
Less: Impairment			(16.5)	(7.1)
Total joint ventures			930.4	1,005.3
Total equity accounted investments			1,152.6	1,235.8

- Equity accounted profit in Note 8 'Share of Profit of Equity Accounted Investments' for certain investments has been aggregated into 'Other' as not material.
- 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.
- Joint ventures sold as part of the Australian PPP entities sale in June 2016.

c. Material Associates and Joint Ventures Summarised Financial Information¹

The table below provides summarised financial information for those associates and joint ventures that are material to the Group. Material associates and joint ventures have been determined by comparing individual investment net book value with the total equity accounted investment 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.

Statement of Financial Position	LEND LEASE INTERNATIONAL TOWERS SYDNEY TRUST		LEND LEASE ONE INTERNATIONAL TOWERS SYDNEY TRUST	
	June 2016 A\$m	June 2015 A\$m	June 2016 ² A\$m	June 2015 A\$m
Current assets				
Cash and cash equivalents	20.2	4.2	4.3	
Other current assets	24.8	10.3		598.9
Total current assets	45.0	14.5	4.3	598.9
Total non current assets	3,141.5	2,236.2	1,286.0	883.9
Current liabilities				
Financial liabilities (excluding trade payables)	(9.5)	(458.5)	(186.0)	(150.0)
Other current liabilities	(40.9)	(275.4)	(233.6)	(650.2)
Total current liabilities	(50.4)	(733.9)	(419.6)	(800.2)
Non current liabilities				
Financial liabilities (excluding trade payables)	(600.5)	(306.9)	(6.2)	(172.6)
Total non current liabilities	(600.5)	(306.9)	(6.2)	(172.6)
Net assets	2,535.6	1,209.9	864.5	510.0
Reconciliation to Carrying Amounts				
Opening net assets 1 July	1,209.9	539.5	510.0	
Total comprehensive income for the year	355.3	211.4	54.5	
Dividends paid	(26.5)			
Acquisition/contributions	996.9	459.0	300.0	510.0
Closing net assets	2,535.6	1,209.9	864.5	510.0
% ownership	15.0%	15.0%	12.5%	37.5%
Group's share of net assets	380.3	181.5	108.1	191.3
Other adjustments			(0.6) ²	
Carrying amount at end of year	380.3	181.5	107.5	191.3

- Lendlease Asian Retail Investment Fund 3 and CDR JV Ltd (313@somerset) are no longer considered to be material equity accounted investments for the Group.
- Lendlease Trust 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 year for the material associates and joint ventures.

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

	ASSOCIATES ¹		JOINT VENTURES ¹	
	June 2016 A\$m	June 2015 A\$m	June 2016 A\$m	June 2015 A\$m
Aggregate carrying value of individually immaterial equity accounted investments	222.2	230.5	442.6	632.5

- June 2015 comparatives have been revised to include Lendlease Asian Retail Investment Fund 3 and CDR JV Ltd (313@somerset) as they are no longer considered material to the Group.

Notes to Consolidated Financial Statements continued

Section B: Investment continued

13. Investment Properties

Accounting Policies

Investment properties on initial recognition are measured at cost, including transaction costs and subsequently stated at fair value.

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

Fair value is based on current prices in an active market for similar properties in the same location and condition. If this information is not available, the Group uses alternative calculation methods such as discounted cash flow projections, recent prices on less active markets or capitalised income projections. Capitalised income projections are based on perpetuity of net operating income and deferred management fees using a capitalisation rate derived from market evidence.

Any gain or loss arising from a change in fair value is recognised in the Income Statement. Management consider the calculation of the fair value to be an area of **estimation uncertainty**. While this represents the best estimation of fair value at the reporting date, actual sale prices achieved (should the investment properties be sold) may be higher or lower than the most recent valuation. This is particularly relevant in periods of market illiquidity or uncertainty.

Rental revenue and deferred management fees from investment properties are accounted for as described in Note 4 'Revenue'.

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

Retirement living investment properties principally comprises retirement villages (both operating villages and villages under development) held for long term income yields, which are not occupied by the Group.

Resident liabilities are initially recognised as the amount paid by residents of retirement living investment properties to occupy the apartments and units. Subsequently they are measured at face value being the principal paid, plus the resident's share of capital gains based on market values of the underlying property at balance date, less deferred management fees earned to date.

Resident liabilities are non interest bearing and are classified as current liabilities because any resident may 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.

Deferred management fees receivable on owned sites (DMF) represent amounts owed to the Group in connection with resident occupancy at retirement villages subject to long term management agreements. The DMF is calculated in accordance with resident contracts, refer to Note 4 'Revenue' for further detail.

Financial Disclosure

	June 2016 A\$m	June 2015 A\$m
a. Investment Properties – Non Current		
Retirement living properties	5,743.1	5,803.6
Retail properties	71.9	74.9
Assets under construction	125.7	116.4
Total investment properties	5,940.7	5,994.9
Reconciliations		
Reconciliations of the carrying amount for investment properties are as follows:		
Carrying amount at beginning of financial year	5,994.9	4,832.0
(Disposal)/acquisition of investment properties ¹	(523.7)	933.5
Capital expenditure	112.8	102.9
Fair value loss recognised through the Income Statement	(2.2)	(12.1)
Increase attributable to capital gain	328.3	130.8
Foreign exchange rate/other movements	30.6	7.8
Carrying amount at end of financial year	5,940.7	5,994.9
b. Resident Liabilities		
Gross resident liabilities	4,796.9	4,742.8
Deferred management fees receivable on owned sites	(677.4)	(662.4)
Total resident liabilities	4,119.5	4,080.4

1 Primarily relates to disposal of the New Zealand Retirement Living business.

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 13.3% (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 30 June 2016 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 2.0% 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 26b 'Fair Value Measurements' for definitions. The fair value measurement for net investment properties of A\$1,705.7 million (June 2015: A\$1,779.0 million) has been categorised as a 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\$1,508.1 million (June 2015: A\$1,587.7 million), retail properties A\$71.9 million (June 2015: A\$74.9 million) and assets under construction A\$125.7 million (June 2015: A\$116.4 million).

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

e. Fair Value Reconciliation

Reconciliation of carrying value for Level 3 net investment properties:

	June 2016 A\$m	June 2015 A\$m
Carrying amount at beginning of financial year	1,779.0	1,545.0
(Disposals)/additions and capital expenditure	(108.4)	307.8
Gains/(losses) recognised in:		
Income Statement – other expenses	(2.2)	(12.1)
Other comprehensive income – foreign currency translation		(12.0)
Other movements	37.3	(49.7)
Carrying amount at end of financial year	1,705.7	1,779.0

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

Notes to Consolidated Financial Statements continued

Section B: Investment continued

14. Other Financial Assets

Accounting Policies

The following table summarises the accounting policies of investments the Group classifies as material financial assets, the classification depends on the purpose for which the investments were acquired.

Investment Category	Classification Criteria	Initial Recognition	Subsequent Measurement	Impairment
Financial assets at fair value through profit or loss	Held for Trading - if it is acquired principally for the purpose of selling in the short term, unless they are designated as hedges, refer to Note 25 'Hedging' for further detail. Typically this includes derivatives such as forward exchange contracts and interest rate swaps. Designated at Fair Value Through Profit or Loss at initial recognition - either to eliminate a measurement or recognition inconsistency, or where a group of financial assets is managed, and its performance is evaluated, on a fair value basis.	At fair value (generally transaction price). Transaction costs are recorded as expenses when they are incurred.	Fair value, any changes in fair value are reflected in the Income Statement.	Fair value losses are reflected in the Income Statement.
Available for Sale (AFS)	Non derivative financial assets that are either designated in this category or not classified in any other category. Typically include investments the Group do not control or have significant influence over and are not managed on a fair value basis.	At fair value (generally transaction price) plus transaction costs directly attributable to the acquisition or issue. Transaction costs are incremental costs that would only have been incurred in relation to the transaction.	Fair value, unrealised gains or losses arising from changes in the fair value are recognised in equity, in the Fair Value Revaluation Reserve . When AFS financial assets are sold, transferred or impaired, the accumulated fair value adjustments in the reserves are included in the Income Statement as gains or losses.	AFS assets are generally impaired when there is a significant or prolonged decline in the fair value of the asset below its cost. The cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the Income Statement. Impairment losses previously recognised in the Income Statement on equity instruments are not reversed through the Income Statement but are recognised through other comprehensive income.

Financial Disclosure

June 2016
A\$mJune 2015
A\$m

Current Measured at Fair Value

Fair Value Through Profit or Loss – Designated at Initial Recognition

Negotiable instruments	36.1	37.9
Derivatives	14.6	4.8
Total current	50.7	42.7

Non Current Measured at Fair Value

Available for Sale

Australian Prime Property Fund – Retail	44.8	43.5
Lendlease Core Plus Fund	0.5	11.4
Lendlease Retail LP	65.7	71.8
Lendlease Asian Retail Investment Fund	29.1	33.7
Parkway Parade Partnership Limited	34.9	34.2
Other	129.1	133.7
	304.1	328.3

Fair Value Through Profit or Loss – Designated at Initial Recognition

Australian Prime Property Fund – Industrial	73.3	71.3
Australian Prime Property Fund – Commercial	191.4	173.6
Lendlease Public Infrastructure Investment Company ¹	40.5	
Other unlisted investments	10.1	42.3
Derivatives	0.7	
	316.0	287.2

Held to Maturity

Other	8.7	10.2
	8.7	10.2
Total non current	628.8	625.7
Total other financial assets	679.5	668.4

1. Lendlease acquired a 10.0% interest in the new Lendlease Public Infrastructure Investment Company in June 2016.

Notes to Consolidated Financial Statements continued

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. Cash and Cash Equivalents

Accounting Policies

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

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

Financial Disclosure	June 2016 A\$m	June 2015 A\$m
Cash	802.9	462.5
Short term investments	205.5	287.6
Total cash and cash equivalents	1,008.4	750.1

Short term investments earned variable rates of interest which averaged 1.6% per annum during the year (30 June 2015: 2.0%).

16. Notes to Statement of Cash Flows

	June 2016 A\$m	June 2015 A\$m
Reconciliation of Profit after Tax to Net Cash Provided by Operating Activities		
Profit after Tax (Including External Non Controlling Interests)	698.1	618.9
Amortisation and depreciation	82.7	79.5
Net gain on sale of investments, plant and equipment	(237.4)	(100.8)
Write back of equity accounted investments	(3.3)	(4.2)
Impairment of other financial assets	3.4	3.7
Impairment of property, plant and equipment		7.8
Net unrealised foreign exchange (gain)/loss and currency hedging costs	(25.4)	75.2
Net fair value gain on investments	(11.9)	(24.9)
Share of profit of equity accounted investments	(151.6)	(19.9)
Dividends/distributions from equity accounted investments	59.9	17.7
Fair value loss on investment properties	2.2	12.1
Other	(107.5)	(109.1)
Net cash provided by operating activities before changes in assets and liabilities	309.2	556.0
Changes in Assets and Liabilities Adjusted for Effects of Purchase and Disposal of Consolidated Entities and Operations During the Financial Year		
Decrease/(increase) in receivables	992.4	(1,340.9)
Increase in inventories	(573.6)	(754.3)
Decrease/(increase) in other assets	9.1	(9.4)
Increase in net defined benefit plans	(18.9)	(48.1)
(Decrease)/increase in payables	(123.0)	1,343.2
Increase in operating derivatives assets/liabilities	49.4	8.6
Decrease in deferred tax items	274.9	200.9
Decrease in current tax	(10.5)	(173.1)
(Decrease)/increase in other provisions	(56.0)	50.5
Net cash provided by/(used in) operating activities	853.0	(166.6)

17. Borrowings and Financing Arrangements

Accounting Policies

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest rate method. Under the amortised cost method the difference between the amount initially recognised and the redemption value is recorded in the Income Statement over the period of the borrowing on an effective interest basis. Borrowings are referred to in this section using their redemption value when describing the terms and conditions.

Financial Disclosure	June 2016 A\$m	June 2015 A\$m
a. Borrowings – Measured at Amortised Cost		
Current		
Commercial notes		227.3
Total current	–	227.3
Non Current		
Commercial notes	1,843.9	1,378.1
Bank credit facilities	187.4	844.9
Total non current	2,031.3	2,223.0
Total borrowings	2,031.3	2,450.3
b. Finance Facilities		
The Group has access to the following lines of credit:		
Commercial Notes		
Facility available	1,843.9	1,605.4
Amount of facility used	(1,843.9)	(1,605.4)
Amount of facility unused	–	–
Bank Credit Facilities		
Facility available	2,223.1	2,182.7
Amount of facility used	(187.4)	(844.9)
Amount of facility unused	2,035.7	1,337.8
Bank Overdrafts		
Facility available and amount unused	136.9	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 5.8% coupon maturing in October 2017; US\$400.0 million of guaranteed unsecured senior notes issued in May 2016 in the US Reg. S market under Lendlease's Euro Medium Term Note programme with a coupon of 4.5% maturing in May 2026;
- 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:

- £400.0 million club bank facility maturing in March 2021 drawn to £100.0 million at 30 June 2016. This is a refinancing of the previous £330.0 million club bank facility; 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) undrawn as at 30 June 2016.

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

Consistent with prior years, the Group has not defaulted on any obligations in relation to its borrowings and finance arrangements and other financial liabilities.

Notes to Consolidated Financial Statements continued

Section C: Liquidity and Working Capital continued

17. Borrowings and Financing Arrangements continued

	INTEREST EXPOSURE			CURRENCY				
	Fixed A\$m	Floating A\$m	Total A\$m	A\$ A\$m	US\$ A\$m	£ A\$m	S\$ A\$m	Total A\$m
June 2016								
Between one and five years	783.5	178.6	962.1	475.6	33.3	178.6	274.6	962.1
More than five years	1,060.4	8.8	1,069.2		529.1	540.1		1,069.2
Total	1,843.9	187.4	2,031.3	475.6	562.4	718.7	274.6	2,031.3
June 2015								
Between one and five years	998.9	834.5	1,833.4	1,024.3	259.7	285.7	263.7	1,833.4
More than five years	606.5	10.4	616.9			616.9		616.9
Total	1,605.4	844.9	2,450.3	1,024.3	259.7	902.6	263.7	2,450.3

18. Issued Capital

Accounting Policies

Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and are recognised as a deduction from equity.

Financial Disclosure

	LENLEASE CORPORATION LIMITED				LENLEASE TRUST			
	June 2016		June 2015		June 2016		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 year	580.5	1,256.3	577.5	1,618.2	580.5	911.2	577.5	504.7
Transactions with owners for the year: Recapitalisation of Lendlease Trust				(400.5)				400.5
Distribution Reinvestment Plan	1.8	20.0	3.0	38.6	1.8	4.6	3.0	6.0
Issued capital at end of financial year	582.3	1,276.3	580.5	1,256.3	582.3	915.8	580.5	911.2

a. Issuance of Securities

As at 30 June 2016, the Group had 582.3 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 August 2016. 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 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 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.

19. Capital Management

The Group assesses capital management as part of its broader strategic plan. The Group focuses on interrelated financial parameters, including return on equity, earnings growth and borrowing capacity. The Group also monitors its gearing ratio, leverage ratio, interest coverage ratio and weighted average cost of debt. These are all taken into account when the Group makes decisions on how to invest its capital and evaluate its existing investments.

The Group's capital includes total equity, borrowings and other interest bearing liabilities. When investing capital, the Group's objective is to deliver strong total securityholder returns and to maintain an investment-grade credit rating by maintaining an appropriate financial profile. The Fitch/Moody's/S&P long term credit ratings at 30 June 2016 are BBB-/Baa3/BBB- respectively (June 2015: Not Rated/Baa3/BBB-).

