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ASX ANNOUNCEMENT

22 February 2021

Lendlease Group Appendix 4D and 2021 Half Year Consolidated Financial Report

Lendlease Group today announced its results for the half year ended 31 December 2020. Attached is the Appendix 4D and Half Year Consolidated Financial Report.

ENDS

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Authorised for lodgement by the Lendlease Group Disclosure Committee

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Lendlease Group

Appendix 4D

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

Preliminary Half Year Report for the period ended 31 December 2020
(previous corresponding period being the period ended 31 December 2019)

Results for Announcement to the Market

Profit After Tax

	6 months December 2020 $m	6 months December 2019 $m	% Change
Revenue[1]	5,213	7,403	(29.6%)
Profit after tax attributable to securityholders[1]	196	313	(37.4%)

1. Includes continuing and discontinued operations.

Stapling of the Company Shares and LLT Units

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

Dividends/Distributions

	Amount per security	Franked amount per security
Interim dividend/distribution – payable 17 March 2021	15.0 cents	5.6 cents

The interim dividend/distribution is comprised of a dividend component franked to 50% of 11.2 cents per share payable by the Company and a trust distribution of 3.8 cents per unit payable by LLT. The unfranked portion of the Company dividend is sourced from the Conduit Foreign Income (CFI) account.

The record date for determining entitlement to the final distribution is 1 March 2021 (Record Date) and the distribution is payable on 17 March 2021.

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 2 March 2021. Subject to the rules of the DRP, the issue price is the arithmetic average of the daily volume weighted average price of Lendlease stapled securities traded on the Australian Securities Exchange for the period of five consecutive business days immediately following the Record Date, commencing on 2 March 2021. Stapled securities issued under the DRP rank equally with all other stapled securities on issue.

Additional Information

	December 2020	June 2020
Net tangible assets per security	$8.05	$7.95

The remainder of the information requiring disclosure to comply with listing rule 4.2A.3 is contained in the Performance & Outlook section of the December 2020 Directors' Report and the December 2020 Half Year Consolidated Financial Report.

Lendlease Half Year Consolidated Financial Report

December 2020

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Front cover:
Sydney
One Sydney Harbour,
Barangaroo South
on Gadigal Country
Artist's impression

This page:
Milan
Milano Santa Giulia
Artist's impression

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Contents

Directors' Report

New York
1 Java Street
Existing site

The Directors present their Report together with the Half Year Consolidated Financial Report of the consolidated entity, being Lendlease Corporation Limited (the Company) including its controlled entities and Lendlease Trust (together referred to as the Consolidated Entity or the Group), for the six months ended 31 December 2020 and the Auditor's Report thereon.

1. Directors

The name of each person who has been a Director of the Company at any time between 1 July 2020 and the date of this Report are:

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

S B McCann
Group Chief Executive Officer since 2008 and Managing Director since 2009

C B Carter, AM
Director since 2012 (retired 20 November 2020)

P M Coffey
Director since 2017

D P Craig
Director since 2016

M A Ford, OBE
Director since March 2020 (retired 18 August 2020)

J S Hemstritch
Director since 2011

E M Proust, AO
Director since 2018

N M Wakefield Evans
Director since 2013

R F Welanetz
Director since March 2020

2. Dividends/Distributions

An interim dividend/distribution of $103 million (December 2019: $169 million unfranked) has been approved by the Directors. The interim distribution comprising of a dividend component of 11.2 cents per share from the Company which is franked to 50 per cent and a trust distribution of 3.8 cents per unit from Lendlease Trust will be paid on 17 March 2021 (December 2019: 22.1 cents per share from the Company and 7.9 cents per unit from Lendlease Trust paid on 17 March 2020).

3. Events subsequent to Balance Date

On 10 February 2021, the Group announced that Steve McCann will retire as Group CEO and Managing Director on 31 May 2021. On 19 February 2021, the Group announced it had exchanged contracts with a third party to dispose of a further 25 per cent interest in Lendlease Retirement Living Trust. The Group will sell the units at book value which is estimated to be $458 million. The transaction is expected to close shortly. There were no other material events subsequent to the end of the financial period.

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

The Lead Auditor's Independence Declaration is set out at the end of this report and forms part of the Directors' Report for the six months ended 31 December 2020.

5. Rounding off

The Group is of a kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and, in accordance with that Instrument, amounts in the Half Year Consolidated Financial Report have been rounded off to the nearest million dollars, unless specifically stated otherwise.

6. Performance and Outlook

The Performance and Outlook on pages 4 to 16 is based on the Half Year Consolidated Financial Statements for the six months ended 31 December 2020 and should be read in conjunction with those financial statements. All currency amounts are expressed in Australian dollars unless otherwise specified.

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Performance and Outlook

Shanghai
Ardor Gardens
Artist's impression

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Group Highlights

The Group's statutory profit after tax for the period ending 31 December 2020 was $196 million, down 37 per cent[1]. This included a loss of $2 million for the Non core segment and a loss of $7 million from property revaluations in the Investments segment.

The Performance and Outlook discloses profit after tax on both a statutory and operating basis. The Core operating profit metrics[2] provide a clear view of the Group's underlying operating result, excluding the impacts of the Non core segment and property revaluations in the Investments segment.

The Group recorded Core operating profit after tax of $205 million for the period ended 31 December 2020. Core operating earnings per security was 29.8 cents with a return on equity of 5.9 per cent, below the target range as COVID-19 continued to adversely impact the performance of the Group. The distribution per security was 15.0[3] cents, representing a payout ratio of 50 per cent of Core operating profit.

The Group made significant progress on its strategic priorities. Investment partner initiatives were progressed with development joint ventures established across three urbanisation projects with a total end value of approximately $4 billion, including the Group's first urbanisation project in Los Angeles. The sale of the Engineering business completed and the US Telecommunications and Energy businesses were divested.

Core segment EBITDA of $469 million, while rebounding from $126 million in H2 FY20, was down 21 per cent on the prior corresponding period. The challenging operating conditions continued to affect each of the segments. Development pipeline conversions were limited, investment income and asset management fees were suppressed and construction revenue was constrained.

The largest contributor to the Development segment result was the creation of an investment partnership to deliver the first residential tower at Barangaroo. While the return outcome for the period was below target, progress continues to be made towards converting the development pipeline, including the launch of residential product, as well as securing additional urbanisation projects.

In the Construction segment, despite revenue being down, the portfolio performed well across all regions with returns at the top end of the target range. Revenue was constrained, with activity still impacted by delays in the commencement of new projects and ongoing productivity impacts across sites.

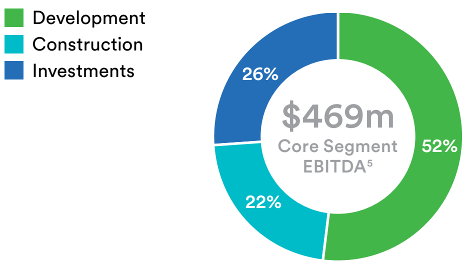
The Investments segment recovered from the worst of the COVID-19 impacts, although returns were below the target range. Ownership returns across retirement and co investment positions were lower, while asset management fees were impacted by lower activity across the retail sector. Earnings in the prior corresponding period were boosted by a substantial performance fee and asset sale profits.

Corporate costs of $64 million include Group Services costs of $54 million, which were down 4 per cent[1] reflecting disciplined cost management, and treasury costs of $10 million, which were also lower. Net finance costs of $67 million were down 12 per cent[1] due to lower average net debt and marginally lower cost of debt.

Key Financials[4]

		HY20	HY21	Var.
Core Business				
Development	$m	272	244	(10%)
Construction	$m	101	104	3%
Investments	$m	224	121	(46%)
Segment EBITDA	**$m**	**597**	**469**	**(21%)**
Corporate Costs	$m	(72)	(64)	11%
Operating EBITDA	**$m**	**525**	**405**	**(23%)**
Depreciation & Amortisation	$m	(77)	(75)	3%
Net Finance Costs	$m	(76)	(67)	12%
Operating Profit before Tax	**$m**	**372**	**263**	**(29%)**
Income tax expense	$m	(94)	(58)	38%
Operating Profit after Tax	**$m**	**278**	**205**	**(26%)**
Non Core				
Operating EBITDA	**$m**	**23**	**24**	**4%**
Operating Profit/(Loss) after Tax	**$m**	**5**	**(2)**	**n/a[6]**
Total Group				
Operating EBITDA	**$m**	**548**	**429**	**(22%)**
Operating Profit after Tax	**$m**	**283**	**203**	**(28%)**
Investment property revaluations after tax	$m	30	(7)	n/a[6]
Statutory Profit after Tax	**$m**	**313**	**196**	**(37%)**
Total Group				
Core Operating EPS	**cents**	**47.3**	**29.8**	**(37%)**
Total Group Statutory EPS[7]	**cents**	**53.2**	**28.5**	**(46%)**
Distribution per Security	**cents**	**30.0**	**15.0**	**(50%)**

Core Segment EBITDA Mix



Core Operating Profit After Tax

HY20 $278m

HY21 **$205m**

Core Operating Return on Equity

HY20 8.7%

HY21 **5.9%**

Core Operating Earnings per Security

HY20 47.3¢

HY21 **29.8¢**

Distribution per Security

HY20 30.0¢

HY21 **15.0¢[3]**

1. Comparative period the half year ended 31 December 2019. **2.** Excludes property valuations movements in the Investments segment, impairment losses relating to intangibles and non core items. **3.** Dividend component of 11.2 cents per share 50% franked. **4.** Operating earnings presented reflects Statutory earnings adjusted for non operating items. **5.** Excludes Corporate. **6.** Variance is not meaningful. **7.** HY20 Total Earnings per Security has been updated to reflect the share issue in FY20 (previously reported as 55.5 cents).

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Portfolio Management Framework

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

The framework reflects changes announced in August 2020. The target EBITDA segment earnings mix has been maintained, however is now based on operating profit. This implies an approximate ten percentage point higher contribution from Investments relative to recent performance, which is supported by a target capital allocation to Investments moving to the upper end of the range over time. The target capital allocation to each of the international regions has been raised by five percentage points.

The revised return targets are derived from hurdle rates that have not been adjusted. The changes relate to the adoption of the operating profit metric, combined with the target reweighting to the Investments segment. This has led to a revised Investments ROIC target of 6-9 per cent and a revised Group ROE target of 8-11 per cent. The distribution payout policy is 40-60 per cent of Core operating profit.

Returns for the Core business were challenged, reflecting difficult operating conditions: Development returns were below the target range with an expected uplift in the second half; the Construction margin was at the top end of the target range; and Investments was below the target range.

The balance sheet remains resilient with gearing below the mid point of the target range and total liquidity of $4.7 billion.

Group outlook

The near term outlook for the Core business centres on the conversion of several commercial and residential opportunities currently being progressed across the Group's development pipeline.

Further progress was made on the Group's strategic agenda, including the addition of a new major urbanisation project to the pipeline. Post balance date, the Group realigned its exposure to the Retirement Living sector with an investment partner acquiring 25 per cent of the Retirement Living business.

The Group is well placed for long term growth and continues to implement its strategy of delivering urban precincts with a strong focus on placemaking and environmental and social outcomes. Over the next decade, the Group will focus on growing those areas of the business that have the greatest potential to drive securityholder value.

The Group's end to end capability across all aspects of real estate and a proven track record is reflected in the $109.5 billion development pipeline, including a portfolio of 22 major urbanisation projects across ten gateway cities. The size and diversity of the pipeline is expected to support the acceleration of production to more than $8 billion per annum over time.

The Group expects to create more than $50 billion of investment grade product from the development pipeline. This provides a significant opportunity to more than double the current $37.9 billion of funds under management and expand the Group's $27.6 billion of assets under management. In addition, the Group will pursue other investment opportunities alongside investment partners where the Group has a competitive edge.

Portfolio Management Framework

	Target[1]	HY20	HY21
Total Group Metrics			
Core Operating ROE	8-11%	8.7%	5.9%
Distribution payout ratio[2]	40-60%	54%	50%
Gearing[3]	10-20%	5.7%	12.9%
Core Business EBITDA Mix			
Development	40-50%	46%	52%
Construction	10-20%	17%	22%
Investments	35-45%	37%	26%
Core Business Segment Returns			
Development ROIC[4]	10-13%[5]	7.3%	7.2%
Construction EBITDA margin	2-3%	2.3%	3.0%
Investments ROIC[4]	6-9%[5]	9.1%	5.3%
Segment Invested Capital Mix[3]			
Development	40-60%	56%	58%
Investments	40-60%	44%	42%
Regional Invested Capital Mix[3]			
Australia	40-60%	42%	47%
Asia	10-25%	17%	15%
Europe	10-25%	22%	24%
Americas	10-25%	19%	14%

$110b

Development Pipeline[6]

$14b

Core Business Construction Backlog

$38b

Funds Under Management

$28b

Assets Under Management

1. Targets represent PMF refresh following Strategy update in August 2020. **2.** Distribution payout ratio for HY21 has been calculated on Core Operating Earnings. **3.** Comparative value is closing FY20 balance. **4.** Return on Invested Capital (ROIC) is calculated using the annualised Profit after Tax divided by the arithmetic average of beginning and half year end invested capital. **5.** Through-cycle target based on rolling three to five year timeline. **6.** Total estimated project revenue of all development work secured (representing 100% of project value).