The capital structure of the Group can be changed by equity issuance, paying distributions to securityholders, the distribution reinvestment plan and changing the level of debt.

20. Liquidity Risk Exposure

Further information on Liquidity Risk is disclosed in Note 24 'Financial Risk Management'. As disclosed in Note 27 'Contingent Liabilities', in certain circumstances, the Company guarantees the performance of particular Group entities in respect of their obligations including bonding and bank guarantees. Issued bank guarantees have cash collateralisation requirements if the bank guarantee facility is not renewed by the provider.

At 30 June 2016, the Group does not anticipate a significant liquidity risk in relation to these facilities in the next 12 months.

The Group has provided collateral of A\$nil (June 2015: A\$nil) against letter of credit facilities.

The following are the contractual cash flow maturities of financial liabilities including estimated interest payments.

	Note	Carrying amount A\$m	Contractual cash flows A\$m	Less than one year A\$m	One to two years A\$m	Two to five years A\$m	More than five years A\$m
June 2016							
Non Derivative Financial Liabilities							
Trade and other payables ¹	23	4,597.8	4,754.8	3,675.2	171.7	168.5	739.4
Resident liabilities ²	13b	4,119.5	4,119.5	4,119.5			
Borrowings and financing arrangements	17a	2,031.3	2,622.9	106.1	416.1	891.3	1,209.4
Other financial liabilities		29.5	31.2	21.8	9.4		
Total		10,778.1	11,528.4	7,922.6	597.2	1,059.8	1,948.8
Derivative Financial Liabilities							
(Outflow)		63.8	(1,498.4)	(1,474.0)	(17.9)	(2.9)	(3.6)
Inflow			1,434.6	1,414.6	17.3	2.7	
Total	26b	63.8	(63.8)	(59.4)	(0.6)	(0.2)	(3.6)
June 2015							
Non Derivative Financial Liabilities							
Trade and other payables ¹	23	4,983.7	5,170.8	3,994.7	212.7	248.4	715.0
Resident liabilities ²	13b	4,080.4	4,080.4	4,080.4			
Borrowings and financing arrangements	17a	2,450.3	3,012.1	340.1	397.9	1,576.5	697.6
Other financial liabilities		58.3	63.3	29.2	23.7	10.4	
Total		11,572.7	12,326.6	8,444.4	634.3	1,835.3	1,412.6
Derivative Financial Liabilities							
(Outflow)		7.7	(462.0)	(451.0)	(7.8)		(3.2)
Inflow			454.3	446.5	7.8		
Total	26b	7.7	(7.7)	(4.5)	-	-	(3.2)

- The carrying amount of trade and other payables excludes A\$660.0 million of current and A\$980.4 million of non current amounts (June 2015: A\$1,042.1 million of current and A\$596.3 million of non current amounts) as they do not meet the definition of a financial liability under Australian Accounting Standards.
- 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. The balance includes retirement village total resident liabilities of A\$4,119.5 million (June 2015: A\$4,080.4 million), which is net of deferred management fees receivable, and is repayable out of the amounts paid to the Group by incoming retirement village residents for the right to occupy retirement living (refer to Note 13 'Investment Properties').

Other contractually committed cash flows the Group is exposed to are detailed in Note 21 'Commitments'.

Notes to Consolidated Financial Statements continued

Section C: Liquidity and Working Capital continued

21. Commitments¹

The Group leases various land and buildings, and plant and equipment under non cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	June 2016 A\$m	June 2015 A\$m
a. Operating Lease Commitments		
The estimated aggregate amount of non cancellable operating lease expenditure agreed or contracted but not provided for in the financial statements is as follows:		
Land and buildings – self occupied ²	535.4	194.1
Plant and equipment	36.8	8.9
	572.2	203.0
At balance date, commitments in relation to non cancellable operating leases are payable as follows:		
Due within one year	97.6	66.5
Due between one and five years	213.6	126.3
Due later than five years	261.0	10.2
	572.2	203.0
b. Finance Lease Commitments		
At balance date, commitments in relation to the finance leases are payable as follows:		
Due within one year	20.3	26.0
Due between one and five years	9.2	32.3
Recognised in other financial liabilities	29.5	58.3
c. Investments		
At balance date, capital commitments existing in respect of interests in equity accounted investments and other investments contracted but not provided for in the financial statements are as follows:		
Due within one year	96.5	379.2
Due between one and five years	108.4	239.3
	204.9	618.5

1. The commitments outlined in this note do not include the commitments of the material joint ventures and associates (refer to Note 12 'Equity Accounted Investments').

2. Increase relates mainly to new office leases executed.

22. Loans and Receivables

Accounting Policies

Loans and receivables, which include **trade and other receivables**, are non derivative financial assets with fixed or determinable payments that are not equity securities. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Other receivables include receivables related to investment management, property development, and miscellaneous items.

Loans and receivables are carried at amortised cost using the effective interest method, which applies the interest rate that discounts estimated future cash receipts over the term of the loans and receivables. Cash flows relating to short term trade and other receivables are not discounted if the effect of discounting is immaterial. The discount, if material, is then recognised as revenue over the remaining term.

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

Retentions receivable on construction contracts represent deposits held by the Group until the satisfaction of conditions specified in the contract are rectified.

Financial Disclosure	June 2016 A\$m	June 2015 A\$m
Current		
Trade receivables	1,175.3	1,140.1
Less: Impairment	(12.3)	(18.0)
	1,163.0	1,122.1
Related parties	6.4	41.7
Retentions	306.6	335.3
Other receivables	1,316.6	2,137.9
Less: Impairment	(7.6)	(6.0)
Total current	2,785.0	3,631.0
Non Current		
Related parties	126.8	180.3
Less: Impairment	(100.4)	(116.8)
Retentions	97.8	57.6
Other receivables	161.2	199.0
Total non current	285.4	320.1
Total loans and receivables	3,070.4	3,951.1

As at the reporting date, A\$961.8 million of the trade debtors were current (30 June 2015: A\$886.9 million) and A\$213.5 million were past due (30 June 2015: A\$253.2 million). Of the past due amount, A\$201.2 million was not impaired (30 June 2015: A\$235.3 million). 'Past due' is defined under accounting standards to mean any amount outstanding for one or more days after the contractual due date. Of the total trade debtors, 4.5% (30 June: 5.5%) are aged greater than 90 days. Other than trade debtors, no other loans and receivables are considered past due at 30 June 2016 (30 June 2015: A\$nil).

	June 2016 A\$m	June 2015 A\$m
Impairment		
Carrying amount at beginning of financial year	140.8	152.3
Bad and doubtful debts impairment loss net of provisions written back	(4.0)	(9.9)
Other movements (including foreign exchange rate movements)	(16.5)	(1.6)
Carrying amount at end of financial year	120.3	140.8
Total impairment as a percentage of total loans and receivables	3.9%	3.6%

The credit quality of all loans and receivables, including those neither past due nor impaired, is assessed and monitored on an ongoing basis. To determine the impairment provision for the financial year, the Group considers how economic and market conditions will affect the creditworthiness of certain entities. The impairment provision relates to specific loans and receivables that have been identified as being impaired, including related party loans where the Group's interest in a development was via an equity accounted investment.

Notes to Consolidated Financial Statements continued

Section C: Liquidity and Working Capital continued

23. Trade and Other Payables

Accounting Policies

Trade Creditors

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Group. Trade accounts payable are normally settled within 45 days. Trade and other payables are carried at amortised cost using the effective interest method, which applies the interest rate that discounts estimated future cash outflows over the term of the trade and other payables. Cash flows relating to short term trade and other payables are not discounted if the effect of discounting is immaterial. The discount, if material, is then recognised as an expense over the remaining term.

Construction Revenue – Amounts Due to Customers

Construction contracts where the total progress billings issued to clients (together with foreseeable losses if applicable) on a project exceed the costs incurred to date plus recognised profit on the contract are recognised as a liability.

Retentions

Retentions are amounts payable for the purpose of security and for the provision of defects in accordance with contract terms. Release of retention amounts are in accordance with contractual terms.

Other

Other primarily relates to unearned income and deposits received in advance on pre sold apartments. These amounts will be recognised as income in line with the 'Revenue from the sale of development properties' accounting policy in Note 4 'Revenue'.

Financial Disclosure

	June 2016 A\$m	June 2015 A\$m
Current		
Trade creditors	2,964.6	2,775.2
Construction revenue – amounts due to customers	575.1	743.3
Insurance claim reserve	18.8	17.6
Related parties	4.8	254.3
Retentions and deferred payments	561.4	710.1
Other	204.1	535.6
Total current	4,328.8	5,036.1
Non Current		
Insurance claim reserve	9.4	15.0
Related parties		13.0
Retentions and deferred payments	775.9	756.0
Other ¹	1,124.1	802.0
Total non current	1,909.4	1,586.0
Total trade and other payables	6,238.2	6,622.1

1. Includes unearned income liability from PLLACs transactions.

Section D: Risk Management

The Group's activities expose it to a variety of financial risks. The Group's overall financial risk management strategy focuses on the unpredictability of financial markets and seeks to minimise adverse effects on the Group's performance. Treasury policies have been approved by the Board for managing this risk. This section contains disclosures of financial risks the Group is exposed to and how the Group manage these risks. The impact of contingent liabilities is also considered in this section.

24. Financial Risk Management

The Group operates across numerous jurisdictions and markets. The Lendlease Asset and Liability Committee oversees the management of the Group's Treasury risks, within the parameters of a Board approved Treasury Policy, and maintains a Group-wide framework for financial risk management and reviews issues of material risk exposure within the scope of the Treasury Policy. A summary of key risks identified, exposures and management of exposures is detailed in the table below.

Risks Identified	Definition	Exposures	Management of Exposures
Foreign Currency	The risk in local currency terms that the value of a financial commitment or a recognised asset or liability, will fluctuate due to changes in foreign currency exchange rates	<ul style="list-style-type: none"> Foreign currency earnings Net investments in foreign operations Transactions settled in foreign currency Further information on exposures is detailed in Note 24a 'Foreign Currency Risk Exposure' 	<ul style="list-style-type: none"> Physical financial instruments, including natural hedges from matching foreign assets and liabilities Derivative financial instruments, mainly foreign exchange contracts Contracting out Speculative trading is not permitted
Credit	The risk that a counterparty will not be able to meet its obligations in respect of a financial instrument, resulting in a financial loss to the Group	<ul style="list-style-type: none"> Recoverability of loans and receivables Recoverability of other financial assets and cash deposits Further information on exposures is detailed in Note 24b 'Credit Risk Exposure' 	<ul style="list-style-type: none"> Policies in place so that customers and suppliers are appropriately credit assessed Treasury Policy sets out credit limits for each counterparty based on minimum investment-grade ratings
Liquidity	The risk of having insufficient funds to settle financial liabilities as and when they fall due	<ul style="list-style-type: none"> Insufficient levels of committed credit facilities Settlement of financial liabilities Further information on exposures is detailed in Note 20 'Liquidity Risk Exposure' 	<ul style="list-style-type: none"> Maintaining sufficient levels of cash and committed credit facilities to meet financial commitments and working capital requirements Managing to funding portfolio benchmarks as outlined in the Treasury Policy Timely review and renewal of credit facilities
Interest Rate	The risk that the value of a financial instrument or cash flow associated with the instrument will fluctuate due to changes in market interest rates	<ul style="list-style-type: none"> Financial assets, mainly cash at bank Financial liabilities, mainly borrowings and financing arrangements Further information on exposures is detailed in Note 24c 'Interest Rate Risk Exposure' 	<ul style="list-style-type: none"> Physical financial instruments Derivative financial instruments, mainly interest rate swaps Managing to hedging limits in respect of recourse funding as outlined in the Treasury Policy Speculative trading is not permitted
Equity Price	The risk that the fair value of either a traded or non traded equity investment, derivative equity instrument, or a portfolio of such financial instruments, increases or decreases in the future	<ul style="list-style-type: none"> All traded and/or non traded financial instruments measured at fair value 	<ul style="list-style-type: none"> Material investments within the portfolio are managed on an individual basis. The Group's portfolio is monitored closely as part of capital recycling initiatives

Notes to Consolidated Financial Statements continued

Section D: Risk Management continued

24. Financial Risk Management continued

a. Foreign Currency Risk Exposure

The **net asset exposure** by currency is detailed below.

	A\$m	US\$m	£m	S\$m	€m	NZ\$m	Other m
June 2016							
Net asset/(liability) exposure (local currency)	5,111.2	(153.0)	39.3	225.1	67.8	243.3	79.4
June 2015							
Net asset/(liability) exposure (local currency)	4,605.5	61.9	(77.8)	244.3	70.7	273.3	64.0

Sensitivity Analysis

The sensitivity analysis of the Group's Australian dollar denominated Income Statement and Statement of Financial Position to foreign currency movements is based on a 10% fluctuation (June 2015: 10% fluctuation) on the average rates during the financial year and the spot rate at balance date respectively. This analysis assumes that all other variables, in particular interest rates, remain constant, and exclude the effects of the foreign exchange contracts.

A 10% movement in the average foreign exchange rates would have impacted the Group's Profit after Tax as follows.

	10% WEAKENING INCREASE/ (DECREASE) IN PROFIT AFTER TAX		10% STRENGTHENING INCREASE/ (DECREASE) IN PROFIT AFTER TAX	
	June 2016 A\$m	June 2015 A\$m	June 2016 A\$m	June 2015 A\$m
USD	7.9	8.6	(6.3)	(7.0)
GBP	12.8	8.9	(10.4)	(7.4)
SGD	(2.2)	1.9	1.8	(1.5)
EUR	0.1	(0.2)	(0.1)	0.2
	18.6	19.2	(15.0)	(15.7)

A 10% movement in the foreign exchange spot rates at balance date would have impacted the Group's net assets as follows.

	10% WEAKENING INCREASE/ (DECREASE) IN NET ASSETS		10% STRENGTHENING INCREASE/ (DECREASE) IN NET ASSETS	
	June 2016 A\$m	June 2015 A\$m	June 2016 A\$m	June 2015 A\$m
USD	(21.0)	9.3	19.7	(7.6)
GBP	8.5	(18.1)	(6.7)	14.6
SGD	25.0	25.0	(20.5)	(20.6)
EUR	11.8	11.6	(9.6)	(9.4)
NZD	24.4	25.6	(22.0)	(21.1)
	48.7	53.4	(39.1)	(44.1)

b. Credit Risk Exposure

- The maximum exposure to credit risk at balance date on financial instruments recognised in the Statement of Financial Position (excluding investments of the Group) equals the carrying amount, net of any impairment.
- The Group is not exposed to any significant concentrations of credit risk on either a geographic or industry specific basis.
- Credit risk on financial instruments is managed under a Board approved credit policy that determines acceptable counterparties. Derivative counterparties and cash deposits are limited to recognised financial intermediaries with a minimum investment-grade credit rating as determined by a recognised rating agency.
- There was A\$3.4 million impairment recorded during the year against other financial assets (June 2015: A\$3.7 million).
- Refer to Note 22 'Loans and Receivables' for information relating to impairment on loans and receivables.
- In certain circumstances, the Group will hold either financial or non financial assets as collateral to further mitigate the potential credit risk on selected transactions. During the current and prior year, the Group did not hold financial or non financial assets as collateral. At any point in time, the Group will hold other collateral such as bank guarantees and performance bonds to mitigate potential credit risk as a result of default by a counterparty or otherwise.

c. Interest Rate Risk Exposure

The Group's exposure to interest rate risk on its **financial assets and liabilities** is set out as follows.

	CARRYING AMOUNT	
	June 2016 A\$m	June 2015 A\$m
Fixed Rate		
Financial assets	262.9	261.5
Financial liabilities	(2,541.3)	(2,359.0)
	(2,278.4)	(2,097.5)
Variable Rate		
Financial assets	676.9	327.0
Financial liabilities	(191.0)	(848.1)
	485.9	(521.1)

Sensitivity Analysis

At 30 June 2016 it is estimated that an increase of one percentage point in interest rates would have decreased the Group's Profit after Tax and retained earnings by A\$3.8 million (June 2015: A\$1.8 million decrease in the Group's Profit after Tax and retained earnings). A one percentage point decrease in interest rates would have increased the Group's Profit after Tax and retained earnings by A\$3.8 million (June 2015: A\$1.8 million increase in the Group's Profit after Tax and retained earnings). The increase or decrease in interest income/(expense) is proportional to the increase or decrease in interest rates. Interest rate derivatives have been included in this calculation.

25. Hedging

Accounting Policies

The Group uses **derivative financial instruments** to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. Derivative financial instruments are recognised initially at fair value on the date a derivative contract is entered into and subsequently remeasured at fair value. Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair value of the derivative financial instruments and the hedged item. The accounting for hedges that meet the criteria for hedge accounting are classified as either fair value hedges, cash flow hedges or investment hedges.

The Group currently applies hedge accounting under AASB 139 Financial Instruments: Recognition and Measurement. The Group has minimal hedges designated as fair value. The Group primarily uses forward foreign exchange contracts as cash flow hedges for highly probable sale, purchase and dividend transactions. The Group also uses forward foreign exchange contracts to hedge cross border intercompany loans and transactions which mainly net off in the Income Statement. Interest rate swaps are used to manage the Group's exposure to interest rates arising from borrowings. These are treated as cash flow hedges and are mainly on borrowings within equity accounted investments.

The Group has **foreign exchange derivative contracts** primarily held in GBP, USD, EUR, SGD, JPY, NZD and MYR at reporting date to hedge specific foreign currency exposures. The total gross payable exposure is A\$713.7 million (June 2015: payable A\$636.9 million).

There are 39 foreign currency contracts that will mature in more than one year (June 2015: two foreign currency contracts).

Notes to Consolidated Financial Statements continued

Section D: Risk Management continued

26. Fair Value Measurement

Accounting Policies

The accounting policies for financial instruments held at fair value are included in Note 14 'Other Financial Assets' and Note 25 'Hedging'. Management consider the valuation of the financial instruments to be an area of **estimation uncertainty**. While this represents the best estimation of fair value at the reporting date, the fair values may differ if there is volatility in market prices or foreign exchange rates in future periods.

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.

		JUNE 2016		JUNE 2015	
	Note	Carrying Amount A\$m	Fair Value A\$m	Carrying Amount A\$m	Fair Value A\$m
Liabilities					
Current					
Commercial notes	17a	–	–	227.3	230.7
Non Current					
Commercial notes	17a	1,843.9	2,237.3	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 Measurements

The table overleaf 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 year there were no transfers between Level 1, Level 2 and Level 3.

b. Fair Value Measurements continued

		CONSOLIDATED CARRYING AMOUNT			
	Note	Level 1 A\$m	Level 2 A\$m	Level 3 A\$m	Total A\$m
June 2016					
Financial Assets					
Available for sale investments				304.1	304.1
Fair value through profit or loss – negotiable instruments		36.1			36.1
Fair value through profit or loss – unlisted investments				315.3	315.3
Held to maturity investments				8.7	8.7
Derivatives			15.3		15.3
	14	36.1	15.3	628.1	679.5
Financial Liabilities					
Derivatives		–	63.8	–	63.8
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

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

	Note	Available for Sale Investments A\$m	Unlisted Investments A\$m	Held to Maturity Investments A\$m
June 2016				
Carrying amount at beginning of financial year		328.3	287.2	10.2
Additions/(disposals)		(16.3)	16.2	
Gains/(losses) recognised in:				
Income Statement – other income			12.0	
Income Statement – other expenses		(3.4)		
Other comprehensive income – fair value		1.9		
Other comprehensive income – foreign currency translation		(6.4)	(0.1)	(1.2)
Other movements				(0.3)
Carrying amount at end of financial year	14	304.1	315.3	8.7
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		(64.9)		(0.2)
Carrying amount at end of financial year	14	328.3	287.2	10.2

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

Notes to Consolidated Financial Statements continued

Section D: Risk Management continued

27. 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 2016 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 defended these claims. In November 2015, the WTC Captive advised that both cases had been settled in principal. The settlements are now finalised and the cases formally dismissed. There are currently no pending lawsuits against LL LMB related to this matter. 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.
- 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. The appeal has been heard. Judgment remains reserved. 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.

Section E: Basis of Consolidation

This section provides information on how the Group structure affects the financial position and performance of the Group as a whole. The disclosures detail the types of entities and transactions included in the consolidation and those excluded.

28. Consolidated Entities

Accounting Policies

The Group consolidation comprises all subsidiaries controlled by the Company. Control exists when the Company:

- Has the power to direct the relevant activities such as key operating, financial and investing decisions;
- Has exposure or rights to variable returns from its involvement with the investee such as dividends, loans and fees; and
- Has the ability to use its power over the investee to affect the amount of returns.

In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. Management uses **accounting judgement** in determining whether the Group controls an entity by applying the above control criteria and reviewing the substance of its relationship with the entity.

- The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies with adjustments made to bring into line any dissimilar accounting policies that may exist.
- External non controlling interests are allocated their share of total comprehensive income and are presented within equity in the consolidated Statement of Financial Position, separately from the equity of securityholders.
- The material consolidated entities of the Group listed below were wholly owned during the current and prior year with the exception of PLT New Zealand Limited which was disposed of in the current year. Refer to the following section for details on the disposal of entities.

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
 Lendlease (Millers Point) Trust
 Lendlease Primelife Limited
 Lendlease Real Estate Investments Limited
 Lendlease Responsible Entity Limited
 Lendlease Services Pty Limited
 Lendlease Trust¹

EUROPE

Lendlease Construction (Europe) Limited
 Lendlease Construction Holdings (Europe) Limited
 Lendlease Europe Finance plc
 Lendlease Europe Limited
 Lendlease Residential (CG) plc

ASIA

Lendlease Japan Inc.
 Lendlease Singapore Pte. Limited

AMERICAS

Lendlease (US) Capital, Inc.
 Lendlease (US) Construction, Inc.
 Lendlease (US) Construction LMB, Inc.
 Lendlease (US) Healthcare Development LLC
 Lendlease (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 year, there were no **acquisitions** of material consolidated entities.

Notes to Consolidated Financial Statements continued

Section E: Basis of Consolidation continued

28. Consolidated Entities continued

The following material disposals of consolidated entities occurred during the current and prior year.

	Ownership Interest Disposed %	Date Disposed	Gross Consideration Received/Receivable A\$m
June 2016			
Australia and New Zealand			
PLT New Zealand Limited ¹	100%	31 January 2016	222.4
Australian PPP Entities ²	100%	7 June 2016	386.8
Americas			
Mexico Construction Entities	100%	13 June 2016	4.8
June 2015			
Europe			
Lend Lease Facilities Management (EMEA) Ltd	100%	7 July 2014	62.3

1. Relates to sale of New Zealand Retirement Living entities. Assets and liabilities disposed of primarily relate to investment properties and resident liabilities.
2. Represents the disposal of 16 entities relating to the New Bendigo Hospital, Sunshine Coast University Hospital and ICC Sydney (Darling Harbour Live) projects. Assets disposed of primarily relate to equity accounted investments (joint ventures).

29. Employee Benefit Vehicles

The Company sponsors a number of employee benefit vehicles, including employee security plans and employee security ownership vehicles. These vehicles while not legally controlled, are currently required to be consolidated for accounting purposes.

a. Employee Security Plans

As at 30 June 2016 Employees own approximately 5.58% (June 2015: 5.61%) of the issued capital of the Group through various Lendlease employee security plans and ownership vehicles details of which are outlined below.

- Australia: Employee Share Acquisition Plan (ESAP): ESAP was established in December 1988 for the purpose of employees acquiring securities in the Group and is funded by Lendlease subscriptions.
- UK/Europe/Asia: Employee Share Plan: The European (Guernsey-based) Restricted Share Plan (the Restricted Share Plan) was established in 1998. The Plan is similar in operation to the Australia-based ESAP. Securities in the Restricted Share Plan may be allocated to employees in the UK, Europe and Singapore based on individual and business unit performance. No new awards are being allocated from this Plan.
- In 2002, two UK-based Inland Revenue approved Share Incentive Plans (SIP) were established for the acceptance of employee profit share contributions used to acquire Group securities for UK-based Group employees. These plans are currently not accepting new contributions whilst Lendlease makes all profit share payments to employees in cash.
- Americas: US Rabbi Trust (Rabbi Trust) was established in 2004 and updated in 2005 for the acceptance of employee profit share contributions used to acquire Group securities for US-based employees. This part of the plan is not currently accepting new contributions and only holds cash or short term investments.
- Employee Share Acquisition Plan (STI) (ESAP STI): ESAP STI was established in July 2014 for the purpose of acquiring and allocating securities granted as the deferred component of Executive Short Term Incentive (STI) awards which are funded by Lendlease subscriptions. Securities are currently allocated to employees across Australia, Singapore, Malaysia, the UK and the US.

Eligibility

The rules for eligibility for particular plans are determined by reference to the regulatory, legal and tax rules of each country in which the Group operates.

Distributions and/or Voting Rights

Generally, employees in the various operating security plans are entitled to distributions and voting rights for allocated securities. The plans reflect this intention subject to regulatory, legal and tax constraints. Voting and distribution rights on any unallocated securities reside with the trustees of the relevant security plan trusts. The trustee may exercise these rights in accordance with any fiduciary or governance rules pertaining to the deed or trust laws in the legal and tax jurisdiction within which the trust operates.

b. Employee Security Ownership Vehicles

In addition to the plans discussed above, Lendlease has established a range of employee security ownership vehicles, including Lend Lease Retirement Benefit Fund (RBF) and Lend Lease Employee Investment Trust (EIT).

- RBF was established in 1984 with shareholder approval for the benefit of employees. The Lendlease securities in RBF are not available for allocation to employees other than in the event of a change of control of the Group and, in accordance with RBF's trust deed, the capital of the trust is not available to the Group. The RBF trustee has discretion as to the distribution of the RBF Funds. In 1992 a deed poll was executed which allows for the distribution of the income of RBF to the Company to fund employee benefit activities through Lendlease Foundation. In the event of a change of control of the Group, the RBF trustee may distribute RBF funds to employees who cease to be employees during the 12 months after a change of control. Any payments that the RBF trustee may make as a result of a change of control of the Group are an obligation of RBF and not the Group. Any payments made will need to be funded by RBF and therefore cannot exceed the value of the assets of RBF, which was A\$186.4 million at 30 June 2016 (June 2015: A\$220.6 million). However, as RBF is consolidated by the Group, this potential obligation is disclosed as a contingent liability.
- EIT was established in 1985 as a benefit vehicle to enable employees to invest in the Group. There are no current employee allocations. In 1992 a deed poll was executed which allows for distribution of the unallocated income of EIT to the Company to fund employee benefit activities through Lendlease Foundation. On a change of control, the EIT trustee may (but is not required to) terminate the trust and distribute allocated proceeds to employees and unallocated proceeds to other benefit vehicles such as RBF. Any payments out of EIT are an obligation of EIT and not the Group, and cannot exceed the assets of EIT of A\$149.2 million as at 30 June 2016 (June 2015: A\$175.6 million). No contingency is recorded in these financial statements for potential payments on a change of control as the potential for such payments is considered remote, with any termination of EIT in such circumstances, and the subsequent distribution to other vehicles, entirely at the discretion of the EIT trustee.
- The EIT and RBF arrangements are subject to periodic review to assess their ongoing role and operation.

30. Parent Entity Disclosures

The following summarises the financial information of the Group's parent entity, Lendlease Corporation Limited (the Company), as at and for the year ended 30 June 2016.

	COMPANY	
	June 2016 A\$m	June 2015 A\$m
Results		
Profit after Tax	529.0	253.3
Other comprehensive income after tax	1.0	0.8
Total comprehensive income after tax	530.0	254.1
Financial Position		
Current assets	3,918.6	4,529.7
Non current assets	2,034.8	2,310.8
Total assets	5,953.4	6,840.5
Current liabilities	3,169.7	4,333.7
Non current liabilities	42.7	51.9
Total liabilities	3,212.4	4,385.6
Net assets	2,741.0	2,454.9
Issued capital	1,276.3	1,256.3
Treasury securities	(100.4)	(90.9)
Reserves	232.9	229.4
Retained earnings	1,332.2	1,060.1
Total equity	2,741.0	2,454.9

In respect of the contingent liabilities of the Group disclosed in Note 27 'Contingent Liabilities', the Company participates in the provision of guarantees to Group entities.

Notes to Consolidated Financial Statements continued

Section E: Basis of Consolidation continued

31. Related Party Information

a. Consolidated Entities

Intragroup balances and transactions, and any unrealised gains or losses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Investments in subsidiaries are carried at their cost of acquisition less impairments in the Company's financial statements.

Lendlease Corporation Limited provides a wide range of corporate services to its consolidated entities. Corporate management fees and/or guarantee fees are charged to these entities for these services. These services principally relate to:

- Administration, company secretarial, accounting, legal, tax, insurance, information technology and public relations;
- Human resources and employee services including the administration of salaries and superannuation and employee security based payment plans (refer to Note 6 'Other Expenses' and Note 29 'Employee Benefit Vehicles'); and
- Financing and treasury services, which includes working capital facilities and long term financing. Interest is earned or incurred only on long term loans provided to or drawn with subsidiaries based on project specific risks and returns. Outstanding balances arising from working capital facilities and long term financing are typically unsecured and repayable on demand. In addition, guarantees are provided to particular Group entities in respect of their obligations. These include bonding and bank guarantee facilities used primarily by the Construction business as well as performance guarantees for certain Development business commercial built-form developments. Guarantee fees are charged under normal terms and conditions.

The following represents the transactions that occurred during the financial year and the balances outstanding at year end between Lendlease Corporation Limited and its consolidated entities.

	COMPANY	
	June 2016 A\$000s	June 2015 A\$000s
Transactions		
Corporate management fees ¹		46,539
Guarantee fees	12,368	11,615
Dividend income	655,637	395,966
Interest income	11,386	17,037
Interest expense	112,940	116,882
Outstanding Balances (Net of Provisions Raised)		
Receivables	3,839,810	4,514,336
Payables	3,143,070	4,277,178

1. Corporate management fees from 1 July 2015 are charged by Lendlease Group Services Pty Limited, a wholly owned subsidiary of Lendlease Corporation Limited.

Transactions that occurred during the financial year between entities in the Lendlease Group included:

- Provision of project management, design services, construction management and engineering services to development projects;
- Provision of development management services;
- Provision of investment management services;
- Provision of payroll, transaction and management services;
- Receipt and payment of superannuation contributions;
- Reimbursement of expenses made on behalf of subsidiaries;
- Loan advances and repayments between subsidiaries;
- Premium payments and receipts for the Group's insurance policies; and
- Dividends received or due and receivable from subsidiaries.

b. Associates and Joint Ventures

Interests held in associates and joint ventures by Lendlease are set out in Note 12 'Equity Accounted Investments'.

Transactions between the Lendlease Group and its associates and joint ventures principally relate to:

- Development: development management services, infrastructure bid and advisory services and the sale and purchase of development properties with Lendlease managed funds;
- Construction: provision of project management, building, engineering and construction services; and
- Investments: provision of property and infrastructure investment management, property management and asset management services.