COVID-19 Impacts across the Group

The Group has incorporated the impacts of COVID-19 into its review process, and increased disclosure in the 31 December 2020 financial statements where applicable. This process has highlighted the below impacts:

Development Segment

Operating activities: Products and services include the development of inner city mixed use developments, apartments, communities, retirement, retail, commercial assets and social and economic infrastructure.

Impacts: The Development segment has experienced various COVID-19 impacts. There have been delays in converting opportunities across the Group's urbanisation pipeline, with uncertainty affecting both tenant demand and investment partner appetite in the office sector. Ongoing uncertainty may impact targeted conversions in the second half of FY21. Demand for new apartment launches has been impacted, especially from the investor segment of the market. Settlement delays have occurred in the apartment for sale product that has completed, with some purchases requiring more time to settle. While the initial impact on the Communities business had been negative, recent government stimulus measures, including first home buyer schemes, have resulted in stronger enquiry levels and sales. The weaker operating environment has provided the Group with the opportunity to secure new urbanisation projects alongside its investment partners on attractive terms.

Construction Segment

Operating activities: Products and services include the provision of project management, design and construction services, predominantly in the commercial, residential, mixed use, defence and social infrastructure sectors.

Impacts: The predominant impact from COVID-19 during the period was that of constraining revenue. This included the impact of lower productivity on sites, projects being put on hold, and delays in the commencement or securing of new projects. As a result, revenue recovered only modestly from H2 FY20 levels while being down 21 per cent on the prior corresponding period. Cost management measures implemented following the onset of the pandemic have cushioned the impact on construction margins. Declining private sector activity, particularly in the US, has impacted new work secured. Conversely, public sector activity has increased, with an acceleration of projects being brought to market. This has resulted in higher new work secured in Australia and a rebound in new work secured in Europe compared to the prior corresponding period.

Investments Segment

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

Impacts: Asset management fees and investment income were suppressed as a result of COVID-19, although there was some recovery from the worst of the impacts that were experienced in H2 FY20. The impact was pronounced in the retail sector where retail leasing and asset management fees were significantly lower than in the prior corresponding period. Rent relief provided to retail tenants, along with lower leasing activity, were the key drivers. The Group's investment portfolio was impacted by the same factors, with lower investment income derived from retail investments in particular. The performance of the Retirement Living business was also affected, with returns well below target levels in the period. Property valuation declines were only modest in the period, although future movements may impact both fund and asset management fees.

Government wage programs

In several countries, Governments have established wage programs with the aim of keeping people in employment through the pandemic. The position of the Group in respect of these programs is:

- **Australia** – No participation in JobKeeper in the period.
- **UK** – Coronavirus Job Retention Scheme – Employees of the Group, who were furloughed in the period, received the benefit of payments under this scheme.
- **Singapore** – Job Support Scheme (JSS) – The JSS provides co-funding for all active employers in Singapore. As an employer in Singapore, the Group received funding under this scheme.

The amounts under these programs are not material in the period.

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Development performance

The Development segment delivered EBITDA of $244 million, down 10 per cent[1]. While the performance of the business improved from the significant COVID-19 impacts in H2 FY20, progress on converting opportunities remained difficult.

The challenging operating environment resulted in a return on invested capital of 7.2 per cent, below the bottom end of the target range of 10-13 per cent. Invested capital rose modestly from FY20 to $5.0 billion as the Group invests in the development pipeline.

While the return outcome was below target, progress continues to be made on converting the development pipeline. This included creating new investment partnerships, the launch of residential product, achieving planning milestones and securing additional urbanisation projects.

The investment partnership with Mitsubishi Estate to deliver the first residential tower at One Sydney Harbour, Barangaroo contributed $147 million to EBITDA. There were 440 apartments for sale settlements at projects including Melbourne and London, and 1,043 land lot settlements across the Australian Communities portfolio.

New residential product entered delivery at TRX in Kuala Lumpur, Ardor Gardens in Shanghai, and 100 Claremont Avenue in New York. Apartments for sale were launched on the next stages at Southbank in Chicago and Elephant Park in London.

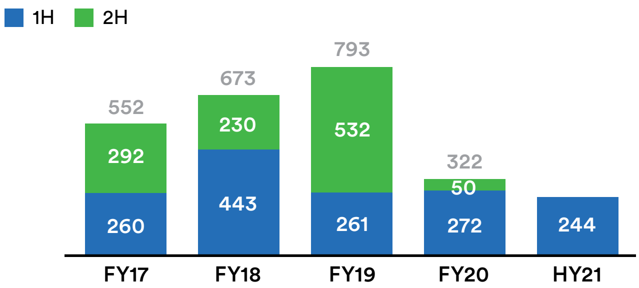
Production of $1.8 billion, included the completion of commercial and residential buildings at Melbourne Quarter. Work in progress[2], the lead indicator for future production, ended the period at $12.2 billion. This includes $5.2 billion of commercial buildings in Melbourne, Milan, Sydney and Kuala Lumpur; $4.5 billion of apartments for sale in Sydney, Kuala Lumpur, London, Boston, Chicago and New York; and $2.1 billion of apartments for rent in London, Chicago and Shanghai.

Two urbanisation projects were added to the pipeline. In New York, 1 Java Street will transform a city block into apartments for rent with an estimated end value of $1.0 billion. The Group also secured its first urbanisation project in Los Angeles at La Cienega Boulevard. The project has an estimated end value of $0.8 billion and will include a mix of apartments for rent and office space.

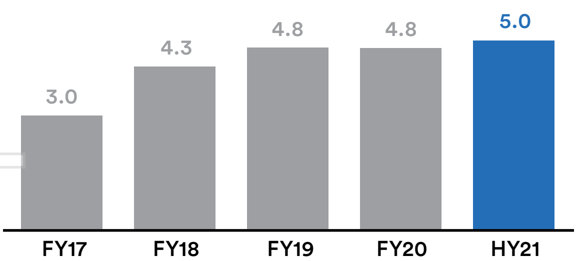
Key Financials and Operational metrics

	HY20	HY21
Operating EBITDA ($m)	272	244
Operating Profit/(Loss) after Tax ($m)	186	177
Invested Capital[3] ($b)	4.8	5.0
Production ($b)	4.4	1.8
Work in Progress[3] ($b)	12.3	12.2
Pipeline[3] ($b)	113.0	109.5

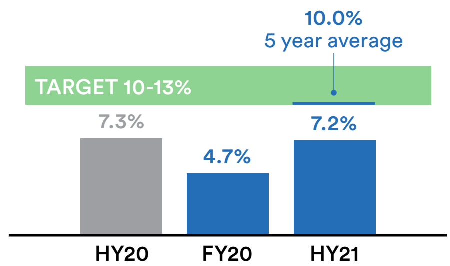
EBITDA ($m)



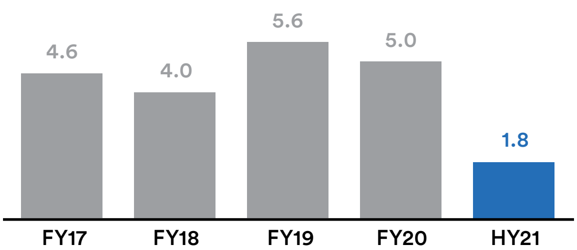
Invested Capital[4] ($b)



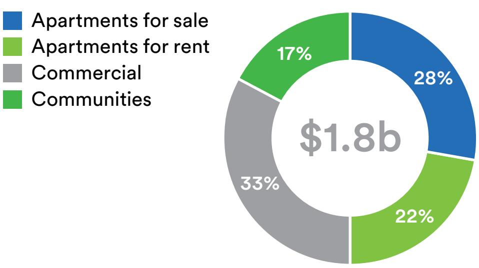
Return on Invested Capital



Production[5] ($b)



Production[5] by product ($b)



1. Comparative period the half year ended 31 December 2019. **2.** Represents the end value of buildings in delivery. **3.** Comparative value is closing FY20 balance. **4.** Securityholder equity plus gross debt less cash on balance sheet. **5.** Project end value on product completed during a financial period (representing 100% of project value).

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Development outlook

The estimated end value of the development pipeline edged lower to $109.5 billion. While the Group secured new projects, this was offset by the impact of foreign exchange movements on the international pipeline and, to a lesser extent, product completed in the period. The pipeline comprises $96.2 billion of urbanisation projects and $13.3 billion of communities projects. The globally diversified portfolio includes 22 major urbanisation projects across ten gateway cities.

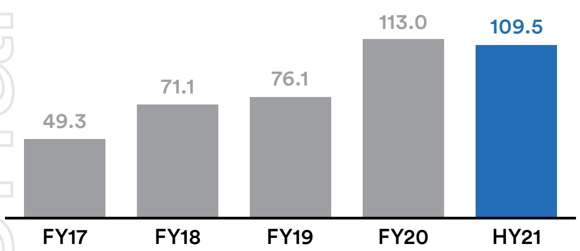
The size of the development pipeline, as well as its diversity by gateway city and product type, provides scope for a material acceleration in development activity. Our new target is to produce greater than $8 billion of product per annum over time, across our urbanisation and communities projects. While this will not be achievable in FY21, there is $12.2 billion of work in progress, and significantly more is expected to be added over coming periods.

The Group is making solid progress on the conversion of both commercial and residential opportunities across the existing pipeline. Nearer term commercial opportunities that are in various stages of tenant enquiry and investment partner discussion include Melbourne Quarter, International Quarter London, Milan Innovation District and 30 Van Ness, San Francisco. In residential, following the successful establishment of the investment partnership to deliver tower one at One Sydney Harbour, Barangaroo, the Group will look to establish a similar partnership to deliver the second tower. Further launches of apartment for sale product will be determined by market demand while investor appetite for apartments for rent remains strong.

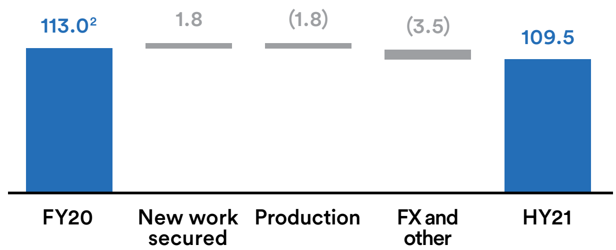
Enquiry levels have improved across the Australian Communities portfolio, boosted by Government stimulus measures, however settlements in FY21 are expected to be below the annual target of 3,000-4,000 lots.

While a significant number of the 22 major urbanisation projects are recent additions to the development pipeline, important planning milestones have been achieved. The conversion of these projects into the delivery phase over the coming periods will be key to the Group achieving its production target.

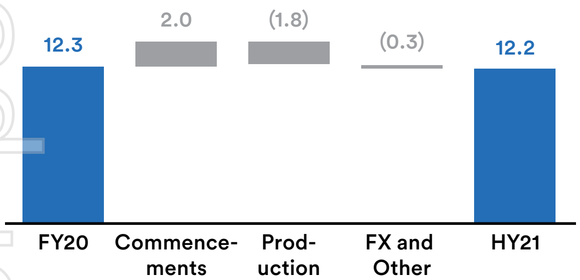
Pipeline[1] ($b)



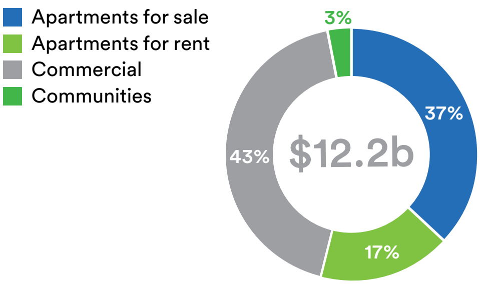
Pipeline[1] roll forward ($b)



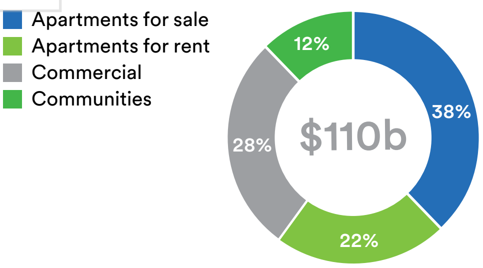
Work in Progress[2] roll forward ($b)



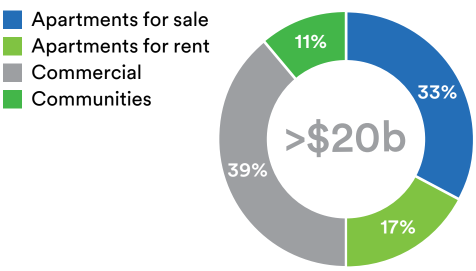
Work in Progress by Product[2] ($b)



Pipeline[1] by product ($b)



Indicative conversion[3] ($b)



1. Total estimated project revenue of all development work secured (representing 100% of project value). **2.** End value of Development Pipeline in delivery as at period end (representing 100% of project value). **3.** For the period 2H 2021 to FY23. Subject to changes in delivery program.

Construction performance

The Construction segment delivered a solid result as the business rebounded from the significant COVID-19 disruptions experienced in H2 FY20. EBITDA of $104 million was up three per cent on the prior corresponding period.

Revenue of $3.4 billion was down 21 per cent[1], with activity still impacted by delays in the commencement of new projects and ongoing productivity impacts across sites. Revenue from Australia and the Americas, which accounts for more than 80 per cent of total Construction revenue, declined by 25 per cent[1] and 24 per cent[1] respectively.

The EBITDA margin rose to 3.0 per cent, at the top end of the target range of 2-3 per cent. The portfolio performed well across all regions. Performance was aided by contributions from projects either nearing or reaching completion. We anticipate some of this benefit to dissipate in H2 FY21. In addition, disciplined cost management implemented in response to COVID-19 had a positive impact on returns.

Completions included a major Defence contract and the commercial and residential towers at Melbourne Quarter.

New work secured of $4.9 billion was up from $3.1 billion with the Australian and European business benefitting from public sector activity.

In Australia, new work secured of $2.3 billion was underpinned by several projects in the Defence sector, the Tweed Heads Valley Hospital, Cairns Convention Centre, and the Geelong Arts Centre. This was supplemented by private sector projects including the office tower at 555 Collins Street, Melbourne.

The European business secured $1.2 billion of new work, a strong result for the region. This was predominantly from Government clients and includes projects for the London Borough of Camden, the Ministry of Justice and Manchester City Council.

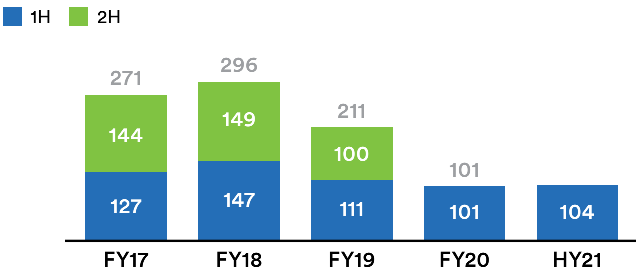
New work secured of $1.2 billion in the Americas was well below historical averages, reflecting subdued activity in the key markets along with some delays in projects being brought to market.

Extensive sector expertise and geographic diversity has been critical for the business to navigate through a difficult operating environment. Government clients and the Australian region were the key drivers of new work secured, offsetting reduced activity in the Americas and delays in the conversion of internal development work.

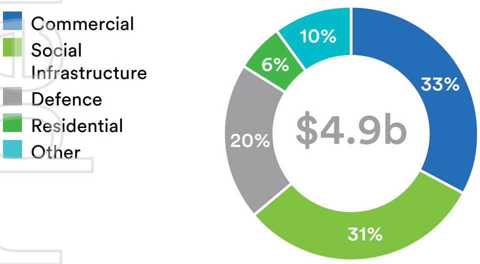
Key Financials and Operational metrics

	HY20	HY21
Revenue ($m)	4,326	3,440
Operating EBITDA ($m)	101	104
Operating Profit/(Loss) after Tax ($m)	59	59
New Work Secured ($b)	3.1	4.9
Backlog[2] ($b)	13.9	14.5

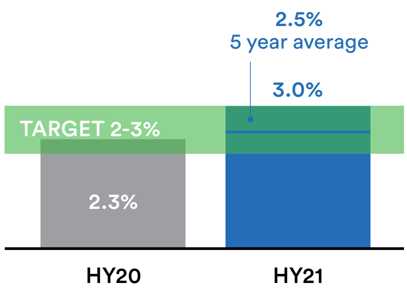
EBITDA ($m)



New Work Secured by Sector



EBITDA Margin



1. Comparative period the half year ended 31 December 2019. 2. Comparative value is closing FY20 balance.

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Construction outlook

The outlook for the Construction segment has improved, although remains at risk from ongoing COVID-19 related uncertainty and disruption. Backlog revenue remains solid at $14.5 billion, with $11.8 billion relating to external clients which will generate future revenue and margin. The remaining backlog relates to integrated projects, with the margin reported through the Development segment.

The backlog remains diversified by both client type and geography. However, public sector projects have become more important for the business in the near term and now account for more than half the backlog. This has also resulted in a shift in the sector mix with the social infrastructure and defence sectors becoming more prominent as a proportion of the backlog.

The Group's development target of greater than $8 billion of product per annum represents a material uplift in the amount of development activity and this is expected to benefit the Construction business.

Australia has a strong workbook, with $8.2 billion in backlog revenue. Key projects include Sydney Place, several Defence contracts and the Sydney Metro Martin Place and Sydney Metro Victoria Cross Integrated Station Developments.

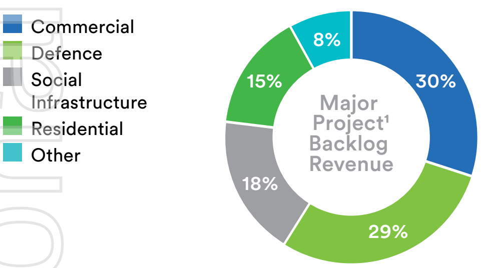
The established Construction business in the Americas has good market share in its target cities and sectors with backlog revenue of $3.6 billion. Subdued activity in recent periods has resulted in a substantial decline in backlog. The strong growth in the urbanisation pipeline to $27.9 billion in the region provides substantial opportunities for future construction backlog.

Backlog revenue in Europe is $2.0 billion. Recent project wins provide near term certainty of activity while Europe's $49.0 billion development pipeline is expected to provide a significant amount of construction work in future years.

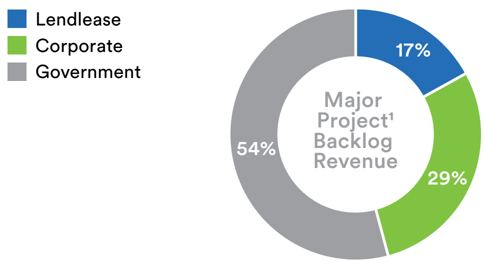
In Asia, backlog revenue is modest relative to other regions as the business focuses on the delivery of The Exchange TRX in Kuala Lumpur and specialist sectors for external clients.

Beyond the current backlog, there is more than $3.3 billion of work for which the Group is in a preferred position. The business is well placed to convert a significant proportion of this preferred work into backlog revenue over coming periods.

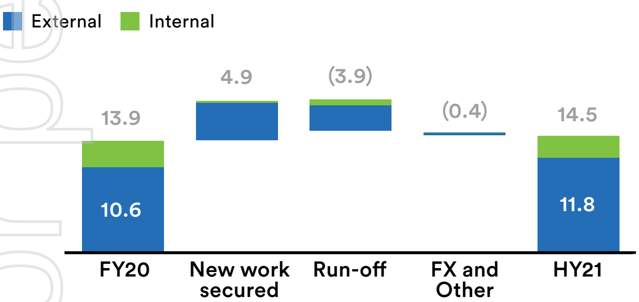
Backlog by Sector



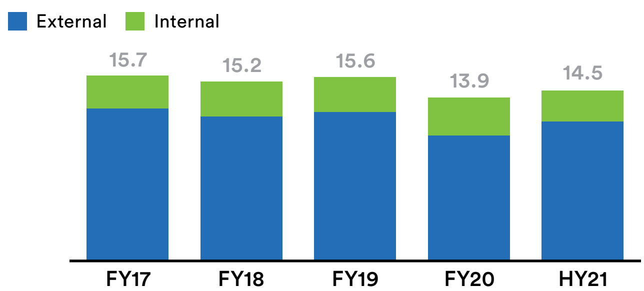
Backlog by Client



Backlog roll forward ($b)



Backlog[2] ($b)



1. Includes all Construction projects with backlog greater than $100 million, which represents 82 per cent ($11.9 billion) of secured backlog. **2.** FY17 - FY19 internal and external backlog presentation derived based on Construction projects with backlog greater than $100 million.

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Investments performance

The Investments segment delivered EBITDA of $121 million, down substantially on the prior corresponding period, but up substantially on the $76 million in H2 FY20 as performance recovered from the worst of the COVID-19 impacts. The segment generated a return on invested capital of 5.3 per cent, just below the revised target of 6-9 per cent.

Management EBITDA, derived from funds and asset management activities across the Group's Investments platform, was $71 million, down from $120 million[1], driven by lower performance fees and reduced asset management fees, predominantly related to the retail sector.

Funds management revenue of $79 million was down from $133 million due primarily to the significant performance fee generated from the completion of Paya Lebar Quarter in the prior corresponding period.

Asset management revenue of $45 million was down from $57 million. Lower retail leasing and asset management fees in Australia and Asia were received as a result of the impacts of COVID-19 on activity across the retail sector compared to pre COVID-19 levels. We expect further recovery in retail over the coming period, although the sector remains challenged. Residential asset management fees now represent the largest component of the asset management business.

There is approximately $2.0 billion of committed redevelopment activity across the US military housing portfolio. An additional $1.0 billion of development work is expected to both be committed and commence in H2 FY21, contributing significantly to asset management fees.

Ownership EBITDA was $50 million, down from $104 million, reflecting lower investment income and the non-recurrence of profit on the sale of assets in the prior period. Earnings recovered from a small loss in H2 FY20. Ownership earnings exclude the impact of property revaluations across the investment portfolio.

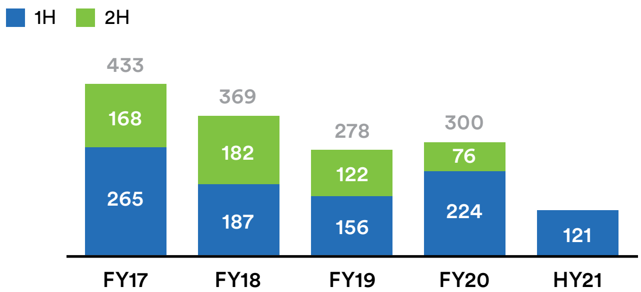
The Group's investments closed the period at $3.7 billion, down from $4.0 billion at 30 June following the sale of the US Telecommunications Infrastructure business. The investment portfolio is well diversified, with the predominant exposure across the retirement, office, retail and residential sectors.

The trading performance of the Retirement Living business was subdued with resales across the established village portfolio down 19 per cent[1], although average prices were higher. This resulted in low single digit returns. The challenging retail environment also resulted in lower returns across the Group's retail investments.

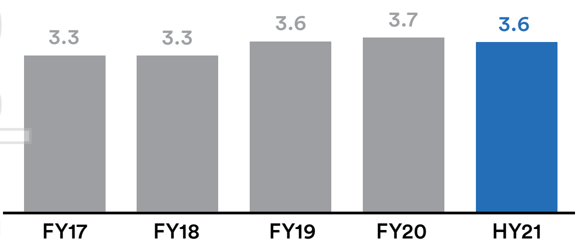
Key Financials and Operational metrics

	HY20	HY21
Funds Under Management fees ($m)	133	79
Assets Under Management fees ($m)	57	45
Management EBITDA[2] ($m)	**120**	**71**
Ownership EBITDA[3] ($m)	**104**	**50**
Operating EBITDA ($m)	**224**	**121**
Operating Profit/(Loss) after Tax ($m)	**169**	**96**
Invested Capital[4] ($b)	**3.9**	**3.6**

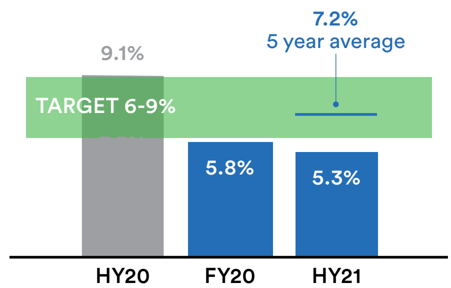
EBITDA ($m)



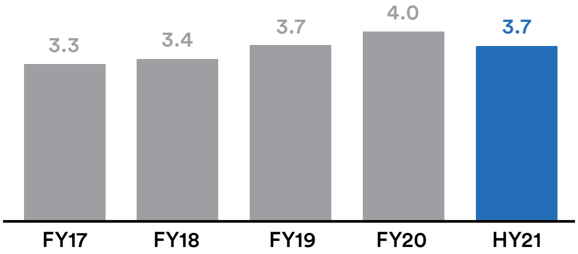
Invested Capital[5] ($b)



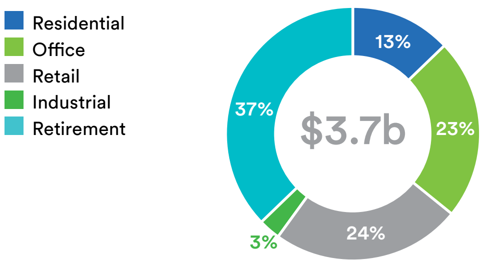
Return on Invested Capital



Investments[6] ($b)



Investments[6,7] by Sector ($b)



1. Comparative period the half year ended 31 December 2019. **2.** Earnings primarily derived from the investment management platform and the management of US Military Housing operations. **3.** Returns excluding non-cash backed property related revaluation movements of Investment Property, Other Financial Assets, and Equity Accounted Investments in the Investments segment. **4.** Comparative value is closing FY20 balance. **5.** Securityholder equity plus gross debt less cash on balance sheet. **6.** The Group's assessment of market value of ownership interests. **7.** The Group's ownership interest. Total invested capital in the segment of $3.6 billion in HY21.