A non interest bearing loan has also been provided to a joint venture and at 30 June 2016 the loan balance was A\$7.0 million (June 2015: A\$28.6 million).

Except as noted above, transactions and outstanding balances are typically on normal terms and conditions.

Revenue earned by Lendlease during the year as a result of transactions with its associates and joint ventures is as follows:

	June 2016 A\$m	June 2015 A\$m
Revenue		
Provision of services		
Associates	8.5	29.1
Joint ventures	1,668.2	1,148.6

Other transactions and outstanding balances with associates and joint ventures have been disclosed in Note 4 'Revenue', Note 5 'Other Income', Note 6 'Other Expenses', Note 7 'Finance Revenue and Finance Costs', Note 22 'Loans and Receivables' and Note 23 'Trade and Other Payables'. Transactions with joint operations are included in the consolidated Income Statement and Statement of Financial Position.

c. Key Management Personnel

The key management personnel compensation is as follows:

	June 2016 A\$000s	June 2015 A\$000s
Short term employee benefits	17,728	18,221
Post employment benefits	414	475
Security based payments	9,458	9,350
Other long term benefits	63	87
Total	27,663	28,133

Information regarding individual Directors' and Senior Executives' remuneration is provided in the Remuneration Report within the Directors' Report.

Notes to Consolidated Financial Statements continued

Section F: Other Notes

32. Intangible Assets

Accounting Policies

Goodwill represents the excess of the purchase price over the fair value of the Group's share of the net identifiable assets and contingent liabilities of the acquired business at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets as goodwill. Goodwill on acquisition of associates is included in the carrying value of investments in associates.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is not amortised. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purposes of impairment testing, goodwill is allocated to cash generating units (CGU) (or groups of CGU), that are expected to benefit from the business combination in which the goodwill arose. CGUs are an identifiable group of assets that generate cash associated with the goodwill. Management consider this is an area of **estimation uncertainty** as these calculations involve an estimation of the recoverable amount of the CGU to which the goodwill is allocated. The Construction CGU uses the value in use basis, which requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the recoverable amount.

Management agreements and other intangible assets acquired by the Group are stated at cost less accumulated amortisation and impairment losses (see Note 6 'Other Expenses'). Amortisation is charged to the Income Statement on a straight line basis over the estimated useful lives of the intangible assets, ranging from three to 20 years.

Financial Disclosure

	Note	June 2016 A\$m	June 2015 A\$m
Goodwill	32a	1,209.2	1,230.2
Management agreements		67.3	71.9
Other intangibles		170.3	142.6
Total intangible assets		1,446.8	1,444.7

a. Goodwill

Construction		1,179.2	1,201.0
Development		30.0	29.2
Total goodwill		1,209.2	1,230.2

Reconciliations

Reconciliations of the carrying amounts for each category of goodwill are as follows:

Construction

Carrying amount at beginning of financial year		1,201.0	1,146.2
Additions during the year			2.2
Effect of foreign exchange rate/other movements		(21.8)	52.6
Carrying amount at end of financial year	32b	1,179.2	1,201.0

Development

Carrying amount at beginning of financial year		29.2	24.2
Effect of foreign exchange rate movements		0.8	5.0
Carrying amount at end of financial year		30.0	29.2

b. Goodwill Allocation

Goodwill relating to the Construction business is allocated to CGUs identified according to regions as set out below.

Construction		
Australia	743.4	745.7
Europe	240.7	265.3
Americas	187.5	182.6
Asia	7.6	7.4
Total goodwill	1,179.2	1,201.0

c. Impairment Tests and Key Assumptions Used – Construction

The recoverable amount of the Construction CGUs is determined based on value in use (VIU) calculations. For the Construction CGUs, the assumptions used for determining the recoverable amount of each CGU are based on past experience and expectations for the future, utilising both internal and external sources of data and relevant industry trends.

No impairment arose as a result of the review of goodwill for the Construction CGUs for the year ended 30 June 2016. Based on information available and market conditions at 30 June 2016, a reasonably foreseeable change in the assumptions made in this assessment would not result in impairment of Construction goodwill.

The following describes the key assumptions on which management has based its cash flow projections when determining VIU relating to the Construction CGUs.

Cash Flows

The VIU calculations use pre tax cash flow projections based on actual operating results, and financial forecasts covering a five year period which have been approved by management. These forecasts are based on management estimates to determine income, expenses, capital expenditure and cash flows for each CGU.

Growth Rate

The terminal value growth rate used to extrapolate the cash flows beyond the five year period is 3.0% (June 2015: 3.0%). The growth rate reflects the forecast long term average growth rate for each CGU and the countries in which they operate.

Discount Rate

The discount rates applied to the cash flow projections vary between 14.0% and 20.0% (June 2015: between 14.0% and 20.0%). The Group's weighted average cost of capital is used as a starting point for determining the discount rate, with appropriate adjustments for the risk profile relating to the relevant CGUs and the countries in which they operate. The discount rates used are pre tax.

Notes to Consolidated Financial Statements continued

Section F: Other Notes continued

33. Defined Benefit Plans

Accounting Policies

Group companies operate pension plans. The plans are generally funded through payments to insurance companies or trustee-administered funds as determined by periodic actuarial calculations.

A defined benefit plan is a pension plan that defines the amount of pension benefit an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset or liability recognised in the Statement of Financial Position in respect of defined benefit plans is the present value of the defined benefit obligation i.e. 'the pension liability' at the balance sheet date less the fair value of plan assets. The present value of the pension liability is determined by discounting the estimated future cash outflows using interest rates of high quality corporate or government bonds, that:

- Are denominated in the currency in which the benefits will be paid; and
- Have terms to maturity approximating the terms of the related pension liability.

The defined benefit obligation is calculated at least annually by independent actuaries using the projected unit credit method, which in simplistic terms proportions the benefit based on service. Management consider the valuation of defined benefit plans undertaken by the actuaries to be an area of **estimation uncertainty** as a number of key assumptions must be adopted to determine the valuation.

Actuarial losses/(gains) will arise where there is a difference between previous estimates and actual experience, or a change to assumptions in relation to demographic and financial trends. These actuarial losses/(gains) are recognised in the period they occur, directly in other comprehensive income as remeasurements. They are included in retained earnings in the Statement of Changes in Equity and in the Statement of Financial Position.

Past service costs are recognised immediately in the Income Statement.

Lend Lease UK Pension Scheme

Lendlease Construction Holdings (Europe) Limited (UK Construction) sponsors a funded defined benefit pension scheme (the Scheme) for qualifying UK employees. The Scheme is administered by a separate board of Trustees which is legally separate from UK Construction. The Scheme's Trustees are composed of representatives of both the employer and employees. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets plus the day to day administration of the benefits.

The Scheme is a funded defined benefit scheme, with final salary section providing retirement benefits based on final salary and the index-linked section providing retirement benefits based on career average salary. A separate section, the Personal Investment Section, provides retirement benefits on a defined contribution basis. The UK Construction's contributions to members' Personal Investment Fund accounts are not included in these disclosures.

The final salary section closed to future accrual on 31 August 2008 and the index-linked section closed to future accrual on 31 January 2012. There were no Scheme amendments affecting defined benefits payable, curtailments or settlements during the year. UK Construction pays deficit funding contributions plus 4.0% of members' basic salaries to cover the Scheme's expected administration costs and costs of benefits payable on death in service. The Scheme expects to pay A\$18.3 million in contributions to its defined benefit plan in 2017. This includes the annual deficit recovery payment of A\$13.8 million, which was agreed as an annual payment until 2020 following the triennial actuarial valuation for 31 March 2014.

The defined benefit plan is exposed to actuarial risk and market (investment) risk, the information which follows provides additional detail on risk.

Financial Disclosure	June 2016 A\$m	June 2015 A\$m
i. Statement of Financial Position Amounts		
The amounts recognised in the Statement of Financial Position are determined as follows:		
Defined benefit obligations	1,059.6	1,144.1
Fair value of plan assets	(1,056.2)	(1,075.3)
Net defined benefit liability	3.4	68.8

Financial Disclosure	June 2016 A\$m	June 2015 A\$m
ii. Reconciliation of Defined Benefit Obligations		
Defined benefit obligations at beginning of financial year	1,144.1	875.6
Included in Income Statement		
Interest cost	38.8	37.5
Remeasurements Included in Other Comprehensive Income		
Actuarial loss/(gain) arising from:		
Demographic assumptions		(9.4)
Financial assumptions	91.2	117.7
Experience adjustments	(24.0)	30.4
Other		
Benefits paid	(40.4)	(27.1)
Effect of foreign exchange rate movements	(150.1)	119.4
Defined benefit obligations at end of financial year	1,059.6	1,144.1
iii. Reconciliation of the Fair Value of Plan Assets		
Fair value of plan assets at beginning of financial year	1,075.3	836.1
Included in Income Statement		
Interest income	36.6	36.0
Administration costs	(2.4)	(3.4)
Remeasurements Included in Other Comprehensive Income		
Actual return on plan assets excluding interest income	115.2	69.8
Other		
Contributions by Group companies	20.2	51.1
Benefits paid	(40.4)	(27.1)
Effect of foreign exchange rate movements	(148.3)	112.8
Fair value of plan assets at end of financial year	1,056.2	1,075.3
iv. Expense Recognised in the Income Statement		
Net interest cost	2.2	1.5
Administration costs	2.4	3.4
Net defined benefit plan expense	4.6	4.9
v. Fair Value of Plan Assets		
Plan assets comprise of:		
Equities		
UK	94.5	110.6
Global	242.9	289.4
Investment funds	124.6	153.3
Infrastructure	77.3	22.4
Government index-linked bonds	367.1	310.2
Corporate bonds	133.9	144.5
Other assets	15.9	44.9
Fair value of plan assets at the end of the financial year	1,056.2	1,075.3

The investment funds target an absolute level of return. The plan assets can be categorised as Level 1, where the fair value is determined using an unadjusted quoted price for an identical asset, or Level 2, where the fair value is derived either directly or indirectly from observable inputs. At year end, approximately A\$875.5 million of total plan assets were categorised as Level 2 (June 2015: A\$752.2 million). UK Construction and Trustees have agreed a long term strategy for reducing investment risk as and when appropriate. This includes an asset-liability matching policy which aims to reduce the volatility of the funding level of the pension plan by investing in assets such as index-linked bonds which perform in line with the liabilities of the plan so as to protect against inflation being higher than expected. The current benchmark allocation is 55.0% growth assets and 45.0% matching assets (June 2015: 55.0% growth assets and 45.0% matching assets).

Notes to Consolidated Financial Statements continued

Section F: Other Notes continued

33. Defined Benefit Plans continued

Lend Lease UK Pension Scheme continued

	June 2016	June 2015
vi. Principal Actuarial Assumptions		
Discount rate (%)	2.8	3.5
RPI Inflation (%)	2.9	3.2
Average pension increase in payments (%)	2.3	2.5
Future mortality (years):		
Male	25.3	25.4
Female	27.1	27.0

The liabilities are calculated using a discount rate set with reference to corporate bond yield, if assets underperform this yield will create a deficit. A decrease in corporate bond yield will increase the value placed on the Scheme's liabilities, although this will be partially offset by an increase in the value of the Scheme's corporate bond holdings. The majority of the Scheme's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities, although in most cases this will be capped to protect against extreme inflation. The majority of the assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit. The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities. The mortality assumptions are based on standard mortality tables which allow for expected future mortality improvements, the assumption is that a member aged 63 will live for a further 25.3 years (June 2015: 25.4 years) if they are male and 27.1 years if they are female (June 2015: 27.0 years). At 30 June 2016, the weighted average duration of the defined benefit obligation was 19 years (June 2015: 19 years).

vii. Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below.

	0.1% Increase in Discount Rate A\$m	0.1% Decrease in Discount Rate A\$m	0.1% Increase RPI Inflation and Pension Payment A\$m	0.1% Decrease RPI Inflation and Pension Payment A\$m	1 Year Increase in Future Mortality A\$m	1 Year Decrease in Future Mortality A\$m
June 2016						
Defined benefit obligations	(19.5)	20.7	16.0	(17.3)	33.6	(34.1)
June 2015						
Defined benefit obligations	(20.2)	20.8	16.7	(15.9)	30.2	(30.8)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Non-pensioner benefits are linked to RPI in the period up to retirement. Once in payment, pension increases are linked to RPI but with a 0% floor and different caps applying to different periods of pensionable service. The inflation sensitivity reflects a change in RPI inflation and the associated increases in payment.

34. Employee Benefits

Detailed information regarding the Group's reward strategy is provided in the Remuneration Report within the Directors' Report. The key incentives are as follows:

- Short Term Incentives (STI); and
- Long Term Incentives (LTI).

a. Short Term Incentives (STI)

The STI plan is an annual incentive plan whereby a number of employees receive benefits which are dependent upon the achievement of both Lendlease financial targets and individual goals. The total value of the potential benefit varies by executive and is tested against relevant market levels for each role.

- The STI plan comprises a cash element which is paid in September following year end. For more senior employees, where potential benefit is typically higher, the plan also includes a deferred element.
- Deferral periods are generally for one or two years. The deferred element is normally awarded as Lendlease securities and in some instances as cash. Securities are held in Lendlease employee security plans on behalf of the employee for the deferral period, (refer to Note 29a 'Employee Security Plans'). For employees to receive the full deferral, they must generally be employed by the Group at the date of vesting.

b. Long Term Incentives (LTI)

The LTI plan is designed to:

- motivate executives to achieve the Group's long term strategic goals and provide reward where the Group delivers better securityholder value than its peers; and
- align the interests of executives and securityholders given that the value received is linked to the Group's security price.

Arrangements for LTI awards

LTI design	How the LTI works	
Performance Securities	<ul style="list-style-type: none"> • An annual grant of 'performance securities' is made to a limited number of executives. • The Board intends that the awards be settled in Lendlease securities, although the award may be settled in cash or other means at the Board's discretion. • On vesting, each performance security entitles executives to one Lendlease security, or at the Board's discretion, cash or other instruments of equivalent value. • In the event of a change in control of the Group, the Board has the discretion to determine whether the vesting of some or all performance securities should be accelerated. 	
Performance Period	<ul style="list-style-type: none"> • 50% of the performance securities are assessed over a three year period. If the performance hurdle is not fully achieved at this time, those performance securities that have not vested will lapse. • The remaining 50% of the performance securities are assessed after four years. • If the performance hurdle is not met, the awards are forfeited. • There is no retesting on any portion of the LTI grant. 	
Termination of Employment	<ul style="list-style-type: none"> • If the executive resigns or is terminated for cause, the unvested LTI is forfeited. • If the executive is terminated for poor performance, the Board can adjust unvested LTI prior to the vesting date. • For 'good leavers', the LTI grant may remain on foot, subject to the original performance hurdles. • In exceptional circumstances (such as death or total permanent disability), the Board may exercise discretion and settle the award at the time of termination of employment. 	
Performance Hurdles	June 2014 to 2016 Financial Years <ul style="list-style-type: none"> • 50% subject to Lendlease's Total Securityholder Return (TSR) compared to the companies in the S&P/ASX 100 Index. The S&P/ASX 100 companies are determined at the start of the performance period. • 50% subject to Return on Equity (ROE). 	June 2013 Financial Year <ul style="list-style-type: none"> • Lendlease's Total Securityholder Return (TSR) compared to the companies in the S&P/ASX 100 Index. The S&P/ASX 100 companies were determined at the start of the performance period.
Vesting Schedule - TSR	Relative TSR percentile ranking <ul style="list-style-type: none"> • Below the 50th percentile • At the 50th percentile • At or above the 51st percentile but below the 75th percentile • At the 75th percentile or greater 	Percentage of performance securities that vest if the relative TSR hurdle is met <ul style="list-style-type: none"> • No vesting • 50% vesting • Pro rata vesting on a straight line basis between 52% and 98% • 100% vesting
Vesting Schedule - ROE	Average Return on Equity over the performance period <ul style="list-style-type: none"> • Less than 11% • 11% • Above 11% but below 15% • 15% or greater 	Percentage of performance securities that vest if the ROE hurdle is met <ul style="list-style-type: none"> • No vesting • 25% vesting • Pro rata vesting on a straight line basis between 25% and 100% • 100% vesting

c. Amounts Recognised in the Financial Statements

LTI awards are valued using Monte-Carlo simulation methodology where the security price can be projected based on the assumptions underlying the Black-Scholes formula. Retention awards are valued by discounting the security price by the expected dividends assumed to be paid from the valuation date until the vesting date (if applicable). The model inputs include the Lendlease Group security price, a risk free interest rate, expected volatility and dividend yield.