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Investments outlook

Funds under management grew three per cent[1] to $37.9 billion. The growth was underpinned by a new $2 billion multi sector investment mandate secured in Australia, additional residential for rent product in the US and the acquisition of an additional 25 per cent interest in 1 Farrer Place, Sydney by APPF Commercial. This more than offset the negative foreign exchange translation impact due to the appreciation of the Australian dollar. In addition to the current funds under management, there is approximately $2.7 billion of future secured FUM based on development projects currently in delivery via managed funds or mandates.

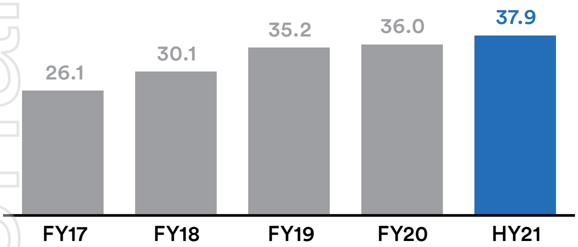
The Group's urbanisation development pipeline is expected to continue to provide a key source of future growth for the Investments platform. The existing urbanisation development pipeline includes more than $50 billion of institutional investment grade product across commercial and residential for rent assets.

Assets under management declined slightly to $27.6 billion with the foreign exchange translation impact on the US residential portfolio more than offsetting an additional $0.6 billion of assets. Despite the challenging operating environment, valuation declines were modest.

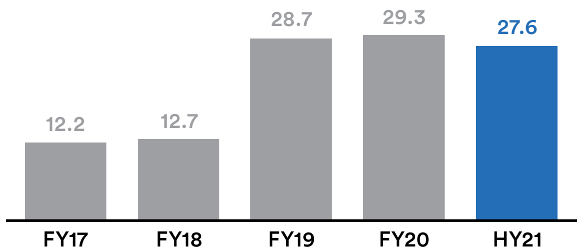
The Group's investments closed the period at $3.7 billion. This includes $1.4 billion in retirement, $0.9 billion in retail, $0.8 billion in office, $0.5 billion in residential and a small amount in industrial. Post balance date, the Group made further progress in realigning its exposure to the retirement sector with an investment partner acquiring 25 per cent of the Retirement Living business at book value. This reduced the Group's interest to 50 per cent. The approximately $460 million in proceeds will be recycled into other investment opportunities.

The Group's strategy is to significantly grow its investment portfolio over time. This is expected to include retaining a larger proportion of completed assets from the development pipeline and investing alongside investment partners through the launch of new products. In addition to leveraging strong existing relationships with global investors, the Group will look to broaden its investor base.

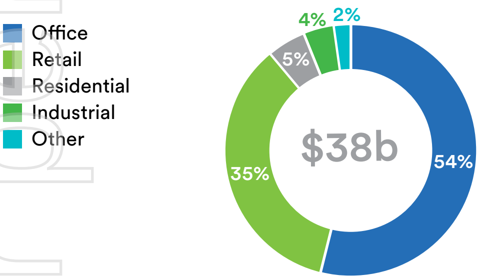
Funds Under Management[2] ($b)



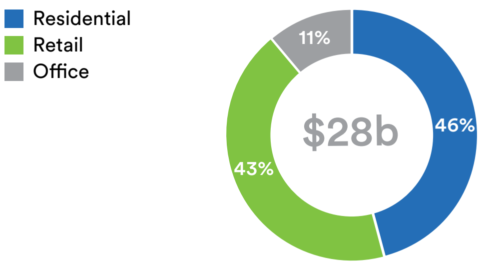
Assets Under Management [2,3] ($b)



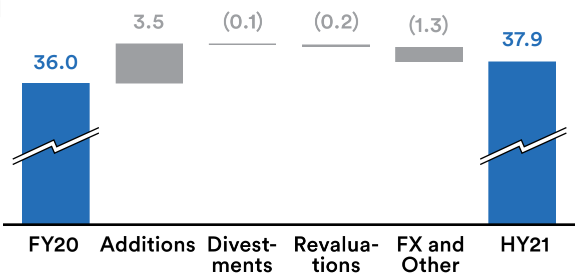
Funds Under Management[2] by Sector ($b)



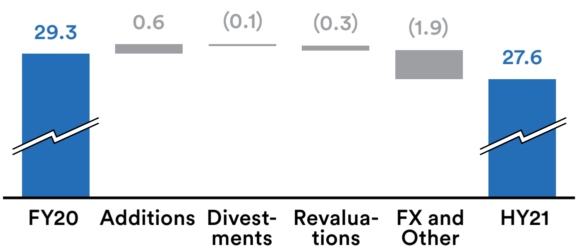
Assets Under Management[2] by Sector ($b)



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



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



1. Comparative period the half year ended 31 December 2019. **2.** The Group's assessment of market value. **3.** Assets Under Management excludes Military Housing for FY17 and FY18.

Non core segment

The Group completed the sale of the Engineering business to Acciona Infrastructure Asia Pacific (Acciona) on 9 September 2020. Total proceeds from the sale of the Engineering business are estimated to be $197 million, comprising the agreed sale price of $160 million and additional estimated completion adjustments of $37 million. There was no impact on the income statement from the sale, that is, there was no gain or loss on sale. A working capital cash balance of $411 million transferred to the buyer upon settlement.

Under the terms of the sale agreement, Lendlease retained three projects. The Kingsford Smith Drive and NorthConnex projects reached practical completion and were operational during the period.

The remaining project for the Group is the Melbourne Metro Project, which is scheduled to complete in 2025. The Cross Yarra Partnership and the D&C Subcontractor joint venture between Lendlease, John Holland and Bouygues Construction, resolved identified issues with the Victorian Government in relation to the scope and costs on the project. The position of the project following the agreement remained consistent with the position taken in the financial statements as at 30 June 2020.

Key Financials and Operating metrics

	HY20	HY21	Var.
Revenue ($b)	**1,665**	**843**	**(49%)**
Operating EBITDA ($m)	**23**	**24**	**4%**
Operating Profit/(Loss) after Tax ($m)	**5**	**(2)**	**n/a[1]**
Services			
New Work Secured[2] ($b)	1.1	0.8	(27%)
Backlog[3] ($b)	2.0	2.5	25%

The EBITDA for the period was $24 million, including the final $10 million of exit costs that forms part of the $550 million estimated costs to exit the Non core segment. This reflects the performance of the Engineering business prior to the completion of the sale, the retained engineering projects post the sale and the Services business.

The Services business delivered a solid underlying operating result. However, additional costs of $11 million associated with the wind up of the Energy & Technology business detracted from the otherwise robust performance. New work secured of $0.8 billion reflected contract wins across the transport, water and telecommunications sectors. Backlog revenue of $2.5 billion, up from $2.2 billion, provides a solid base of work. In addition, the business is well placed to secure future projects in target sectors, including an expected boost from additional public sector spending.

1. Variance is not meaningful. **2.** Only the next five years of revenue secured on new contracts has been included. **3.** Comparative value is closing FY20 balance.

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Financial position and cash flow movements

Financial Position

	FY20 $m	HY21 $m	Var.
Cash and cash equivalents[1]	1,111	899	(19%)
Inventories	5,369	5,178	(4%)
Equity accounted investments	3,671	3,716	1%
Investment properties	658	419	(36%)
Disposal Group assets held for sale[1]	841	-	(100%)
Other assets (including financial)	6,098	6,243	2%
Total assets	**17,748**	**16,455**	**(7%)**
Borrowing and financing arrangements	2,395	2,718	13%
Disposal Group liabilities held for sale	670	-	(100%)
Other liabilities (including financial)	7,751	6,761	(13%)
Total liabilities	**10,816**	**9,479**	**(12%)**
Net assets	**6,932**	**6,976**	**1%**

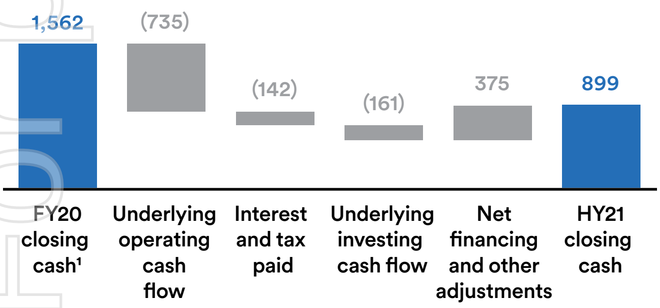
Inventories
Inventories decreased by four per cent. The reclassification of International Quarter London – South into inventories following consolidation of the Group's interest in the project was more than offset by the formation of a new investment partnership and subsequent reclassification of tower one at One Sydney Harbour to Equity Accounted Investments.

Equity accounted investments
Equity accounted investments increased by one per cent. Additional contributions for the newly secured urbanisation projects in New York and Los Angeles were the main source of growth, more than offsetting residential apartment product that settled during the period.

Other asset movements
The decline in Investment properties reflects the sale of the US Telecommunications business. The sale of the Engineering business resulted in Disposal Group assets held for sale declining to zero, including a working capital cash balance transfer of $411 million.

Total assets, total liabilities and net assets
Total assets decreased seven per cent and total liabilities declined by 12 per cent, with the sale of the Engineering business being a key contributor in each case.

Cash movements ($m)



Financing cash flow
Net cash inflow from financing activities was $366 million, with other adjustments of $9 million included in the total inflow of $375 million. The Group continued to diversify its sources of financing with the issue of a $500 million green bond, a first for the Group and the largest green bond issued by an Australian non-financial corporate. The Group remains in a strong financial position with $4.7 billion of liquidity.

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

Underlying operating cash outflow was $735 million. The establishment of the development joint venture to deliver tower one, One Sydney Harbour resulted in an approximate $500 million decrease in the underlying operating cash flow and an equivalent increase in underlying investing cash flow. This largely offsets the operating cash inflow associated with the $588 million of PLLACes proceeds in H2 FY20. There was also an approximate $200 million operating cash outflow from the Non core segment. The cash conversion ratio to operating EBITDA over the five years to H1 FY21 was 86 per cent.

Underlying investing cash outflow was $161 million. The largest source of investing cash outflows was the sale of the Engineering business, with the first instalment of the sale proceeds more than offset by the working capital cash balance transfer. The Group also continued to invest across a range of urbanisation projects during the period. Investing cash inflows during the period included proceeds from the sale of the US Telecommunications business and the benefit associated with the establishment of the One Sydney Harbour development joint venture.

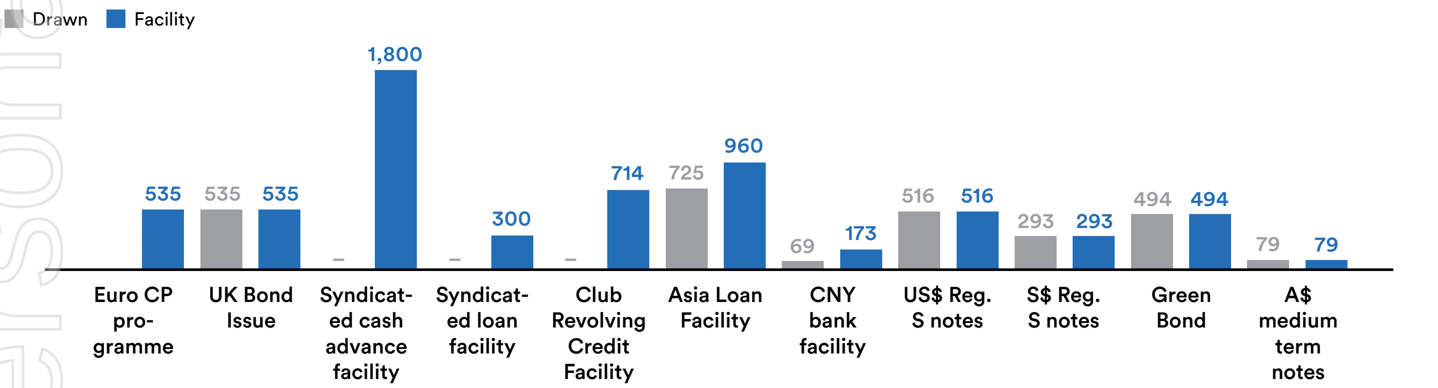
1. $451 million of cash and cash equivalents was classified as Disposal Group assets held for sale at FY20. A working capital cash balance of $411 million transferred on the completion of the sale of the Engineering business.

Group funding and debt facilities

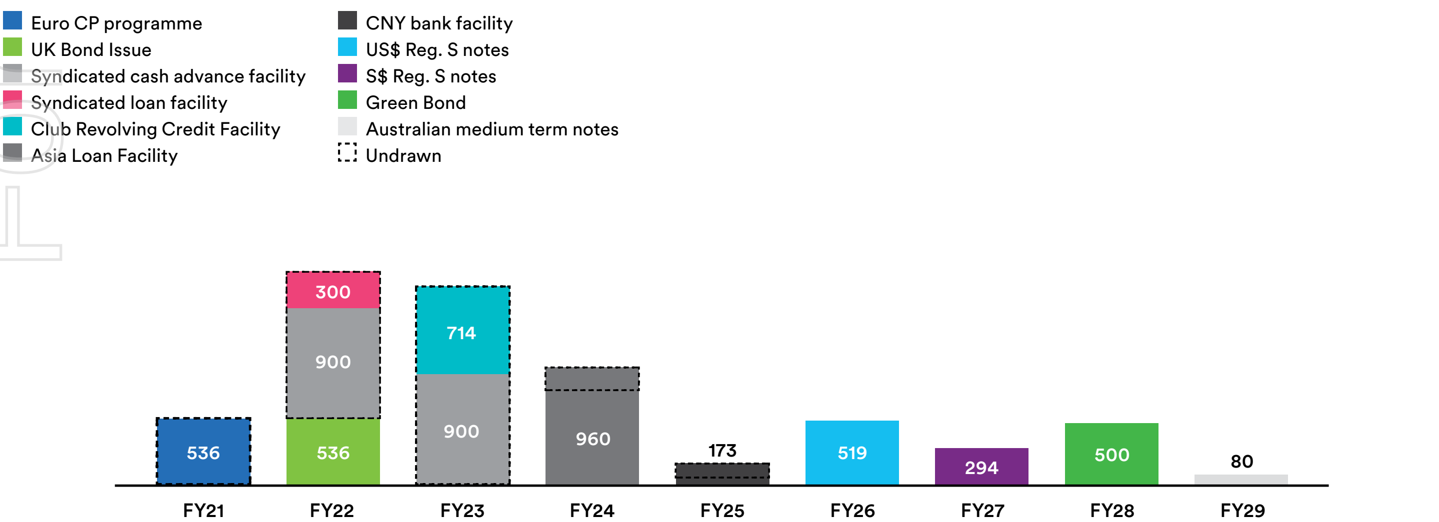
		FY20	HY21	Var.
Net debt[1]	$m	833	1,819	118%
Borrowings to total equity plus borrowings	%	25.7	28.0	9%
Net debt to total tangible assets, less cash[1]	%	5.7	12.9	126%
Interest cover[2]	times	2.8	6.7	139%
Average cost of debt	%	3.4	3.3	(3%)
Average debt maturity	years	4.2	4.3	2%
Average debt mix fixed: floating	ratio	56:44	82:18	
Undrawn facilities	$m	4,226	3,813	(10%)

Net debt and gearing both rose from very modest levels during the period with gearing below the mid point of the target range. Interest cover improved to 6.7 times along with the recovery in earnings. The Group's liquidity position of $4.7 billion includes cash and cash equivalents of $0.9 billion.

Debt Facilities[3] ($m)



Debt Maturity Profile[4] ($m)



1. $451 million of cash and cash equivalents was classified as Disposal Group assets held for sale at FY20. A working capital cash balance of $411 million transferred on the completion of the sale of the Engineering business. **2.** FY20 EBITDA was adjusted to exclude $525 million restructure provision related to the Engineering business. **3.** Values are shown at amortised cost. **4.** Values are shown at gross facility value.

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

M J Ullmer, AO
Chairman

S B McCann
Chief Executive Officer
and Managing Director

Sydney, 22 February 2021

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

To the Directors of Lendlease Corporation Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Lendlease Corporation Limited for the half year ended 31 December 2020 there have been:

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

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

KPMG

KPMG

D M McLennan

Partner

Sydney

22 February 2021

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Financial Statements

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Sydney
Sydney Place
on Gadigal Country
Artist's impression

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Financial Statements

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Lendlease Corporation Limited (the Company) is incorporated and domiciled in Australia. The consolidated financial report of the Company for the half year ended 31 December 2020 comprises the Company including its controlled entities and Lendlease Trust (LLT) (together referred to as the Consolidated Entity or the Group). The Group is a for-profit entity and is an international property and investment 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 22 February 2021.

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Consolidated Financial Statements

Income Statement

Half Year Ended 31 December 2020

		Note	6 months December 2020 $m	6 months December 2019[1,2] $m
Revenue from contracts with customers		4	4,868	6,519
Other revenue			62	90
Cost of sales			(4,476)	(6,054)
Gross profit			**454**	**555**
Share of profit of equity accounted investments		8	19	67
Other income		5	212	277
Other expenses			(372)	(478)
Results from operating activities from continuing operations			**313**	**421**
Finance revenue		7	6	5
Finance costs		7	(73)	(81)
Net finance costs			**(67)**	**(76)**
Profit before tax from continuing operations			**246**	**345**
Income tax expense from continuing operations		9	(52)	(77)
Profit after tax from continuing operations			**194**	**268**
Profit after tax from discontinued operations		21	2	45
Profit after tax			**196**	**313**
Profit after tax attributable to:				
Members of Lendlease Corporation Limited			171	281
Unitholders of Lendlease Trust			25	32
Profit after tax attributable to securityholders			**196**	**313**
External non controlling interests			-	-
Profit after tax			**196**	**313**
Basic/Diluted Earnings per Lendlease Group Stapled Security (EPSS) from Continuing Operations				
Securities excluding treasury securities	(cents)	21	28.4	45.9
Securities on issue	(cents)	21	28.2	45.6
Basic/Diluted Earnings per Lendlease Group Stapled Security (EPSS)				
Securities excluding treasury securities	(cents)	3	28.7	53.6
Securities on issue	(cents)	3	28.5	53.2

1. December 2019 results have been re-presented to include the Services business and retained Engineering projects as part of continuing operations. Refer to Note 21 'Discontinued Operations' for further details.
2. As required under AASB 133 *Earnings per Share*, the 31 December 2019 weighted average number of stapled securities has been updated to reflect the new stapled securities issued via the institutional placement and Security Purchase Plan during the 30 June 2020 year. The Basic/Diluted EPS and Basic/Diluted EPSS have been restated to reflect this change.

The accompanying notes form part of these consolidated financial statements.

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Consolidated Financial Statements continued

Statement of Comprehensive Income

Half Year Ended 31 December 2020

	6 months December 2020 $m	6 months December 2019[2] $m
Profit after Tax	**196**	**313**
Other Comprehensive Income/(Expense) after Tax		
Items that may be reclassified subsequently to profit or loss:		
Movements in hedging reserve	(2)	13
Movements in foreign currency translation reserve	(141)	18
Total items that may be reclassified subsequently to profit or loss[1]	**(143)**	**31**
Items that will not be reclassified to profit or loss:		
Movements in non controlling interest acquisition reserve	8	(1)
Defined benefit plans remeasurements	16	(16)
Total items that will not be reclassified to profit or loss	**24**	**(17)**
Total comprehensive income after tax	**77**	**327**
Total comprehensive income after tax from continuing operations attributable to:		
Members of Lendlease Corporation Limited	62	253
Unitholders of Lendlease Trust	15	29
Total comprehensive income after tax from discontinued operations attributable to:		
Members of Lendlease Corporation Limited	2	45
Total comprehensive income after tax attributable to securityholders	**79**	**327**
External non controlling interests	(2)	-
Total comprehensive income after tax	**77**	**327**

1. Includes Other comprehensive loss of $112 million (December 2019: Other comprehensive income of $21 million) relating to share of other comprehensive income on equity accounted investments.
2. December 2019 results have been re-presented to include the Services business and retained Engineering projects as part of continuing operations. Refer to Note 21 'Discontinued Operations' for further details.

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Consolidated Financial Statements continued

Statement of Financial Position

As at 31 December 2020

	Note	December 2020 $m	June 2020 $m
Current Assets			
Cash and cash equivalents	18	899	1,111
Loans and receivables	16	1,638	1,667
Inventories	11	2,334	2,256
Other financial assets	13	22	16
Current tax assets		21	27
Other assets		144	59
Disposal Group assets held for sale	21	-	841
Total current assets		**5,058**	**5,977**
Non Current Assets			
Loans and receivables	16	966	744
Inventories	11	2,844	3,113
Equity accounted investments	12	3,716	3,671
Investment properties		419	658
Other financial assets	13	1,024	1,076
Deferred tax assets		105	141
Property, plant and equipment		641	693
Intangible assets		1,436	1,457
Defined benefit plan asset		190	156
Other assets		56	62
Total non current assets		**11,397**	**11,771**
Total assets		**16,455**	**17,748**
Current Liabilities			
Trade and other payables	17	4,382	4,496
Provisions		336	343
Borrowings and financing arrangements	14a	535	134
Other financial liabilities		11	10
Disposal Group liabilities held for sale	21	-	670
Total current liabilities		**5,264**	**5,653**
Non Current Liabilities			
Trade and other payables	17	1,587	2,405
Provisions		63	62
Borrowings and financing arrangements	14a	2,183	2,261
Other financial liabilities		6	1
Deferred tax liabilities		376	434
Total non current liabilities		**4,215**	**5,163**
Total liabilities		**9,479**	**10,816**
Net assets		**6,976**	**6,932**
Equity			
Issued capital	15	1,890	1,889
Treasury securities		(69)	(68)
Reserves		(65)	65
Retained earnings		3,452	3,265
Total equity attributable to members of Lendlease Corporation Limited		**5,208**	**5,151**
Total equity attributable to unitholders of Lendlease Trust		1,745	1,756
Total equity attributable to securityholders		**6,953**	**6,907**
External non controlling interests		23	25
Total equity		**6,976**	**6,932**

The accompanying notes form part of these consolidated financial statements.

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Consolidated Financial Statements continued

Statement of Changes in Equity

Half Year Ended 31 December 2020

	Issued Capital $m	Treasury Securities[2] $m	Reserves[3] $m	Retained Earnings $m	Members of Lendlease Corporation Limited $m	Unitholders of Lendlease Trust $m	External Non Controlling Interests $m	Total Equity $m
Balance as at 30 June 2019	**1,300**	**(68)**	**105**	**3,815**	**5,152**	**1,182**	**23**	**6,357**
Impact of change in accounting policy[1]	-	-	-	(42)	(42)	-	-	(42)
Balance as at 1 July 2019	**1,300**	**(68)**	**105**	**3,773**	**5,110**	**1,182**	**23**	**6,315**
Total Comprehensive Income								
Profit for the period	-	-	-	281	281	32	-	313
Other Comprehensive Income (Net of tax)	-	-	33	(16)	17	(3)	-	14
Total Comprehensive Income	**-**	**-**	**33**	**265**	**298**	**29**	**-**	**327**
Transactions with Owners of the Company								
Dividend Reinvestment Plan (DRP)	4	-	-	-	4	1	-	5
Dividends and distributions	-	-	-	(53)	(53)	(45)	-	(98)
Treasury securities acquired	-	(51)	-	-	(51)	-	-	(51)
Treasury securities vested	-	52	-	-	52	-	-	52
Fair value movement on allocation and vesting of securities	-	-	(16)	-	(16)	-	-	(16)
Asset disposals and transfers	-	-	(23)	-	(23)	-	-	(23)
Total other movements through reserves	**4**	**1**	**(39)**	**(53)**	**(87)**	**(44)**	**-**	**(131)**
Balance as at 31 December 2019	**1,304**	**(67)**	**99**	**3,985**	**5,321**	**1,167**	**23**	**6,511**
Balance as at 1 July 2020	**1,889**	**(68)**	**65**	**3,265**	**5,151**	**1,756**	**25**	**6,932**
Total Comprehensive Income								
Profit for the period	-	-	-	171	171	25	-	196
Other Comprehensive Income (Net of tax)	-	-	(123)	16	(107)	(10)	(2)	(119)
Total Comprehensive Income	**-**	**-**	**(123)**	**187**	**64**	**15**	**(2)**	**77**
Transactions with Owners of the Company								
Distribution reinvestment plan (DRP)	1	-	-	-	1	-	-	1
Dividends and distributions	-	-	-	-	-	(26)	-	(26)
Treasury securities acquired	-	(36)	-	-	(36)	-	-	(36)
Treasury securities vested	-	35	-	-	35	-	-	35
Fair value movement on allocation and vesting of securities	-	-	(5)	-	(5)	-	-	(5)
Asset disposals and transfers	-	-	(5)	-	(5)	-	-	(5)
Other movements	-	-	3	-	3	-	-	3
Total other movements through reserves	**1**	**(1)**	**(7)**	**-**	**(7)**	**(26)**	**-**	**(33)**
Balance as at 31 December 2020	**1,890**	**(69)**	**(65)**	**3,452**	**5,208**	**1,745**	**23**	**6,976**

1. December 2019 Statement of Changes in Equity has been adjusted to reflect the first time adoption of AASB 16 *Leases* by recording $(42) million to opening retained earnings.
2. Opening balance for number of treasury securities at 1 July 2020 was 4 million (1 July 2019: 4 million) and closing balance at 31 December 2020 was 5 million (31 December 2019: 4 million).
3. Balance and movement in reserves are presented on a combined basis for the half year ended 31 December 2020 and 31 December 2019.