During the financial year ended 30 June 2016, a A\$43.0 million expense was recognised in the Income Statement in relation to equity settled security based payment awards (June 2015: A\$38.6 million).

Notes to Consolidated Financial Statements continued

Section F: Other Notes continued

35. 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 year ended 30 June 2016.

New Accounting Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 30 June 2016 but are available for early adoption, unless otherwise noted, and have not been applied in preparing this report.

The table below represents new and revised accounting standards, together with consequential amendments relevant to the Group's results for 30 June 2016.

Accounting Standard	Requirement	Impact on Financial Statements
AASB 2014-3 <i>Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations</i>	AASB 2014-3 amends AASB 11 <i>Joint Arrangements</i> 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 <i>Business Combinations</i> . 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 a material impact on the Group as acquisitions are currently accounted for in line with the proposed amendment.
AASB 9 <i>Financial Instruments</i> and consequential amendments	AASB 9 addresses the classification, measurement and derecognition of financial assets, financial liabilities and hedging. The standard becomes mandatory for the June 2019 financial year, and will be applied retrospectively.	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 <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 preliminary analysis performed, this standard is not expected to have a material impact on the Group, however it will impact the information disclosed in relation to revenue contracts.
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. Early adoption is permitted under certain circumstances.	The potential effect of this standard is yet to be determined.
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 2019 financial year and will be applied prospectively.	Based on preliminary analysis performed, the amendments are not expected to have a material impact on the Group.
AASB 2016-1 <i>Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses</i>	The amendments to AASB 112 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. The amendment becomes mandatory for the June 2018 financial year and will be applied retrospectively.	Based on preliminary analysis performed, the amendments are not expected to have a material impact on the Group.
AASB 2016-2 <i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i>	The amendment to AASB 107 introduces additional disclosures relating to changes in liabilities arising from financing activities. The amendment becomes mandatory for the June 2018 financial year and will be applied prospectively.	The amendment is not expected to have a material financial impact on the Group, however it will impact the type of information disclosed in relation to financing cash flows.

36. Other Significant Accounting Policies

a. Foreign Currency Translation

Functional and Presentation Currency

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

Transactions and Balances

Foreign currency transactions are translated into Australian dollars using the exchange rate on the date of the transactions. Assets and liabilities denominated in foreign currencies are translated to Australian dollars at balance date.

Foreign exchange gains or losses resulting are recognised in the Income Statement for monetary assets and liabilities such as receivables and payables, except for qualifying cash flow hedges and qualifying net investment hedges in foreign operations that are recognised in other comprehensive income. Refer to Note 25 'Hedging' for further detail.

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

Group Entities

The results and Statement of Financial Position of all Group entities that are not presented in Australian dollars (none of which has the currency of a hyperinflationary economy) are translated as follows:

- Revenue and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of transaction rate, in which case revenue and expenses are translated at the date of the transactions);
- Assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at balance date; and
- All resulting exchange differences are recognised in other comprehensive income, in the foreign currency translation reserve.

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

b. Goods and Services Tax

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

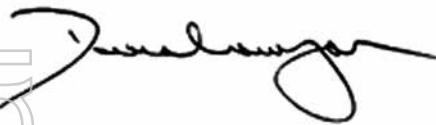
Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on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

Directors' Declaration

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

- 1. The financial statements and notes and the remuneration disclosures contained in the Remuneration Report in the Directors' Report are in accordance with the *Corporations Act 2001*, including:
 - a. Giving a true and fair view of the financial position of the Company and Consolidated Entity as at 30 June 2016 and of their performance for the financial year ended on that date; and
 - b. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- 2. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in the Basis of Preparation.
- 3. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 4. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Group Chief Executive Officer and Group Chief Financial Officer for the financial year ended 30 June 2016.

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, 19 August 2016

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

Report on the financial report

We have audited the accompanying financial report of Lendlease Corporation Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2016, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, the Basis of Preparation, notes 1 to 36 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In the Basis of Preparation, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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



Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in the Basis of Preparation.

Report on the remuneration report

We have audited the remuneration report included in the Governance section of the directors' report for the year ended 30 June 2016. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Lendlease Corporation Limited for the year ended 30 June 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG

S J Marshall

Partner

Sydney

19 August 2016

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08

Other Information

Five Year Profile

		30 June 2016	30 June 2015	30 June 2014	30 June 2013 ¹	30 June 2012 ¹
Profitability						
Revenue	A\$m	15,089	13,281	13,936	13,163	11,548
Profit before Tax	A\$m	863	768	999	571	523
Profit after Tax	A\$m	698	619	823	549	501
EBITDA	A\$m	1,055	967	1,193	739	660
Earnings per stapled security on Profit after Tax ²	cents	120.1	106.8	142.7	95.6	87.7
Profit after Tax to securityholders' equity for the period (ROE) ³	%	13.0	12.4	18.2	13.6	13.5
Dividend/Distribution payout ratio on Profit after Tax	%	50	51	50	44	43
Dividend/Distribution per stapled security	cents	60.0	54.0	71.0	42.0	38.0
Corporate Strength						
Total assets	A\$m	18,593	18,959	15,752	14,301	12,831
Cash	A\$m	1,008	750	1,716	1,610	1,052
Borrowings	A\$m	2,031	2,450	2,347	1,976	1,369
Current assets	A\$m	5,858	6,496	4,933	4,833	4,317
Non current assets	A\$m	12,735	12,463	10,819	9,468	8,515
Current liabilities ⁴	A\$m	8,824	9,706	7,576	6,957	6,736
Non current liabilities	A\$m	4,154	4,085	3,307	3,077	2,266
Total equity	A\$m	5,615	5,168	4,869	4,267	3,830
Operating cash flow	A\$m	853	(167)	822	81	(46)
Net asset backing per security	A\$	9.64	8.90	8.43	7.41	6.69
Ratio of current assets to current liabilities ⁴	times	0.7	0.7	0.7	0.7	0.6
Ratio of current assets to current liabilities (excluding resident and accommodation bond liabilities) ⁴	times	1.2	1.2	1.1	1.1	1.0
Net debt to total tangible assets, less cash ⁵	%	6.5	10.5	5.7	5.4	5.5
Borrowings to total equity plus borrowings	%	26.6	32.2	32.5	31.7	26.3
Securities on issue	m	582	580	577	576	573
Number of securityholders	no.	61,521	56,966	55,046	53,591	52,739
Number of equivalent full time employees ⁶	no.	12,162	12,443	13,268	15,634	17,315
Securityholders' Returns and Statistics						
Proportion of securities on issue to top 20 securityholders	%	72.7	75.7	76.1	76.1	76.6
Security holdings relating to employees ⁷	%	5.6	5.6	6.3	6.9	6.9
Weighted average number of securities	m	581	579	577	574	572
Total dividends/distributions ⁸	A\$m	349	313	410	242	218
Security price as at 30 June as quoted on the Australian Securities Exchange	A\$	12.60	15.03	13.11	8.35	7.20

1. June 2012 and June 2013 has been adjusted to reflect the impact of first time adoption of the revised AASB 119 *Employee Benefits* standard and the new AASB 11 *Joint Arrangements* standard in 2014, with retrospective adjustment from 1 July 2012.
2. Calculated using the weighted average number of securities on issue including treasury securities.
3. Return on equity (ROE) is calculated as the annual Profit after Tax divided by the arithmetic average of beginning, half year and year end 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 includes certain other financial liabilities of A\$29.5 million (June 2015: A\$58.3 million).
6. Casual and third party workers are excluded from full time equivalent employees at June 2016, 2015 and 2014; comparative periods 2013 and 2012 have been restated to conform with current period disclosure. The reduction from June 2015 mainly relates to restructure of the Australian Construction business. The reduction from June 2014 mainly relates to the restructure of the Australian Construction business and the sale of the European Facilities Management business. The reduction from June 2012 mainly relates to the sale of the Aged Care business.
7. Securities held through employee benefit vehicles.
8. A\$160.0 million unfranked Company dividend was declared subsequent to the reporting date for June 2016.



Preliminary artist impression of Paya Lebar Quarter, Singapore (Image subject to change and further design development and planning approval)

Portfolio Report

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The Portfolio Report is based on the Lendlease Group (the Group) Consolidated Financial Statements for the year ended 30 June 2016 and should be read in conjunction with those Financial Statements.

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

Key Portfolio Metrics

Development

		AUSTRALIA		ASIA		EUROPE		AMERICAS		TOTAL	
		June 2016	June 2015	June 2016	June 2015	June 2016	June 2015	June 2016	June 2015	June 2016	June 2015
Residential, Commercial and Healthcare											
Number of development projects ¹	no.	25	30	2	2	11	20	5	7	43	59
Backlog Units and SQM²											
Residential – Land units zoned	no.	48,835	51,080					3,860	3,860	52,695	54,940
Residential – Built-form units zoned/unzoned ³	no.	13,905	14,890	2,230	2,225	4,995	5,315	4,360	3,530	25,490	25,960
Total residential units	no.	62,740	65,970	2,230	2,225	4,995	5,315	8,220	7,390	78,185	80,900
Residential land ⁴	sqm/000s					11	44			11	44
Commercial zoned ⁴	sqm/000s	5,095	5,182	369	368	230	311	379	423	6,073	6,284
Retirement Living											
Backlog units ⁵	no.	4,028	666							4,028	666
Infrastructure⁶											
Number of infrastructure projects – Under construction / preferred bidder ^{7,8}	no.	1	4 ⁹			2	2			3	6
Invested Equity ¹⁰	A\$m	20.4	185.7 ⁹			6.4	4.2			26.8	189.9
Committed Equity ¹¹	A\$m		70.0 ⁹			12.3	14.1			12.3	84.1

- Where a project has multiple stages these have been combined in line with the planning process. Does not include the Mt Gilead project in Australia as the acquisition is subject to a number of conditions including planning.
- 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.
- Includes 25,490 zoned units and zero unzoned units at June 2016 (June 2015: 22,041 zoned and 3,919 unzoned units).
- Represents net developable land in relation to master-planned urban communities, and net developable floor space for other developments. Commercial space has been disclosed based on Gross Floor Area (GFA) in Asia and refers to the total area of the covered floor space measured between the centre line of party walls, including the thickness of external walls but excluding voids. The actual land area and floor space for any particular project can vary as planning approvals are obtained.
- Backlog units include Group owned and managed sites and aged care beds within facilities to be constructed. Backlog units are located in New South Wales, Victoria, Australian Capital Territory, Western Australia and South Australia. Following a strategic review of the Retirement Living operations, additional backlog units were identified. This has the impact of increasing closing backlog units from the prior year.
- Following the revision of the Group's segment reporting structure for June 2016, the Infrastructure component of the Development segment now includes projects which are under construction or for which the Group is preferred bidder. The Americas Infrastructure projects are now reported within Investments.
- The Australian Infrastructure Development projects are managed by the Capella Capital business.
- The one project in Australia as at June 2016 represents Eastern Goldfields Regional Prison, which is currently under construction. Projects in Europe as at June 2016 include Brescia 2 in Italy, which is under construction and Treviso Hospital in Italy for which the Group is preferred bidder.
- In June 2016, the Group sold down its equity interests in Sunshine Coast University Hospital, New Bendigo Hospital and ICC Sydney (formerly Darling Harbour Live) into the Lendlease Public Infrastructure Investment Company.
- Invested equity refers to the contributed equity for each project.
- Committed equity refers to equity the Group has a future commitment to invest.

Portfolio Report continued

Key Portfolio Metrics continued

Construction

	AUSTRALIA		ASIA		EUROPE		AMERICAS		TOTAL	
	June 2016 A\$m	June 2015 A\$m	June 2016 A\$m	June 2015 A\$m	June 2016 A\$m	June 2015 A\$m	June 2016 A\$m	June 2015 A\$m	June 2016 A\$m	June 2015 A\$m
New work secured revenue¹										
Building	4,518.6	3,894.5	462.0	424.3	1,289.8	1,566.3	4,531.5	3,206.3	10,801.9	9,091.4
Engineering	2,729.9	1,735.3	22.3	57.0					2,752.2	1,792.3
Services	1,041.3	920.7							1,041.3	920.7
Total new work secured revenue	8,289.8	6,550.5	484.3	481.3	1,289.8	1,566.3	4,531.5	3,206.3	14,595.4	11,804.4
Backlog Revenue²										
Building	6,330.6	6,269.9	555.9	375.2	1,505.0	1,463.4	6,715.2	5,524.9	15,106.7	13,633.4
Engineering	3,845.5	2,342.5	3.8	21.5					3,849.3	2,364.0
Services	1,714.2	1,258.8							1,714.2	1,258.8
Total backlog revenue	11,890.3	9,871.2	559.7	396.7	1,505.0	1,463.4	6,715.2	5,524.9	20,670.2	17,256.2
	AUSTRALIA		ASIA		EUROPE		AMERICAS		TOTAL	
	June 2016 %	June 2015 %	June 2016 %	June 2015 %	June 2016 %	June 2015 %	June 2016 %	June 2015 %	June 2016 %	June 2015 %
Backlog Realisation										
Next 12 months	47	49	91	69	71	66	49	53	51	52
12 - 24 months	30	24	7	26	17	25	33	25	29	25
Beyond 24 months	23	27	2	5	12	9	18	22	20	23
Total	100	100	100	100	100	100	100	100	100	100

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

2. Current year backlog revenue is the total revenue to be earned from projects in future financial years, based on projects secured as at 30 June 2016. Although backlog revenue is realised over several years, the average foreign exchange rate for the current year has been applied to the closing backlog revenue balance in its entirety, as the average rates for later years cannot be predicted.

Investments

	AUSTRALIA ¹		ASIA ²		EUROPE ¹		AMERICAS ¹		TOTAL	
	June 2016	June 2015	June 2016	June 2015	June 2016	June 2015	June 2016	June 2015	June 2016	June 2015
Investments³ (A\$m)										
- Co-Investments	974.7	814.0	339.8	361.5	65.7	76.1			1,380.2	1,251.6
- Retirement Ownership	1,488.3	1,580.2							1,488.3	1,580.2
- Infrastructure Investments	15.2	15.2				6.1	109.4	109.2	124.6	130.5
Total Investments	2,478.2	2,409.4	339.8	361.5	65.7	82.2	109.4	109.2	2,993.1	2,962.3
Funds Under Management (FUM)³ (A\$b)										
FUM at the beginning of the period	13.8	10.9	5.3	3.6	2.2	1.8			21.3	16.3
Foreign exchange movement			0.2	0.6	(0.4)	0.3			(0.2)	0.9
Additions	2.1	3.0	0.2	1.2					2.3	4.2
Reductions	(0.3)	(0.8)	(0.1)	(0.1)	(0.4)				(0.8)	(0.9)
Net revaluations	0.9	0.7			0.1	0.1			1.0	0.8
Total FUM	16.5	13.8	5.6	5.3	1.5	2.2	-	-	23.6	21.3
Assets Under Management (AUM)										
Number of centres	16	16	4	4	2	2			22	22
AUM ³ (A\$b)	6.4	6.1	4.4	4.3	0.9	1.0			11.7	11.4
GLA under management (sqm/000s) ⁴	722.2	740.9	294.8	294.8	141.7	141.7			1,158.7	1,177.4

1. Following the revision of the Group's segment reporting structure for June 2016, the Investments segment now includes the equity investments in operational infrastructure projects.