Consolidated Financial Statements continued

Statement of Cash Flows

Half Year Ended 31 December 2020

	Note	6 months December 2020[1] $m	6 months December 2019[1] $m
Cash Flows from Operating Activities			
Cash receipts in the course of operations		5,104	7,321
Cash payments in the course of operations		(5,534)	(7,664)
Interest received		5	4
Interest paid in relation to other corporations		(80)	(95)
Interest in relation to lease liabilities		(10)	(13)
Dividends/distributions received		33	110
Income tax paid in respect of operations		(57)	(21)
Net cash used in operating activities		**(539)**	**(358)**
Cash Flows from Investing Activities			
Sale/redemption of investments		111	304
Acquisition of investments		(161)	(499)
Acquisition of/capital expenditure on investment properties		(70)	(37)
Net loan drawdowns from associates and joint ventures		(7)	(33)
Disposal/acquisition of consolidated entities (net of cash disposed/acquired and transaction costs)		(320)	94
Disposal of property, plant and equipment		2	13
Acquisition of property, plant and equipment		(22)	(51)
Acquisition of intangible assets		(32)	(32)
Net cash used in investing activities		**(499)**	**(241)**
Cash Flows from Financing Activities			
Proceeds from borrowings		2,128	2,060
Repayment of borrowings		(1,708)	(1,445)
Dividends/distributions paid		(21)	(163)
Increase in capital of non controlling interest		1	-
Repayment of lease liabilities		(34)	(27)
Net cash provided by financing activities		**366**	**425**
Other Cash Flow Items			
Effect of foreign exchange rate movements on cash and cash equivalents		9	(19)
Net decrease in cash and cash equivalents		**(663)**	**(193)**
Cash and cash equivalents at beginning of financial period	18	1,562	1,290
Cash and cash equivalents at end of financial period	18	**899**	**1,097**

1. Balances include cash flows relating to both continuing and discontinued operations. Net cash flows relating to discontinued operations have been disclosed in Note 21 'Discontinued Operations'.

The accompanying notes form part of these consolidated financial statements.

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Notes to the Consolidated Financial Statements

Basis of Preparation

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

- Has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001;*
- Complies with the recognition and measurement requirements of the International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB);
- Should be read in conjunction with the 30 June 2020 annual consolidated financial report and any public announcements by the Group during the half year in accordance with continuous disclosure obligations arising under the *Corporations Act 2001*. The half year financial report does not contain all the information required for a full financial report;
- Is presented in Australian dollars, with all values rounded off to the nearest million dollars unless otherwise indicated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) instrument 2016/191;
- Has re-presented comparative financial information in the Income Statement, Statement of Comprehensive Income and related Notes to include the Services business and retained Engineering projects as part of continuing operations. The comparative information in the Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and related Notes have not been re-presented. Refer to Note 21 'Discontinued Operations' for further details; 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, investment properties and liabilities for cash settled share based compensation plans. Recognised assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged. Refer to the specific accounting policies within the notes to the financial statements for the basis of valuation of assets and liabilities measured at fair value.

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

- This can affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
- Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.
- The accounting policies have been consistently applied by the Group and are consistent with those applied in the 30 June 2020 annual consolidated financial report.
- These significant accounting estimates and judgements have been considered in the context of the COVID-19 pandemic and the impact of the current economic conditions.

At 31 December 2020, the Group is in a net current deficit (current liabilities exceeds current assets) but does not anticipate a significant liquidity risk in the next 12 months. This is due to the Group's strong financial profile, which includes significant committed undrawn facilities and low gearing ratios.

The financial statements are prepared on a going concern basis. In preparing the financial statements, including assessing the going concern basis of accounting, the Group has considered the COVID-19 pandemic.

The Group has:

- $3,813 million in undrawn facilities. See Note 14 'Borrowings and Financing Arrangements'
- $899 million in cash and cash equivalents. See Note 18 'Cash and Cash Equivalents'

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

Impact of New and Revised Accounting Standards

New Accounting Standards and Interpretations Not Yet Adopted

Accounting Standard	Requirement	Impact on Financial Statements
AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* and consequential amendments	AASB 2014-10 amends AASB 10 and AASB 128 to clarify the requirements for recording the sale or contribution of assets between an investor and its associate or joint venture. The amendment becomes mandatory for the June 2023 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.

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Notes to the Consolidated Financial Statements continued

Section A: Performance

In addition to the statutory result, Operating earnings before interest, tax, depreciation and amortisation (Operating EBITDA) and Operating profit after tax (Operating PAT) are the key measures used to assess the Group's performance. This section of the Financial Report focuses on disclosure that enhances a user's understanding of Operating EBITDA and Operating PAT. Segment Reporting below provides a breakdown of profit and revenue by the operational activity. The key line items of the Income Statement, along with their components, provide detail behind the reported balances. Group performance will also impact the earnings per stapled security and dividend payout, therefore disclosure on these items has been included in this section. Further information and analysis on performance and allocation of resources can be found in the Performance and Outlook section of the Directors' Report.

1. Segment Reporting

The Group's segments are Development, Construction, Investments and Non core. The Group has identified these operating segments based on the distinct products and services provided by each segment, the distinct target return profile and allocation of resources for each segment, and internal reports that are reviewed and used by the Group Chief Executive Officer and Managing Director (the Chief Operating Decision Maker) in assessing performance, determining the allocation of resources, setting operational targets, and managing the Group.

The Group has arranged the segments around business activity rather than geography due to the Group's business model being broadly consistent in all regions.

On 31 August 2020, the Group announced a Strategy Update and that Management would report Operating EBITDA and Operating PAT as its primary earnings metrics going forward, in addition to the statutory result. Operating PAT is defined as Statutory profit adjusted for non-cash backed property related revaluation increases or decreases of Investment property, Other financial assets and Equity accounted investments that are classified in the Investments segment, and other non-cash adjustments or non-recurring items such as impairment losses relating to Goodwill and other Intangibles. Operating EBITDA is before Interest, Tax, Depreciation and Amortisation.

The Chief Operating Decision Maker now receives information and assesses segment performance under these new metrics. Operating EBITDA and Operating PAT are used to measure performance as management believes that such information is the most relevant in evaluating the results of certain reportable segments relative to other entities that operate within these industries. The Group does not consider corporate activities to be an operating segment.

The operating segments are as follows:

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

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

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

Non core
Non core includes the provision of project management, design and construction services in the Australian economic infrastructure sector. These products and services represent the retained Engineering projects and Services business. The discontinued operations referenced throughout the financial statements are included in this segment. Discontinued operations represent the Engineering business sold, excluding the projects retained by the Group. Refer to Note 21 'Discontinued Operations' for further detail.

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Notes to the Consolidated Financial Statements continued

Section A: Performance continued

1. Segment Reporting continued

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

		6 MONTHS TO DECEMBER 2020							
		SEGMENTS							
	Note	Development	Construction	Investments	**Total Core Segments**	Non Core	**Total Segments**	Corporate Activities	**Total Group**
Operating EBITDA		**244**	**104**	**121**	**469**	**24**	**493**	**(64)**	**429**
Reconciling Items									
Net interest expense		2	(2)	(1)	**(1)**	-	**(1)**	(66)	**(67)**
Depreciation and amortisation		(6)	(18)	(6)	**(30)**	(31)	**(61)**	(45)	**(106)**
Operating profit before tax[1]		**240**	**84**	**114**	**438**	**(7)**	**431**	**(175)**	**256**
Operating income tax expense		(63)	(25)	(18)	**(106)**	5	**(101)**	48	**(53)**
Operating profit after tax		**177**	**59**	**96**	**332**	**(2)**	**330**	**(127)**	**203**
Investments segment revaluations (pre-tax):									
Investment properties revaluations	5			-	**-**		**-**		**-**
Financial assets revaluations	5			5	**5**		**5**		**5**
Equity accounted investments revaluations	8			(16)	**(16)**		**(16)**		**(16)**
Total adjustments[1]		**-**	**-**	**(11)**	**(11)**	**-**	**(11)**	**-**	**(11)**
Income tax expense on adjustments				4	**4**		**4**		**4**
Statutory profit after tax		**177**	**59**	**89**	**325**	**(2)**	**323**	**(127)**	**196**

		6 MONTHS TO DECEMBER 2019[2]							
		SEGMENTS							
	Note	Development	Construction	Investments	**Total Core Segments**	Non Core	**Total Segments**	Corporate Activities	**Total Group**
Operating EBITDA		**272**	**101**	**224**	**597**	**23**	**620**	**(72)**	**548**
Reconciling Items									
Net interest expense		(2)	(3)	(1)	**(6)**	-	**(6)**	(70)	**(76)**
Depreciation and amortisation		(10)	(15)	(8)	**(33)**	(17)	**(50)**	(44)	**(94)**
Operating profit before tax[1]		**260**	**83**	**215**	**558**	**6**	**564**	**(186)**	**378**
Operating income tax expense		(74)	(24)	(46)	**(144)**	(1)	**(145)**	50	**(95)**
Operating profit after tax		**186**	**59**	**169**	**414**	**5**	**419**	**(136)**	**283**
Investments segment revaluations (pre-tax):									
Investment properties revaluations	5			(1)	**(1)**		**(1)**		**(1)**
Financial assets revaluations	5			18	**18**		**18**		**18**
Equity accounted investments revaluations	8			14	**14**		**14**		**14**
Total adjustments[1]		**-**	**-**	**31**	**31**	**-**	**31**	**-**	**31**
Income tax expense on adjustments				(1)	**(1)**		**(1)**		**(1)**
Statutory profit after tax		**186**	**59**	**199**	**444**	**5**	**449**	**(136)**	**313**

1. Total Group Operating profit before tax of $256 million (December 2019: $378 million) plus Investment segment revaluations (pre-tax) of $(11) million (December 2019: $31 million) reconciles to Profit before tax from continuing operations of $246 million (December 2019: $345 million) as disclosed in the Income Statement and Profit before tax for discontinued operations of $(1) million (December 2019: $64 million) as disclosed in Note 21 'Discontinued Operations'.

2. December 2019 balances have been re-presented to align the presentation to Operating EBITDA and Operating PAT as primary earnings metrics.

Notes to the Consolidated Financial Statements continued

Section A: Performance continued

1. Segment Reporting continued

	6 MONTHS TO DECEMBER 2020						DECEMBER 2020	
	Segment Revenue[1] $m	Finance Revenue $m	Finance Expense $m	Share of Results EAI[2] $m	Income Tax $m	Material Non Cash Items[3] $m	Non Current Segment Assets[4] $m	Group Total Assets $m
Core								
Development	766	3	-	14	(63)	36	4,883	6,994
Construction	3,440	-	(2)	7	(25)	(1)	1,419	3,396
Investments	151	-	(1)	(3)	(14)	15	2,891	4,051
Total core segments	**4,357**	**3**	**(3)**	**18**	**(102)**	**50**	**9,193**	**14,441**
Non core	843	-	-	1	5	(12)	277	1,097
Total segments	**5,200**	**3**	**(3)**	**19**	**(97)**	**38**	**9,470**	**15,538**
Corporate activities	19	3	(70)	-	48	12	608	917
Total	**5,219**	**6**	**(73)**	**19**	**(49)**	**50**	**10,078**	**16,455**

	6 MONTHS TO DECEMBER 2019						JUNE 2020	
	Segment Revenue[1] $m	Finance Revenue $m	Finance Expense $m	Share of Results EAI[2] $m	Income Tax $m	Material Non Cash Items[3] $m	Non Current Segment Assets[4] $m	Group Total Assets $m
Core								
Development	1,161	2	(4)	23	(74)	(4)	5,150	7,281
Construction	4,326	-	(3)	10	(24)	(3)	1,310	3,565
Investments	234	1	(2)	32	(47)	16	3,032	4,236
Total core segments	**5,721**	**3**	**(9)**	**65**	**(145)**	**9**	**9,492**	**15,082**
Non core	1,665	-	-	2	(1)	-	279	1,828
Total segments	**7,386**	**3**	**(9)**	**67**	**(146)**	**9**	**9,771**	**16,910**
Corporate activities	22	2	(72)	-	50	9	627	838
Total	**7,408**	**5**	**(81)**	**67**	**(96)**	**18**	**10,398**	**17,748**

1. Comprised of Revenue from contracts with customers from continuing operations of $4,868 million (December 2019: $6,519 million), Other revenue from continuing operations of $62 million (December 2019: $90 million), Finance revenue from continuing operations of $6 million (December 2019: $5 million) and Revenue from contracts with customers from discontinued operations of $283 million (December 2019: $794 million).
2. Equity Accounted Investments.
3. Material Non Cash Items relates to impairments and provisions raised or written back, unrealised foreign exchange movements and fair value gains or losses.
4. Excludes deferred tax assets, financial instruments and defined benefit plan assets.