2. Following the revision of the Group's segment reporting structure for June 2016, Paya Lebar Quarter Joint Venture (formerly Paya Lebar Central Joint Venture) is now reported within Development.

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

4. Represents the gross lettable area of the centres, with the exception of Asia which represents the net lettable area of the centres.

Portfolio Report continued

Australia

Development

Residential and Commercial Project Listing

Project	Sector	Location ¹	Ownership Interest	Estimated Completion Date ²	RESIDENTIAL		COMMERCIAL
					Backlog Land Units ^{3,4}	Backlog Built-Form Units ^{3,4}	Estimated Backlog sqm/000s ⁵
Zoned Projects							
Bingara Gorge	Communities	NSW	Land management	2026	555		39
Calderwood Valley	Communities	NSW	Land management	2040	5,005		57
St Marys – Jordan Springs	Communities	NSW	Owned (100% interest)	2023	1,345	25	613
The New Rouse Hill	Communities	NSW	Land management	2017	65	430	
Barangaroo South	Urban Regeneration	NSW	Staged payments (100% interest)	2023		775	192
Circular Quay	Urban Regeneration	NSW	Owned (100% interest)	2021			56
Darling Square (formerly Darling Harbour Live)	Urban Regeneration	NSW	Staged payments (100% interest)	2020		1,505	75
Fernbrooke Ridge	Communities	Qld	Land management	2018	310		
Rocky Springs	Communities	Qld	Land management	2054	10,675		1,037
Springfield Lakes	Communities	Qld	Land management	2027	4,320	440	88
Yarrabilba	Communities	Qld	Staged acquisition (100% interest)	2042	13,705	1,675	2,022
Brisbane Showgrounds	Urban Regeneration	Qld	Land management	2025		2,390	92
Subtotal zoned (carried forward)					35,980	7,240	4,271

- Locations are New South Wales (NSW) and Queensland (Qld).
- Estimated completion date represents the expected financial year in which the last unit will be settled for master-planned communities, and the construction completion date for apartments and non-residential projects.
- Backlog includes the total number of units in Group owned, joint venture and managed projects. The actual number of units for any particular project can vary as planning approvals are obtained.
- Backlog units do not include the Mt Gilead project in Sydney's South West as the acquisition is subject to a number of conditions including planning.
- 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.

Residential and Commercial Project Listing continued

Project	Sector	Location ¹	Ownership Interest	Estimated Completion Date ²	RESIDENTIAL		COMMERCIAL
					Backlog Land Units ^{3,4}	Backlog Built-Form Units ^{3,4}	Estimated Backlog sqm/000s ⁵
Subtotal zoned projects (brought forward)					35,980	7,240	4,271
Blakes Crossing	Communities	SA	Staged acquisition (100% interest)	2019	580		10
Richmond	Apartments	Vic	Owned (100% interest)	2021		365	
Toorak Park	Apartments	Vic	Owned (100% interest)	2018		465	
Atherstone	Communities	Vic	Land management	2034	3,990		80
Aurora	Communities	Vic	Owned (100% interest)	2026	3,075		177
Harpley	Communities	Vic	Land management	2025	3,705		313
Laurimar	Communities	Vic	Owned (100% interest)	2017	10		
Mayfield	Communities	Vic	Owned (100% interest)	2017	40		
Melbourne Quarter	Urban Regeneration	Vic	Land management	2021		1,690	123
Victoria Harbour	Urban Regeneration	Vic	Land management	2024		2,950	48
Alkimos	Communities	WA	Land management	2023	1,415	5	55
The Assembly at Coolbellup	Communities	WA	Land management	2017	40		
Waterbank	Urban Regeneration	WA	Land management	2023		1,190	18
Total zoned					48,835	13,905	5,095

- Locations are South Australia (SA), Victoria (Vic) and Western Australia (WA).
- Estimated completion date represents the expected financial year in which the last unit will be settled for master-planned communities, and the construction completion date for apartments and non-residential projects.
- Backlog includes the total number of units in Group owned, joint venture and managed projects. The actual number of units for any particular project can vary as planning approvals are obtained.
- Backlog units do not include the Mt Gilead project in Sydney's South West as the acquisition is subject to a number of conditions including planning.
- Represents net developable land in relation to master-planned urban communities and net developable floor space for other developments. The actual land area and floor space for any particular project can vary as planning approvals are obtained.

Portfolio Report continued

Australia continued

Construction

Major Projects – Building^{1,2}

Project	Location ³	Client	Contract Type ⁴	Construction Value ⁵ A\$m	Secured Date ⁶	Completion Date ⁷	Sector	Description
Barangaroo South	NSW	Lendlease/Barangaroo Development Authority	LS	3,018	2012	2017	Commercial & Residential	Design and construction of the basement, infrastructure works, commercial office and residential buildings
Sunshine Coast University Hospital ⁸	Qld	Queensland Health	LS	1,579	2013	2017	Healthcare	Design and construction of the new 738 bed hospital
ICC Sydney (formerly Darling Harbour Live)	NSW	Darling Harbour Live Partnership/Infrastructure NSW/Sydney Harbour Foreshore Authority	LS	1,135	2014	2017	Entertainment/Recreation	Design and construction PPP contract for the redevelopment of the Sydney Convention, Exhibition and Entertainment Precinct at Darling Harbour
Darling Square (formerly Darling Harbour Live) ⁹	NSW	Lendlease Haymarket	LS/MC	1,076	2015	2019	Residential/Hotel/Infrastructure	Design and construction of 539 apartments, a hotel, infrastructure and public realm as part of the Darling Harbour redevelopment
Crown Sydney Hotel Resort	NSW	Crown Resorts Limited	MC	1,000	2015	2021	Hotel	Construction of the Crown Sydney Hotel Resort at Barangaroo South
New Air Combat Capability – RAAF Williamtown	NSW	Commonwealth Department of Defence	MC	701	2015	2019	Defence	Design and construction of the facilities required to support the Joint Strike Fighter aircrafts at RAAF Williamtown New South Wales (excludes Managing Contractor fees)
New Bendigo Hospital	Vic	Victorian Government/Bendigo Health	LS	630	2013	2018	Healthcare	Design and construction of a new 372 bed hospital in Bendigo
New Air Combat Capability – RAAF Tindal	NT	Commonwealth Department of Defence	MC	360	2016	2018	Defence	Design and construction of the facilities required to support the Joint Strike Fighter aircrafts at RAAF Tindal Northern Territory (excludes Managing Contractor fees)
Adelaide Convention Centre Redevelopment	SA	Department of Planning, Transport and Infrastructure, South Australia	MC	352	2011	2018	Commercial	Managing Contractor for the redevelopment and extension of the existing convention centre
Air 7000 Phase 2B	SA	Commonwealth Department of Defence	MC	296	2016	2019	Defence	Facilities requirements for the Maritime Patrol Aircraft replacement capability at RAAF Base Edinburgh, SA – Main Operating Base
60 Martin Place	NSW	Investa	LS	276	2016	2019	Commercial	Design and construction of new premium grade 33 storey commercial office building, including demolition of existing 28 storey office building
Land 121	National	Commonwealth Department of Defence	MC	258	2016	2018	Defence	Facilities component of the LAND 121 acquisition project, which involves the construction of facilities across eight Defence bases and 17 units nationally, primarily driven by changed facility requirements due to vehicle replacement program
Gosford Hospital Redevelopment	NSW	Health Infrastructure	LS	214	2016	2019	Healthcare	Design and construction of a new wing and refurbishment of various levels within the existing Gosford Hospital
Toorak Park, Armadale	Vic	Lendlease Development	CM	209	2015	2017	Residential	Construction of a residential development at Armadale
Monash Children's Hospital	Vic	Department of Health and Human Services	MC	206	2014	2017	Healthcare	Managing contractor of a new 230 bed hospital
Campbell Barracks Redevelopment Project	WA	Commonwealth Department of Defence	LS	200	2016	2019	Defence	Construction of facilities and infrastructure for the Army
Adelaide Medical & Nursing School	SA	The University of Adelaide	MC	194	2014	2017	Education/Healthcare	Design and construction of a new University health science facility for teaching and research
Victoria Harbour – 888 Collins	Vic	Lendlease Development	CM	182	2015	2017	Residential	Construction of a residential development at 888 Collins
Victoria Harbour – 889 Collins	Vic	Lendlease Development	CM	171	2015	2017	Residential	Construction of a residential development at 889 Collins

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

2. Backlog revenue as at 30 June 2016 for the projects listed totals A\$4,539.6 million, representing 72% of the total backlog revenue for the region in relation to Building projects.

3. Locations are New South Wales (NSW), Queensland (Qld), Victoria (Vic), Northern Territory (NT), South Australia (SA), National and Western Australia (WA).

4. Contract types are Lump Sum (LS), Managing Contractor (MC) and Construction Management (CM).

5. Construction value represents the Group's share of the total construction value of the project.

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

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

8. Includes client provisional funding.

9. Excludes ICC Sydney as this project is disclosed separately.

Portfolio Report continued

Australia continued

Construction continued

Major Projects – Engineering^{1,2}

Project	Location ³	Client	Contract Type ⁴	Construction Value ⁵ A\$m	Secured Date ⁶	Completion Date ⁷	Sector	Description
North Connex M1/M2 Tunnel	NSW	NorthConnex Co. Pty. Ltd	D&C	1,270	2015	2020	Roads and Highways	Design and construction of the 9km twin motorway tunnels
Northern Connector	SA	SA Department of Planning Transport & Infrastructure	D&C	985	2016	2019	Roads and Highways	Design and construction of the North South Corridor, Northern Connector Project
Gateway Upgrade North	Qld	Queensland Department of Transport & Main Roads	D&C	631	2016	2018	Roads and Highways	Widening 11.3 kilometres of motorway from four to six lanes between Nudgee and Bracken Ridge, upgrading the Nudgee Interchange and widening the Deagon Deviation to two lanes in each direction
Oxley Highway to Kundabung, Pacific Highway	NSW	NSW Roads & Maritime Services	D&C	600	2014	2017	Roads and Highways	Design and construction of 23 kilometres of upgrade works to the highway, including major bridge crossings across the Hastings and Wilson Rivers
Nambucca to Urunga, Pacific Highway, Mid-North Coast	NSW	NSW Roads & Maritime Services	D&C	572	2013	2017	Roads and Highways	Design and construction of 22 kilometres of dual carriageway and bridges
Caulfield to Dandenong	Vic	Level Crossing Removal Authority	ALL	529	2016	2019	Rail	The Level Crossing Removal Project: Caulfield to Dandenong is removing nine level crossings and building five new stations at Carnegie, Murrumbeena, Hughesdale, Clayton and Noble Park
Kingsford Smith Drive	Qld	Brisbane City Council	D&C	443	2016	2019	Roads and Highways	Widening of Kingsford Smith Drive from four to six lanes between Theodore Street at Eagle Farm and Cooksley Street at Hamilton, and improvement works between Cooksley Street and Breakfast Creek Road at Albion
CityLink Tulla Widening	Vic	VicRoads	D&C	230	2016	2018	Roads and Highways	Design and construction for the widening of the Tullamarine Freeway between Bulla Road and Melbourne Airport, including new structures at English Street and Mickleham Road, ITS works, Calder Freeway ITS and ramp widening work; and associated works
Bruce Highway Cooroy Southern Interchange to Cudgerie Drive	Qld	Queensland Department of Transport & Main Roads	SOR	122	2014	2017	Roads and Highways	Construction of 6.5km of new northbound highway lanes to duplicate the existing Cooroy bypass, including upgrade of the Cooroy Southern Interchange and new bridges over Six Mile Creek

1. Disclosure of major projects is subject to client approval. This could impact the projects available for disclosure.
2. Backlog revenue as at 30 June 2016 for the projects listed totals A\$3,613.8 million, representing 94% of the total backlog revenue for the region in relation to Engineering projects.
3. Locations are New South Wales (NSW), South Australia (SA), Queensland (Qld), and Victoria (Vic).
4. Contract types are Design and Construct (D&C), Alliance (ALL) and Schedule of Rates (SOR).
5. Construction value represents the Group's share of the total construction value of the project.
6. Secured date represents the financial year in which the project was secured.
7. Completion date represents the financial year in which the project is expected to be completed.

Investments

Co-Investments

	Region	Lendlease Interest %	Market Value ¹ June 2016 A\$m	Market Value ¹ June 2015 A\$m
Lend Lease International Towers Sydney Trust	Australia	15.0	380.3	181.5
Australian Prime Property Fund – Commercial	Australia	9.4	197.3	178.9
Lend Lease One International Towers Sydney Trust ²	Australia	12.5	107.5	191.3
Craigieburn Central	Australia	25.0	78.3	81.2
Australian Prime Property Fund – Industrial	Australia	10.9	78.3	76.1
Australian Prime Property Fund – Retail	Australia	1.0	44.5	43.5
Lendlease Public Infrastructure Investment Company ³	Australia	10.0	40.5	
Lendlease Sub Regional Retail Fund	Australia	10.0	38.0	36.7
Lendlease Real Estate Partners New Zealand Fund	New Zealand	5.3	8.1	7.0
Lendlease Communities Fund 1	Australia	20.8	1.4	4.1
Lendlease Core Plus Fund ⁴	Australia	13.4	0.5	11.4
Lendlease Retail Partners – Australia Fund ^{4,5}	Australia	2.6		2.3
Total Investments			974.7	814.0

1. Represents the Group's assessment of the market value.
2. During the year the Group divested a 25% interest in Lend Lease One International Towers Sydney Trust reducing the investment held in the fund from 37.5% to 12.5%.
3. In June 2016 the Lendlease Public Infrastructure Investment Company (LPIIC) was established. LPIIC invested in three assets including Sunshine Coast University Hospital, New Bendigo Hospital and ICC Sydney (formerly Darling Harbour Live). Lendlease holds a 10% investment in LPIIC.
4. Lendlease Core Plus Fund and Lendlease Retail Partners – Australia Fund have divested assets during the period.
5. Lendlease Retail Partners – Australia Fund investment value is below A\$0.5 million which rounds down to A\$nil.

Funds Under Management

Fund	Fund Type	Asset Class	Market Value ¹ June 2016 A\$b	Market Value ¹ June 2015 A\$b
Australian Prime Property Fund – Retail	Core	Retail	5.0	4.6
Lend Lease International Towers Sydney Trust	Core	Commercial	3.2	2.3
Australian Prime Property Fund – Commercial	Core	Commercial	2.9	2.5
Managed Investment Mandates	Core	Various	2.0	1.7
Lend Lease One International Towers Sydney Trust	Core	Commercial	1.3	0.9
Australian Prime Property Fund – Industrial	Core	Industrial	0.9	0.8
Lendlease Sub Regional Retail Fund	Core	Retail	0.6	0.6
Lendlease Public Infrastructure Investment Company ²	Core	Various	0.4	
Lendlease Real Estate Partners New Zealand Fund	Enhanced	Retail	0.2	0.2
Lendlease Retail Partners – Australia Fund ³	Core Plus	Retail		0.1
Lendlease Core Plus Fund ⁴	Core Plus	Various		0.1
Lendlease Communities Fund 1 ⁵	Value Add	Residential		
Total FUM			16.5	13.8

1. Represents the Group's assessment of the market value.
2. In June 2016 the Lendlease Public Infrastructure Investment Company (LPIIC) was established. LPIIC invested in three assets including Sunshine Coast University Hospital, New Bendigo Hospital and ICC Sydney (formerly Darling Harbour Live). Lendlease holds a 10% investment in LPIIC.
3. Lendlease Retail Partners – Australia Fund funds under management is A\$5.4 million which rounds down to A\$nil.
4. Lendlease Core Plus Fund funds under management is A\$4.2 million which rounds down to A\$nil.
5. Lendlease Communities Fund 1 funds under management is A\$8.4 million which rounds down to A\$nil.

Portfolio Report continued

Australia continued

Investments continued

Assets Under Management

Shopping centres	Managed on behalf of	GLA sqm/000s ^{1,2}	Market Value ³ June 2016 A\$m	Market Value ³ June 2015 A\$m
Cairns Central, Qld	APPF Retail	52.8		
Caneland Central, Qld	APPF Retail	65.6		
Caroline Springs Square, Vic	APPF Retail	21.0		
Sunshine Plaza, Qld	APPF Retail/Other joint owners	75.9		
Erina Fair, NSW	APPF Retail/Other joint owners	114.7		
Macarthur Square, NSW	APPF Retail/Other joint owners	94.6		
Mid City (retail), NSW	APPF Retail/Other joint owners	9.1		
Lakeside Joondalup, WA	APPF Retail/Other joint owners	98.1		
Craigieburn Central, Vic	APPF Retail/Lendlease	62.7	6,448.4	6,112.8
Menai Marketplace, NSW	Lendlease Sub Regional Retail Fund	16.5		
Settlement City, NSW	Lendlease Sub Regional Retail Fund	19.4		
Southlands Boulevard, WA	Lendlease Sub Regional Retail Fund	21.4		
Armada Shopping City, WA	Lendlease Sub Regional Retail Fund	31.0		
Northgate, WA	Lendlease Sub Regional Retail Fund	15.9		
Barangaroo South (Retail), NSW	Other owner	2.7		
Watertown, WA	Other owner	20.8		
Total		722.2	6,448.4	6,112.8

1. GLA represents the gross lettable area of the centres.

2. GLA reduced across the portfolio due to the sale of Stud Park shopping centre (June 2015: GLA 740.9).

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

Retirement Living

		June 2016	June 2015
Villages – owned ¹	no.	69	74
Villages – managed/leased/other	no.	4	4
Number of villages	no.	73	78
Units – owned ¹	no.	12,172	12,981
Units – managed/leased/other	no.	1,212	1,212
Number of units²	no.	13,384	14,193
Number of resale units	no.	1,038	1,082
Long Term Growth Rate	%	3.7	3.7
Discount Rate	%	13.3	13.3

1. The New Zealand business was sold in the year, with cash settlement in July 2016, 996 units and 5 sites were comprised within this business.

2. Includes 100% of Group owned and managed properties. Only includes completed units.

Investment Management

Retirement Living Portfolio Summary

Location ¹	OWNED		MANAGED/LEASED/OTHER			
	Number of Villages	Units ^{2,3}	Number of Villages	Units	Number of Villages	Units ²
Qld	12	2,911	3	1,137	15	4,048
NSW	17	3,160			17	3,160
Vic	25	3,974	1	75	26	4,049
SA	3	386			3	386
WA	10	1,611			10	1,611
ACT	2	130			2	130
Total retirement villages	69	12,172	4	1,212	73	13,384

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

2. Includes 100% of Group owned and managed properties. Only includes completed units.

3. The New Zealand business was sold in the year, with cash settlement in July 2016, 996 units and 5 sites were comprised within this business.

Infrastructure Investment

Project	Location ¹	Status	Actual Financial Close Date	Operational Term Years	Estimated Capital Spend ² A\$m	Invested Equity ³ A\$m	Committed Equity ⁴ A\$m
Healthcare							
Queen Elizabeth II Medical Centre Car Park	WA	Operational	Jul 11	26	140	15.2	
Total					140	15.2	

1. Location is Western Australia (WA).

2. Represents total estimated capital spend over the contract duration.

3. Invested equity refers to the contributed equity for each project.

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

Portfolio Report continued

Asia

Development

Project	Sector	Location	Ownership Interest %	Estimated Completion Date ¹	Backlog Built-Form Units ²	Estimated Commercial Backlog sqm/000s ³
Zoned Projects						
Paya Lebar Quarter (formerly Paya Lebar Central)	Urban Regeneration	Singapore	30%	2019	430	136
The Lifestyle Quarter at Tun Razak Exchange	Urban Regeneration	Malaysia	60%	2024	1,800	233
Total zoned					2,230	369

1. Estimated completion represents the expected financial year in which the last unit will be settled for master-planned communities, and the construction completion date for apartments and non-residential projects.
2. Backlog includes the total number of units in Group owned, joint venture and managed projects. The actual number of units for any particular project can vary as planning approvals are obtained.
3. Commercial space has been disclosed based on Gross Floor Area (GFA). GFA in Asia refers to the total area of the covered floor space measured between the centre line of party walls, including the thickness of external walls but excluding voids. The actual land area and floor space for any particular project can vary as planning approvals are obtained.

Construction Major Projects^{1,2}

Project	Location	Client	Contract Type ³	Construction Value ⁴ A\$m	Secured Date ⁵	Completion Date ⁶	Sector	Description
Paya Lebar Quarter – Early Works (formerly Paya Lebar Central – Early Works)	Singapore	Roma Central Pte. Ltd, Verona Central Pte. Ltd, Milano Central Pte. Ltd.	GMP	246.8	2016	2017	Mixed Use	Early works for mixed use development consisting of Residential, Retail and Office components
SoftBank Fast Pole	Japan	SoftBank Mobile	MC	152.1	2011	2017	Telecommunications	Delivery of precast concrete poles for SoftBank's base station site

1. Disclosure of major projects is subject to client approval. This could impact the projects available for disclosure.
2. Backlog revenue as at 30 June 2016 for the project listed totals A\$157.1 million, representing 28% of the total Construction backlog revenue for the region.
3. Contract types are Guaranteed Maximum Price (GMP) and Managing Contractor (MC).
4. Construction value represents the Group's share of the total construction value of the project.
5. Secured date represents the financial year in which the project was secured.
6. Completion date represents the financial year in which the project is expected to be completed.

Investments

Co-Investments

	Lendlease Interest %	Market Value ^{1,7} June 2016 S\$m	Market Value ^{1,7} June 2015 S\$m	Market Value ^{1,7} June 2016 A\$m	Market Value ^{1,7} June 2015 A\$m
Lendlease Asian Retail Investment Fund (ARIF)					
ARIF 1 (313@somerset) ²	10.1	29.1	35.0	29.1	33.7
ARIF 2 (Setia City Mall) ^{3,4}	35.9	24.0	29.8	24.0	28.7
ARIF 3 (Jem) ⁵	20.1	156.4	160.9	156.4	154.7
313@somerset ²	25.0	95.3	114.6	95.3	110.2
Parkway Parade Partnership Limited	4.9	35.0	35.6	35.0	34.2
Total Investments⁶		339.8	375.9	339.8	361.5

1. Represents the Group's assessment of the market value.
2. The Group owns 25% of the 313@somerset retail centre through its investment in CDR JV Ltd, with the remaining 75% held by ARIF 1, in which the Group holds a 10.1% interest.
3. The Group directly owns 35.9% of ARIF 2, which has a 50% ownership interest in Setia City Mall.
4. Capital redemptions during the period exceeded the share of profit/loss resulting in a decrease in the equity accounted investment.
5. The Group owns 20.1% of ARIF 3, which has a 75% ownership in Jem.
6. Following the revision to the Group's segment reporting structure for June 2016, Paya Lebar Quarter Joint Venture (formerly Paya Lebar Central Joint Venture) is now reported within Development.
7. The foreign exchange rate applied to the Asia Co-Investment balances as at June 2016 is A\$1 = S\$1 (June 2015: A\$1 = S\$1.04).

Funds Under Management

Fund	Fund type	Asset class	Market Value ¹ June 2016 S\$b	Market Value ¹ June 2015 S\$b	Market Value ¹ June 2016 A\$b	Market Value ¹ June 2015 A\$b
Lendlease Asian Retail Investment Fund (ARIF)	Core	Retail and Commercial	2.5	2.5	2.5	2.4
Managed Investment Mandate	Value Add	Retail and Commercial	1.4	1.3	1.4	1.3
Parkway Parade Partnership Limited	Core Plus	Retail and Commercial	1.2	1.2	1.2	1.2
Lendlease Jem Partners Fund Limited	Core	Retail and Commercial	0.5	0.5	0.5	0.4
Total FUM			5.6	5.5	5.6	5.3

1. Represents the Group's assessment of the market value. The foreign exchange rate applied as at June 2016 is A\$1 = S\$1 (June 2015: A\$1 = S\$1.04).

Assets Under Management

Shopping centres	Managed on behalf of	GLA ¹ sqm/000s	Market Value ² June 2016 S\$m	Market Value ² June 2015 S\$m	Market Value ² June 2016 A\$m	Market Value ² June 2015 A\$m
Jem, Singapore	ARIF/Lendlease Jem Partners Fund Limited	108.2	1,872.0	1,880.0	1,872.0	1,807.7
Parkway Parade, Singapore	Parkway Parade Partnership Limited	52.5	1,209.0	1,196.0	1,209.0	1,150.0
313@somerset, Singapore	ARIF/Lendlease	27.1	1,010.0	1,100.0	1,010.0	1,057.7
Setia City Mall, Malaysia	ARIF/Lendlease	107.0	261.2	284.3	261.2	273.4
Total		294.8	4,352.2	4,460.3	4,352.2	4,288.8

1. Represents the net lettable area of the centres.
2. Represents the Group's assessment of the market value. The foreign exchange rate applied as at June 2016 is A\$1 = S\$1 (June 2015: A\$1 = S\$1.04).

Portfolio Report continued

Europe

Development – Project Listing

Project	Sector	Location	Ownership Interest %	Estimated Completion Date ¹	Backlog Built-Form Units ²	Residential Land sqm/000s ³	Estimated Commercial Backlog sqm/000s ³
Zoned Projects							
Elephant & Castle	Urban Regeneration	London, UK	100%	Various	2,470		18
Deptford	Urban Regeneration	London, UK	100%	Various	1,130		7
International Quarter London (formerly The International Quarter)	Urban Regeneration	London, UK	50%	Various	335		200
Chiswick	Urban Regeneration	London, UK	100%	2019	135		2
Wandsworth	Urban Regeneration	London, UK	100%	Various	110		
UK residential projects	Urban Regeneration	Various	Various	Various	815	11	3
Total Development					4,995	11	230

1. Estimated completion date for built-form units represents the financial year in which the project construction is expected to be completed.
2. Backlog includes the total number of units in Group owned and joint venture projects. The actual number of units for any particular project can vary as planning approvals are obtained.
3. Represents net developable land in relation to master-planned urban communities and net developable floor space for other developments. The actual land area and floor space for any particular project can vary as planning approvals are obtained.

Construction - Major Projects^{1,2}

Project	Location	Client	Contract Type ³	Construction Value ⁴ £m	Construction Value ⁴ A\$m	Secured Date ⁵	Completion Date ⁶	Sector	Description
Elephant & Castle – West Grove	London	Lend Lease Residential (CG) Plc	LS	212	424	2016	2019	Residential	Design and construction of 593 new homes over two buildings and a series of mansion blocks as part of the Elephant & Castle masterplan
Rathbone Square	London	Great Portland Estates plc	LS	198	396	2015	2017	Mixed-use	Design and construction of mixed residential, commercial, retail and public realm new build in London's West End, including 162 residential apartments and 265,000 square feet of commercial office space
North Wales Prison	Wales	Ministry of Justice	LS	158	317	2015	2017	Justice	Design and construction of a 2,106 inmate Category C prison in North Wales
International Quarter London (formerly The International Quarter) Building 1	London	Stratford City Business District Limited	LS	138	276	2016	2018	Commercial	New build 20 storey office building providing 500,000 square feet of office space with retail on ground floor
International Quarter London (formerly The International Quarter) Building 2	London	Stratford City Business District Limited	LS	119	238	2016	2018	Commercial	12 storey office building providing 267,000 square feet of office space and associated fit-out with retail units at ground floor
Elephant & Castle – South Gardens	London	Lend Lease Residential (CG) Plc	LS	117	233	2015	2017	Residential	Design and construction of 360 residential units and 3 retail units as part of the Elephant & Castle masterplan
International Quarter London (formerly The International Quarter) – Glasshouse Gardens	London	SCBD Residential Limited	LS	89	178	2015	2018	Residential	Design and construction of two residential buildings (30 storey and 18 storey) comprising 333 units

1. Disclosure of major projects is subject to client approval. This could impact the projects available for disclosure.
2. Backlog revenue as at 30 June 2016 for the projects listed totals £623.1 million, representing 83% of the total Construction backlog revenue for the region.
3. Contract type is Lump Sum (LS).
4. Construction value represents the Group's share of the total construction value of the project.
5. Secured date represents the financial year in which the project was secured.
6. Completion date represents the financial year in which the project is expected to be completed.

Portfolio Report continued

Europe continued

Investments

Co-Investments

	Lendlease Interest %	Market Value ¹ June 2016 £m	Market Value ¹ June 2015 £m	Market Value ¹ June 2016 A\$m	Market Value ¹ June 2015 A\$m
Lendlease Retail LP (formerly Lendlease Retail Partnership)	4.3	36.8	35.2	65.7	71.8
Lendlease PFI/PPP Infrastructure Fund LP (UKIF) ²			2.1		4.3
Total		36.8	37.3	65.7	76.1

Funds Under Management

Fund	Fund type	Asset class	Market Value ¹ June 2016 £b	Market Value ¹ June 2015 £b	Market Value ¹ June 2016 A\$b	Market Value ¹ June 2015 A\$b
Lendlease Retail LP (formerly Lendlease Retail Partnership)	Core	Retail	0.9	0.8	1.5	1.7
Lendlease PFI/PPP Infrastructure Fund LP (UKIF) ²	Core	Infrastructure		0.2		0.5
Total FUM			0.9	1.0	1.5	2.2

Assets Under Management

Shopping centres	Managed on behalf of	GLA ³ sqm/000s	Market Value ¹ June 2016 £m	Market Value ¹ June 2015 £m	Market Value ¹ June 2016 A\$m	Market Value ¹ June 2015 A\$m
Touchwood, Solihull	Lendlease Retail Partnership	60.4	299.4	282.8	534.6	577.1
Queensgate, Peterborough	IREEF Queensgate Peterborough	81.3	230.0	212.0	410.7	432.7
Total		141.7	529.4	494.8	945.3	1,009.8

1. Represents the Group's assessment of the market value.
2. The Group sold its remaining 1% investment in Lendlease PFI/PPP Infrastructure Fund LP (UKIF) along with the fund management rights during the year.
3. GLA represents the gross lettable area of the centres.