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Notes to the Consolidated Financial Statements continued

Section A: Performance continued

1. Segment Reporting continued

	NON CURRENT ASSETS[1]	
	December 2020 $m	**June 2020 $m**
Australia	4,775	4,882
Asia	1,278	1,361
Europe	1,495	1,382
Americas	1,922	2,146
Total segment	**9,470**	**9,771**
Corporate activities	608	627
Total	**10,078**	**10,398**

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

The operating segments generate revenue in the following regions.

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

6 months to December 2019	REVENUE[1] Development $m	Construction $m	Investments $m	**Total Core Segments $m**	Non Core $m	**Total Segments $m**	Corporate Activities $m	**Statutory Result $m**
Australia	530	1,863	92	**2,485**	1,665	**4,150**	22	**4,172**
Asia	7	122	95	**224**	-	**224**	-	**224**
Europe	492	414	11	**917**	-	**917**	-	**917**
Americas	132	1,927	36	**2,095**	-	**2,095**	-	**2,095**
Total	**1,161**	**4,326**	**234**	**5,721**	**1,665**	**7,386**	**22**	**7,408**

1. Comprised of Revenue from contracts with customers from continuing operations of $4,868 million (December 2019: $6,519 million), Other revenue from continuing operations of $62 million (December 2019: $90 million), Finance revenue from continuing operations of $6 million (December 2019: $5 million) and Revenue from contracts with customers from discontinued operations of $283 million (December 2019: $794 million).

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

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Notes to the Consolidated Financial Statements continued

Section A: Performance continued

2. Dividends/Distributions[1]

	Cents Per Share/Unit	COMPANY/TRUST 6 months December 2020 $m	COMPANY/TRUST 6 months December 2019 $m
Parent Company Interim Dividend			
December 2020 – declared subsequent to reporting date[2]	11.2	77	-
December 2019 – paid 17 March 2020	22.1	-	124
Lendlease Trust Interim Distribution			
December 2020 – provided for and payable 17 March 2021	3.8	26	-
December 2019 – paid 17 March 2020	7.9	-	45
Total		**103**	**169**

	Cents Per Share/Unit	COMPANY/TRUST 6 months June 2020 $m	COMPANY/TRUST 6 months June 2019 $m
Parent Company Final Dividend			
June 2020[3]	-	-	-
June 2019 – paid 16 September 2019	9.5	-	53
Lendlease Trust Final Distribution			
June 2020 – paid 15 September 2020	3.3	22	-
June 2019 – paid 16 September 2019	20.5	-	116
Total		**22**	**169**

1. The current period interim dividend is 50 per cent franked, with the balance sourced from the conduit foreign income account. The current interim distribution and the prior period interim/final dividends/distributions were not franked.
2. No provision for this distribution has been recognised in the Statement of Financial Position at 31 December 2020, as it was declared after the end of the half year.
3. No final dividend was declared for the Company for 30 June 2020.

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

		December 2020		December 2019[2]	
		Shares/Securities excluding Treasury Securities	Shares/Securities on Issue	Shares/Securities excluding Treasury Securities	Shares/Securities on Issue
Basic/Diluted Earnings Per Share (EPS)[1]					
Profit attributable to members of Lendlease Corporation Limited	$m	171	171	281	281
Weighted average number of ordinary shares	m	684	688	584	588
Basic/Diluted EPS	cents	**25.0**	**24.9**	**48.1**	**47.8**
Basic/Diluted Earnings Per Stapled Security (EPSS)[1]					
Profit attributable to securityholders of Lendlease Group	$m	196	196	313	313
Weighted average number of stapled securities	m	684	688	584	588
Basic/Diluted EPSS	cents	**28.7**	**28.5**	**53.6**	**53.2**

1. Balance includes both continuing and discontinued operations. Earnings per share/stapled security for continuing and discontinued operations have been separately disclosed in Note 21 'Discontinued Operations'.
2. As required under AASB 133 *Earnings per Share*, the 31 December 2019 weighted average number of ordinary shares and the weighted average number of stapled securities have been updated to reflect the new stapled securities issued via the institutional placement and Security Purchase Plan during the 30 June 2020 year. The Basic/Diluted EPS and Basic/Diluted EPSS have been restated to reflect this change.

Notes to the Consolidated Financial Statements continued

Section A: Performance continued

4. Revenue from Contracts with Customers

	6 months December 2020 $m	6 months December 2019[2] $m
Revenue from the Provision of Services		
Core Construction services	3,439	4,325
Non core Construction services	560	871
Construction services	**3,999**	**5,196**
Development services	303	531
Investments services	118	193
Total revenue from the provision of services	**4,420**	**5,920**
Revenue from the sale of development properties	448	599
Total revenue from contracts with customers[1]	**4,868**	**6,519**

1. Further information on revenue by geography and by segments is included in Note 1 'Segment Reporting'.
2. December 2019 results have been re-presented to include the Services business and retained Engineering projects as Non core Construction services. Refer to Note 21 'Discontinued Operations' for further details.

5. Other Income

	6 months December 2020 $m	6 months December 2019[5] $m
Net Gain on Sale/Transfer of Investments		
Consolidated entities[1]	144	159
Other financial assets at fair value	1	2
Equity accounted investments	7	35
Other assets and liabilities	1	1
Total net gain on sale/transfer of investments	**153**	**197**
Net Gain on Fair Value Measurement		
Investment properties[2]	4	24
Fair value through profit or loss assets[3]	17	17
Total net gain on fair value measurement	**21**	**41**
Other[4]	38	39
Total other income	**212**	**277**

1. During the period, the Group disposed of a 25 per cent interest in One Sydney Harbour R1 Trust. The Group recorded a net gain on sale of $19 million. Refer to Note 22 'Consolidated Entities' for further detail. The remaining 75 per cent interest retained by the Group provided a revaluation gain of $128 million based on the transaction price.
2. Net gain on fair value measurements for Investment properties includes $nil (December 2019: $(1) million) recognised in the Investments segment adjustments in Note 1 'Segment Reporting'.
3. Net gain on fair value measurements for Fair value through profit or loss assets includes $5 million (December 2019: $18 million) recognised in the Investments segment adjustments in Note 1 'Segment Reporting'.
4. During the period, the Group disposed of its 50 percent stake in International Quarter London - North and purchased the remaining 50 per cent stake in International Quarter London - South. The transaction resulted in a net gain of $31 million.
5. December 2019 results have been re-presented to include the Services business and retained Engineering projects as part of continuing operations. Refer to Note 21 'Discontinued Operations' for further details.

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Notes to the Consolidated Financial Statements continued

Section A: Performance continued

6. Other Expenses

	6 months December 2020 $m	6 months December 2019[2] $m
Profit before income tax includes the following other expense items:		
Employee benefit expenses[1]	1,016	1,190
Superannuation accumulation plan expense	21	18
Net defined benefit plan expense	1	1
Expenses include impairments raised/(reversals) relating to:		
Loans and receivables	1	-
Property inventories	(15)	8
Equity accounted investments	6	2
Net loss on sale of property, plant and equipment	-	2
Lease expense (including outgoings)	13	15
Depreciation on right-of-use assets	33	31
Depreciation on owned assets	41	28
Amortisation	27	26
Net foreign exchange loss	2	-

1. Total expense before recoveries through projects.
2. December 2019 results have been re-presented to include the Services business and retained Engineering projects as part of continuing operations. Refer to Note 21 'Discontinued Operations' for further details.

7. Finance Revenue and Finance Costs

	6 months December 2020 $m	6 months December 2019 $m
Finance Revenue		
Other corporations	3	3
Other finance revenue	2	1
Total interest finance revenue	**5**	**4**
Interest discounting	1	1
Total finance revenue	**6**	**5**
Finance Costs		
Interest expense in relation to other corporations	65	79
Interest expense in relation to lease liabilities	10	13
Less: Capitalised interest finance costs	(10)	(16)
Total interest finance costs	**65**	**76**
Non interest finance costs	8	5
Total finance costs	**73**	**81**
Net finance costs	**(67)**	**(76)**

8. Share of Profit of Equity Accounted Investments

	Note	6 months December 2020 $m	6 months December 2019[3] $m
Associates[1,2]			
Share of profit	12a	3	6
Joint Ventures[1,2]			
Share of profit	12b	16	61
Total share of profit of equity accounted investments		**19**	**67**

1. Reflects the contribution to the Group's profit, and is after tax paid by the equity accounted investment vehicles themselves, where relevant. However, for various equity accounted investments, the share of tax is paid by the Group and is included in the Group's current tax expense.
2. Share of profit from Associates and Joint Ventures include $1 million loss (December 2019: $1 million loss) and $15 million loss (December 2019: $15 million gain), respectively, in revaluation gains and losses recognised in the Investments segment adjustments in Note 1 'Segment Reporting'.
3. December 2019 results have been re-presented to include the Services business and retained Engineering projects as part of continuing operations. Refer to Note 21 'Discontinued Operations' for further details.

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Notes to the Consolidated Financial Statements continued

Section A: Performance continued

9. Taxation

Income Tax Expense	6 months December 2020 $m	6 months December 2019 $m
Recognised in the Income Statement		
Current Tax Expense		
Current period	50	(4)
Adjustments for prior years	(1)	-
Total current tax expense/(benefit)	**49**	**(4)**
Deferred Tax Expense		
Origination and reversal of temporary differences	(6)	109
Temporary differences recovered	10	(5)
Net tax losses recognised	(4)	(4)
Total deferred tax expense	**-**	**100**
Income Tax Expense		
Total income tax expense from continuing operations	52	77
Total income tax (benefit)/expense from discontinued operations	(3)	19
Total income tax expense[1]	**49**	**96**
Reconciliation of Effective Tax Rate		
Profit before tax	245	409
Income tax using the domestic corporation tax rate of 30 per cent	**74**	**123**
Adjustments for prior year tax claim	(1)	-
Non assessable and exempt income[2]	(9)	(21)
Non allowable expenses[3]	2	3
Net (recognition)/write-off of tax losses through income tax expense	(3)	2
Temporary differences recognised through income tax expense[4]	5	(5)
Utilisation of capital losses on disposal of assets	(14)	-
Effect of tax rates in foreign jurisdictions[5]	(8)	(10)
Other	3	4
Income tax expense[1]	**49**	**96**

1. Represents income tax expense from continuing and discontinued operations. Refer to Note 21 'Discontinued Operations' for income tax expense relating to the discontinued operations.
2. Includes LLT Group profit.
3. Includes accounting expenses for which a tax deduction is not allowed permanently.
4. Includes temporary differences recognised in a previous period but are subsequently written off to income tax expense in the current period and temporary differences that arose in a previous year but were not recognised until the current period.
5. The Group operates in a number of foreign jurisdictions for trading purposes which have significantly lower tax rates than Australia such as the United Kingdom and Singapore and higher tax rates such as the United States of America (blended federal, state and local rate) and Japan. Also includes the effect of change in tax rates.

10. Events Subsequent to Balance Date

On 19 February 2021, the Group announced it had exchanged contracts with a third party to dispose of a further 25 per cent interest in Lendlease Retirement Living Trust. The Group will sell the units at book value which is estimated to be $458 million. The transaction is expected to close shortly.

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

Notes to the Consolidated Financial Statements continued

Section B: Investment

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

11. Inventories

	Note	December 2020 $m	June 2020 $m
Current			
Development properties[1]		1,216	1,337
Construction contract assets	16a	1,110	912
Other		8	7
Total current		**2,334**	**2,256**
Non Current			
Development properties[1]		2,844	3,113
Total non current		**2,844**	**3,113**
Total inventories		**5,178**	**5,369**

1. The Group has considered the impacts of COVID-19 on its recoverability assessment of inventories at 31 December 2020. As part of its semi annual review of development property projects, the Group has considered sales volumes in the short term, production timeframes, and potential increased costs for its projects. The carrying value of the Group's projects has not been materially impacted during the period due to their long dated nature.