Americas

Development

Project	Sector	Location	Ownership Interest %	Estimated Completion Date ¹	Backlog Land Units ²	Backlog Built-Form Units ²	Estimated Commercial Backlog sqm/000s ³
Zoned Projects							
Horizon Uptown	Communities	Colorado	100%	2033	3,860		371
Covington Medical Arts Pavilion ⁴	Healthcare	Louisiana	100%	2014			5
281 Fifth Avenue	Apartments	New York	40%	2019		125	1
Clippership Wharf	Apartments	Massachusetts	100%	2021		485	1
Riverline (formerly River South)	Urban Regeneration	Illinois	60%	2025		3,750	1
Total Development					3,860	4,360	379

1. Estimated completion date represents the estimated financial year in which the last unit will be settled for master-planned communities and the financial year in which construction will be completed for apartments and healthcare projects.
2. The actual number of units for any particular project can vary as planning applications are obtained.
3. Represents expected rentable square metres. The actual floor space for any particular project can vary as planning approvals are obtained.
4. The building was completed in 2014, the building is not fully leased and upfitting is carried out, the project is still in development phase.

Portfolio Report continued

Americas continued

Construction Major Projects^{1,2}

Project	Location	Client	Contract Type ³	Construction Value ⁴ US\$m	Construction Value ⁴ A\$m	Secured Date ⁵	Completion Date ⁶	Sector	Description
432 Park Avenue	New York	CIM Group	GMP	704	965	2012	2017	Mixed-use	Construction manager for a 73,000 square metre, 89 storey condominium and retail project
56 Leonard Avenue	New York	56 Leonard LLC	GMP	382	523	2012	2017	Residential	Construction manager for a 42,000 square metre, 60 storey residential building with 146 units
LUMINA	San Francisco	Tishman Speyer	GMP	376	515	2013	2017	Residential	Construction manager for 655 condominium units in two buildings (37 and 42 storeys respectively) and two nine storey residential buildings
252 East 57th Street	New York	World Wide Holdings	GMP	354	485	2014	2017	Mixed-use	Construction manager for a 55,000 square metre, 57 storey apartment, condominium and retail project
520 Park Avenue	New York	Zeckendorf Development LLC	GMP	295	404	2014	2019	Residential	Construction manager for a 51 storey high rise luxury condominium, consisting of 31 condominium units and 8 staff quarters
Riverpoint	Chicago	Riverpoint LLC (Hines)	GMP	237	324	2015	2017	Office	Construction of 125,000 square metre, 53 storey office building and garage built over an existing podium
Clippership Wharf	Boston	Lendlease Development	GMP	204	279	2016	2020	Residential	60,000 square metre, mixed-use, residential development on the East Boston waterfront consisting of 478 residential units with views of downtown Boston. Ground floor will contain a variety of retail spaces including a health club, coffee shop, restaurant and kayak centre
9 W Walton	Chicago	9 West Walton Condominium Developer LLC	GMP	135	184	2015	2018	Residential	Construction of 38,800 square metre, 35 storey super-luxury condominium with 3 levels of below grade parking
Hilton Washington Residential	DC	Lowe Enterprises	GMP	79	108	2015	2017	Residential	High rise apartment building with 230 units built on existing below grade parking structure. Project is adjacent to operating hotel

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

2. Backlog revenue as at 30 June 2016 for the projects listed totals US\$670.1 million, representing 14% of the total Construction backlog revenue for the region.

3. Contract type is Guaranteed Maximum Price (GMP).

4. Construction value represents the Group's share of the total construction value of the project.

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

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

Investments

Infrastructure Investment

Project ¹	Location	Service	Status	Original Financial Close Date	Operational Term Years	Invested Equity ² US\$m	Committed Equity ³ US\$m	Units Under Management ⁴
Air Combat Command Group II	Arizona/ New Mexico	Air Force	Operational	Jul 07	50	11.0		2,200
Camp Lejeune Phases 1, 2 and 3	North Carolina/ New York	Marine Corps	Operational	Oct 05	50	14.5		6,470
Tri-Command	South Carolina	Marine Corps	Operational	Feb 03	50	3.3		1,500
Fort Campbell	Kentucky	Army	Operational	Dec 03	50	6.0		4,450
Fort Drum	New York	Army	Operational	May 05	50	5.0		4,025
Fort Hood	Texas	Army	Operational	Oct 01	50	6.0		5,900
Fort Knox Phase 1 and 2	Kentucky	Army	Operational	Feb 07	50		3.0	2,385
Hickam	Hawaii	Air Force	Operational	Feb 05	50	17.3		2,500
Island Palm Communities	Hawaii	Army	Operational	Apr 05	50	8.0		7,750
PAL Groups A, B and C	Various	Army	Operational	Aug 09	50			12,450
Tri-Group	Colorado/ California	Air Force	Operational	Sep 07	50	10.9		1,525
Wainwright/Greely Phase 1 and 2	Alaska	Army	Operational	Apr 09	50		2.0	1,900
Total						82.0	5.0	53,055

1. The number of projects for June 2016 total 17. A number of the projects were combined to reflect the investment, such as Camp Lejeune Phases 1 and 2 and Camp Lejeune Phase 3, Fort Hood and Fort Hood Stage 3 (Chaffee Village 1), Fort Knox Phase 1 and Fort Knox Phase 2 (Additional Scoring), PAL Groups A and B and PAL Group C and Wainwright/Greely Phase 1 and Wainwright/Greely Phase 2.

2. Invested equity refers to the contributed equity for each project.

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

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

Securityholder Information

Securities Exchange Listing and Code

Lendlease Group is listed on the Australian Securities Exchange and trades under the code LLC.

In the US, Lendlease securities are traded on the over-the-counter market in the form of sponsored American Depositary Receipts (ADRs) under the symbol LLESY. Each ADR represents one ordinary security. Information about ADRs is available from the depositary, The Bank of New York Mellon (www.adrbny.com).

Voting Rights

Each stapled security in Lendlease Group and each ADR entitles the holder to one vote. Rights to Lendlease Group securities granted under Lendlease Group's employee equity incentive plans do not carry voting rights.

Share Accumulation Plan

The Share Accumulation Plan is designed to be a convenient way for securityholders with a registered address in Australia or New Zealand to build their securityholdings without incurring transaction costs. The laws of other countries make it difficult for us to offer securities in this way. Lendlease securityholders are able to reinvest their distributions to acquire more Lendlease securities through the Distribution Reinvestment Plan (DRP) or the Share Election Plan (SEP). Securityholders may also make contributions of between A\$500 and A\$2,500 to acquire new Lendlease securities under the Share Purchase Plan (SPP). Together the DRP, SEP and SPP constitute the Share Accumulation Plan.

The rules of each of these plans are set out in the Share Accumulation Plan Information Sheet. Copies are available on the Lendlease website. Please note that the Share Election Plan and the Share Purchase Plan are currently suspended.

Key Sources of Information for Securityholders

We report the following to securityholders each year:

- Annual Report; and
- March and September distribution statements.

Electronic Communications

Securityholders have the option of receiving the following communications and all other company related information electronically:

- Annual Report;
- Distribution statements; and
- Notice of Annual General Meetings.

Lendlease makes the Annual Report available in an interactive version online. A hard copy of the Annual Report will only be sent to those securityholders who elect to receive it in that form. In addition, you may elect to receive notification when the Annual Report is available online.

Securityholders who wish to register their email address should go to the website of the Lendlease share registry www.investorcentre.com/ecomms

For registry contact details see page 210.

Privacy Legislation

Under Chapter 2C of the *Corporations Act 2001*, a securityholder's information (including the name, address and details of securities held) is required to be included in Lendlease's public register. This information must continue to be included in Lendlease's public register for seven years after a person ceases to be a securityholder. These statutory obligations are not altered by the *Privacy Amendment (Private Sector) Act 2000*. Information is collected to administer the securityholder's holding and if some or all of the information is not collected, then it might not be possible to administer the holding. Lendlease's privacy policy is available on its website.

Dispute Resolution

There is a dispute resolution mechanism that covers complaints by securityholders. For more information, please contact Lendlease Investor Relations at +61 2 9236 6464 or send us an email at LendLeaseInvestorRelations@lendlease.com

Distribution and Share Accumulation Plan Issue Price History

For historical distribution and Share Accumulation Plan Issue Price information, please see the below link to our website www.lendlease.com/au/investor-centre/distribution-history

Security Information at a Glance at 1 August 2016 (comparative 1 September 2015)

	2016	2015
Number of securityholders	61,957	57,821
Units issued	582 million	580 million
Percentage owned by 20 largest securityholders	72.39%	75.37%
Interim dividend/distribution	30 cents per security	27 cents per security
Total dividend/distribution	60 cents per security	54 cents per security
Dividend payout ratio	50%	51%

Spread of Securityholdings as at 1 August 2016 (comparative 1 September 2015)

	2016	2015
1 to 1,000 securities	31,356	30,172
1,001 to 5,000	25,255	22,842
5,001 to 10,000	3,472	3,118
10,001 to 100,000	1,773	1,596
100,001 securities and over	101	93
Total number of securityholders	61,957	57,821
Securityholders with less than a marketable parcel	2,476 (representing 29,464 securities)	2,402 (representing 28,597 securities)

Securities Purchased on Market

The following securities were purchased on market during the financial year for the purpose of funding employee incentive awards through Lendlease securities.

	Number of securities purchased	Average price paid per security
Stapled securities	3,861,842	A\$13.45

Buy-Backs

As at 1 August 2016, there were no current on-market buy-backs of Lendlease Group securities.

Securityholder Information continued

Twenty Largest Securityholders at 1 August 2016

Name	No. of Units	% of Issued Capital
HSBC Custody Nominees (Australia) Limited	125,201,425	21.50
J.P. Morgan Nominees Australia Limited	93,547,842	16.06
National Nominees Limited	72,120,621	12.39
Citicorp Nominees Pty Limited	41,171,606	7.07
BNP Paribas Noms Pty Ltd	23,567,114	4.05
LL Employee Holdings Custodian Pty Limited <Castle Account A/C>	14,075,522	2.42
LL Employee Holdings Custodian Pty Ltd <EIT Custodian A/C>	10,870,532	1.87
Citicorp Nominees Pty Limited	7,246,076	1.24
LL Employee Holdings Custodian Pty Limited <ESAP Account>	4,880,090	0.84
Argo Investments Limited	4,793,894	0.82
HSBC Custody Nominees (Australia) Limited	3,935,728	0.68
UBS Wealth Management Australia Nominees Pty Ltd	3,893,609	0.67
AMP Life Limited	3,570,581	0.61
HSBC Custody Nominees (Australia) Limited	2,453,500	0.42
SBN Nominees Pty Limited	2,203,887	0.38
Forsyth Barr Custodians Ltd	2,193,474	0.38
CS Fourth Nominees Pty Ltd	1,801,117	0.31
Questor Financial Services Limited	1,377,574	0.24
Avanteos Investments Limited	1,369,552	0.24
BNP Paribas Nominees Pty Ltd	1,259,643	0.22
	421,533,387	72.39

Substantial Securityholders as Shown in the Company's Register at 1 August 2016

Name	Date of Last Notice Received	No. of Units	% of Issued Capital
LL Employee Holdings Custodian Pty Ltd*	01/08/2016	32,452,363	5.58%
Franklin Resources, Inc. and its affiliates	22/04/2016	29,512,777	5.07%

*This is a Lendlease employee benefit vehicle.

Glossary

Construction backlog realisation: The proportion of construction backlog revenue which is expected to be earned across future years.

Co-Investment: The total market value of Lendlease equity invested across Lendlease managed funds as at 30 June 2016.

Construction backlog revenue: Current year construction backlog revenue is the total revenue to be earned in future financial years, based on the projects secured at 30 June 2016.

Critical incident: An event that had the potential to have caused death or permanent disability.

Development pipeline: Estimated remaining end value of all of the Group's secured development projects based on values as at 30 June 2016; Includes 100% of joint venture projects and therefore will not necessarily correlate with the Group's Profit after Tax.

Distribution per security: Amount of interim and final distribution per stapled security from the Company/Trust.

EBITDA: Earnings before interest, tax, depreciation and amortisation.

Earnings per security: Profit after Tax divided by the weighted average number of securities on issue during the year (including treasury securities).

Effective tax rate: Income tax expense as a percentage of profit before tax.

Financial close: The point at which the parties to a project procured under a PPP contract are irrevocably committed through the execution of unconditional contracts.

Funds under management (FUM): The total market value of equity invested across Lendlease managed funds as at 30 June 2016.

Gearing: Net debt to total tangible assets less cash.

Global Minimum Requirements (GMRs): GMRs are Lendlease's minimum environment, health and safety standards designed to control the risks across our operations.

Green Star rating: Green Star is a national voluntary environmental rating system used by the Green Building Council of Australia to evaluate the environmental design and achievements of buildings.

Investments performance: The performance of our Investments business which includes our funds under management, assets under management, co-invested equity in Lendlease managed funds and direct investment in property and property related assets.

Lendlease investments: Includes equity invested in Lendlease managed funds and direct investment in property and property related assets.

Lost time injury frequency rate (LTIFR): An indicator and industry standard measuring a workplace injury which prevents a worker from returning to duties the next day.

Major projects: All major Construction projects as disclosed in the Portfolio Report. As at 30 June 2016 this represented 51% (\$10.6 billion) of total secured Construction backlog.

Market capitalisation: The number of securities on issue multiplied by the security price at year end.

Net debt: Borrowings, including certain other financial liabilities, less cash.

New work secured revenue: Estimated revenue to be earned from construction contracts secured during the period. New work is secured and forms part of construction backlog revenue when formal contracts are signed.

Distribution payout ratio: Distribution divided by Profit after Tax.

Profit after tax (PAT): Profit after Tax attributable to securityholders, determined in accordance with Australian Accounting Standards.

Public Private Partnerships (PPP): A joint procurement arrangement for infrastructure development contracts between the public and private sectors.

Return on equity (ROE): The annual Profit after Tax divided by the arithmetic average of beginning, half year and year end Securityholders' equity.

Securityholders: The number of individual securityholders of Lendlease securities.

Senior Executive: Employees who hold a position at Executive level according to the Lendlease Career Job Framework. This generally includes Regional Business Unit Heads, Regional Function Heads and in some cases, direct reports to Global Function Heads.

Urbanisation pipeline: Estimated remaining end value of all of the Group's secured development projects (excluding Communities projects) based on values as at 30 June 2016; Includes 100% of joint venture projects and therefore will not necessarily correlate with the Group's Profit after Tax.

Weighted average number of securities: The time weighted number of securities outstanding during the period.

Corporate Directory

Annual General Meeting 2016

The Annual General Meeting of shareholders of Lendlease Corporation Limited and the general meeting of unit holders of Lendlease Trust (together, Lendlease Group) will be held at 10am on Friday 11 November 2016 in the Savoy Ballroom, Grand Hyatt Melbourne, 123 Collins Street, Melbourne.

Full details will be provided in the Notice of Meetings.

2016 Financial Calendar

19 August	Full Year Results Announced
24 August	Security Price Ex Distribution
14 September	Final Distribution Payable
11 November	Annual General Meeting

2017 Financial Calendar

27 February	Announcement of Half Year Results
2 March	Security Price Ex Distribution
3 March	Interim Distribution Record Date
24 March	Interim Distribution Payable

Please note that the timing of events can be subject to change. A current calendar is available online at www.lendlease.com

Entity Details

Lendlease Corporation Limited
ABN 32 000 226 228
Incorporated in NSW Australia

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

Registered Office

Level 14, Tower Three,
International Towers Sydney,
Exchange Place,
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Barangaroo NSW 2000

Contact

T: +61 2 9236 6111
F: +61 2 9252 2192
W: www.lendlease.com

Share Registry Information

Computershare Investor Services Pty Limited
ABN 48 078 279 277
GPO Box 242, Melbourne Victoria 3000 Australia

T: 1800 230 300 (within Australia)
T: +61 3 9946 4460 (outside Australia)
W: www.computershare.com.au



Barangaroo Reserve, Sydney

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