12. Equity Accounted Investments

	Note	December 2020 $m	June 2020 $m
Associates			
Investment in associates	12a	450	518
Less: Impairment	12a	(3)	(5)
Total associates	**12a**	**447**	**513**
Joint Ventures			
Investment in joint ventures	12b	3,312	3,198
Less: Impairment	12b	(43)	(40)
Total joint ventures	**12b**	**3,269**	**3,158**
Total equity accounted investments	**12b**	**3,716**	**3,671**

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Notes to the Consolidated Financial Statements continued

Section B: Investment continued

12. Equity Accounted Investments continued

a. Associates	INTEREST December 2020 %	INTEREST June 2020 %	SHARE OF PROFIT December 2020 $m	SHARE OF PROFIT December 2019 $m	NET BOOK VALUE December 2020 $m	NET BOOK VALUE June 2020 $m
Australia						
Development						
Lendlease Communities Fund 1	20.8	20.8	-	-	4	4
Investments						
Lendlease Sub Regional Retail Fund[1]	10.0	10.0	1	(1)	26	27
Other			-	-	5	5
Total Australia			**1**	**(1)**	**35**	**36**
Asia						
Investments						
Lendlease Global Commercial REIT	25.6	25.3	(1)	(10)	248	261
Lendlease Asian Retail Investment Fund 1	48.7	48.7	-	14	4	4
Lendlease Asian Retail Investment Fund 2	39.4	39.4	-	-	33	35
Lendlease Asian Retail Investment Fund 3[1]	15.1	20.1	2	2	128	180
Total Asia			**1**	**6**	**413**	**480**
Americas						
Investments						
Other			1	1	2	2
Total Americas			**1**	**1**	**2**	**2**
Total			**3**	**6**	**450**	**518**
Less: Impairment					(3)	(5)
Total associates			**3**	**6**	**447**	**513**

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

b. Joint Ventures	INTEREST December 2020 %	INTEREST June 2020 %	SHARE OF PROFIT December 2020 $m	SHARE OF PROFIT December 2019[1] $m	NET BOOK VALUE December 2020 $m	NET BOOK VALUE June 2020 $m
Australia						
Development						
Circular Quay Tower	20.0	20.0	-	-	130	117
Melbourne Quarter R1	50.0	50.0	4	-	62	67
One Sydney Harbour R1 Trust	75.0	-	-	-	126	-
Victoria Cross	75.0	75.0	(11)	-	117	123
Other			1	2	24	23
Investments						
Lendlease Retirement Living Trust	75.0	75.0	19	30	1,388	1,367
Other			(1)	(2)	-	-
Total Australia			**12**	**30**	**1,847**	**1,697**

1. December 2019 results have been re-presented to include the Services business and retained Engineering projects as part of continuing operations. Refer to Note 21 'Discontinued Operations' for further details.

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Notes to the Consolidated Financial Statements continued

Section B: Investment continued

12. Equity Accounted Investments continued

	INTEREST		SHARE OF PROFIT		NET BOOK VALUE	
b. Joint Ventures	**December 2020 %**	**June 2020 %**	**December 2020 $m**	**December 2019 $m**	**December 2020 $m**	**June 2020 $m**
Asia						
Development						
The Exchange TRX	60.0	60.0	-	(1)	336	354
Investments						
CDR JV Ltd (313@somerset)	25.0	25.0	-	7	3	3
Paya Lebar Quarter	30.0	30.0	(2)	35	359	379
Total Asia			**(2)**	**41**	**698**	**736**
Europe						
Development						
LRIP LP	20.0	20.0	5	7	105	77
LRIP 2 LP	50.0	50.0	12	-	32	10
MSG South	50.0	50.0	4	-	41	25
Stratford City Business District Limited (International Quarter London)[1]	50.0	50.0	(2)	1	22	125
Victoria Drive Wandsworth	50.0	50.0	(2)	(2)	38	38
Other			(3)	(2)	7	10
Investments						
Other			-	-	15	15
Total Europe			**14**	**4**	**260**	**300**
Americas						
Development						
277 Fifth Avenue	40.0	40.0	(2)	-	50	54
845 Madison	37.5	37.5	(4)	-	75	88
Lendlease Towers LLC	-	-	-	(25)	-	-
Americas Residential Partnership[2]						
211 North Harbor Drive Venture	42.5	42.5	-	-	96	83
Clippership Wharf Multifamily Holdings	50.0	50.1	(2)	-	75	86
720 S Wells Holdings	50.1	50.1	(7)	1	72	90
445 East Waterside	42.5	42.5	-	-	61	40
SB Polk Street	50.1	50.1	-	-	5	3
1 Java Holdings	20.4	-	-	-	30	-
La Cienega	50.0	-	-	-	22	-
Other			-	-	21	21
Construction						
Lendlease Turner Joint Venture	50.0	50.0	7	10	-	-
Total Americas			**(8)**	**(14)**	**507**	**465**
Total Group			**16**	**61**	**3,312**	**3,198**
Less: Impairment					(43)	(40)
Total joint ventures			**16**	**61**	**3,269**	**3,158**
Total associates			**3**	**6**	**447**	**513**
Total equity accounted investments			**19**	**67**	**3,716**	**3,671**

1. At 30 June 2020, the Group had a 50 per cent stake in International Quarter London - North and International Quarter London - South. During the period, the Group disposed of its 50 percent stake in International Quarter London - North and purchased the remaining 50 per cent stake in International Quarter London - South. Refer to Note 5 'Other Income' for further detail.
2. December 2019 comparatives have been reclassified to separately present the individual joint ventures within Americas Residential Partnership.

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Notes to the Consolidated Financial Statements continued

Section B: Investment continued

12. Equity Accounted Investments continued

c. Material Associates and Joint Ventures Summarised Financial Information

Material associates and joint ventures are determined by comparing individual investment carrying value and share of profit with the total equity accounted investment carrying value and share of profit, along with consideration of relevant qualitative factors.

	LENDLEASE GLOBAL COMMERCIAL REIT		LENDLEASE RETIREMENT LIVING TRUST		PAYA LEBAR QUARTER	
Income Statement[1,2]	**6 months December 2020 $m**	**2 October to 31 December 2019 $m**	**6 months December 2020 $m**	**6 months December 2019 $m**	**6 months December 2020 $m**	**6 months December 2019 $m**
Revenue and other income	42	23	73	93	52	152
Cost of sales	(11)	(6)	(10)	(14)	(24)	(131)
Other expenses	(20)	3	(30)	(32)	-	(80)
Unrealised fair value gains/(losses)	-	(52)	3	5	10	(67)
Finance costs	(5)	(3)	(11)	(13)	(27)	(23)
Income tax expense	-	-	-	-	(1)	-
Profit/(loss) for the period	**6**	**(35)**	**25**	**39**	**10**	**(149)**
Other comprehensive income/(expense)	15	(5)	3	1	-	-
Total comprehensive income/(loss)	**21**	**(40)**	**28**	**40**	**10**	**(149)**
Group's ownership interest	25.6%	24.3%	75.0%	75.0%	30.0%	30.0%
Group's total share of:						
Profit/(loss) for the period	**2**	**(8)**	**19**	**30**	**3**	**(45)**
Other adjustments	(3)	(2)	-	-	(5)	80
Total profit/(loss) for the period	**(1)**	**(10)**	**19**	**30**	**(2)**	**35**
Other comprehensive income/(loss)	(11)	(3)	2	1	(21)	4
Total comprehensive income/(loss)	**(12)**	**(13)**	**21**	**31**	**(23)**	**39**

1. The presentation of the material associates and joint ventures has been reclassified to separately present Cost of sales, Unrealised fair value gains/(losses) and Finance costs.
2. The underlying investments in the material associates and joint ventures are office, retail and retirement living investment properties measured at fair value. At 31 December 2020, valuations were undertaken on the underlying assets. The carrying values of the investments are considered recoverable as they correlate with the net assets of the associates and joint ventures, which have been valued at 31 December 2020.

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

	ASSOCIATES		JOINT VENTURES	
Income Statement	**6 months December 2020 $m**	**6 months December 2019 $m**	**6 months December 2020 $m**	**6 months December 2019[1] $m**
Aggregate amounts of the Group's share of:				
Profit/(loss) from continuing operations	4	16	(1)	(4)
Other comprehensive income/(loss)	(11)	1	(71)	18
Aggregate amounts of Group's share of total comprehensive income/(loss) of individually immaterial equity accounted investments	**(7)**	**17**	**(72)**	**14**

1. December 2019 results have been re-presented to include the Services business and retained Engineering projects as part of continuing operations. Refer to Note 21 'Discontinued Operations' for further details.

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Notes to the Consolidated Financial Statements continued

Section B: Investment continued

12. Equity Accounted Investments continued

Statement of Financial Position	LENDLEASE GLOBAL COMMERCIAL REIT		LENDLEASE RETIREMENT LIVING TRUST[1]		PAYA LEBAR QUARTER	
	December 2020 $m	June 2020 $m	December 2020 $m	June 2020 $m	December 2020 $m	June 2020 $m
Current Assets						
Cash and cash equivalents	46	87	36	40	113	149
Other current assets	15	14	75	80	103	100
Total current assets	**61**	**101**	**111**	**120**	**216**	**249**
Non Current Assets						
Investment properties	1,430	1,506	7,286	7,232	2,931	3,128
Other non current assets	58	16	1	1	-	-
Total non current assets	**1,488**	**1,522**	**7,287**	**7,233**	**2,931**	**3,128**
Current Liabilities						
Resident liabilities	-	-	4,728	4,700	-	-
Other current liabilities	22	21	55	67	53	95
Total current liabilities	**22**	**21**	**4,783**	**4,767**	**53**	**95**
Non Current Liabilities						
Financial liabilities (excluding trade payables)	536	552	782	781	1,745	1,864
Other non current liabilities	13	13	-	-	108	121
Total non current liabilities	**549**	**565**	**782**	**781**	**1,853**	**1,985**
Net assets	**978**	**1,037**	**1,833**	**1,805**	**1,241**	**1,297**
Reconciliation to Carrying Amounts						
Opening net assets 1 July	1,037	-	1,805	1,845	1,297	1,591
Total comprehensive income/(loss) for the period	21	8	28	(40)	10	(354)
Acquisition/contributions	-	1,077	-	-	12	69
Distributions	(21)	(16)	-	-	-	-
Foreign currency translation for the period	(59)	(32)	-	-	(78)	(9)
Closing net assets	**978**	**1,037**	**1,833**	**1,805**	**1,241**	**1,297**
% ownership	25.6%	25.3%	75.0%	75.0%	30.0%	30.0%
Group's share of net assets	**250**	**262**	**1,375**	**1,354**	**372**	**389**
Other adjustments	(2)	(1)	-	-	(13)	(10)
Carrying amount at end of period	**248**	**261**	**1,375**	**1,354**	**359**	**379**

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

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

	ASSOCIATES		JOINT VENTURES	
	December 2020 $m	June 2020 $m	December 2020 $m	June 2020 $m
Aggregate carrying value of individually immaterial equity accounted investments	**202**	**257**	**1,565**	**1,452**

Notes to the Consolidated Financial Statements continued

Section B: Investment continued

13. Other Financial Assets

	Fair Value Level[1]	December 2020 $m	June 2020 $m
Current Measured at Fair Value			
Fair Value Through Profit or Loss – Designated at Initial Recognition			
Derivatives	Level 2	22	16
Total current		**22**	**16**
Non Current Measured at Fair Value			
Fair Value Through Profit or Loss – Designated at Initial Recognition			
Lendlease International Towers Sydney Trust	Level 3	154	153
Lendlease One International Towers Sydney Trust	Level 3	53	53
Australian Prime Property Fund – Industrial	Level 3	103	101
Australian Prime Property Fund – Commercial	Level 3	374	372
Australian Prime Property Fund – Retail	Level 3	57	57
Lendlease Public Infrastructure Investment Company	Level 3	-	40
Military Housing Projects Initiative	Level 3	197	211
Parkway Parade Partnership Limited	Level 3	68	72
Other investments	Level 3	12	9
Derivatives	Level 2	6	8
Total non current		**1,024**	**1,076**
Total other financial assets		**1,046**	**1,092**

1. Refer to Note 19 'Fair Value Measurement' for details on basis of determining fair value and valuation techniques.

a. Fair Value Reconciliation

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

Unlisted Investments	December 2020 $m	June 2020 $m
Carrying amount at beginning of financial period	1,068	1,180
Disposals	(41)	(51)
Net gain/(loss) recognised in Income Statement	17	(16)
Other movements	(26)	(45)
Carrying amount at end of financial period	**1,018**	**1,068**

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

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Notes to the Consolidated Financial Statements continued

Section C: Liquidity and Working Capital

The ability of the Group to fund the continued investment in the development pipeline, invest in new opportunities and meet current commitments is dependent on available cash, undrawn debt facilities and access to third party capital. This section contains 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.

14. Borrowings and Financing Arrangements

a. Borrowings	December 2020 $m	June 2020 $m
Current		
Commercial notes	535	134
Total current	**535**	**134**
Non Current		
Commercial notes	1,382	1,500
Bank credit facilities	801	761
Total non current	**2,183**	**2,261**
Total borrowings	**2,718**	**2,395**

b. Finance Facilities	December 2020 $m	June 2020 $m
The Group has access to the following lines of credit:		
Commercial Notes		
Facility available	2,452	2,036
Amount of facility used	(1,917)	(1,634)
Amount of facility unused	**535**	**402**
Bank Credit Facilities		
Facility available	3,955	4,461
Amount of facility used	(801)	(761)
Amount of facility unused	**3,154**	**3,700**
Bank Overdrafts		
Facility available and amount unused	**124**	**124**
Total amount of facilities unused	**3,813**	**4,226**

Commercial notes include:

- £300 million COVID Corporate Financing Facility (CCFF) from the Bank of England was drawn to $134 million as at June 2020 and was undrawn as at 31 December 2020. The CCFF will close for new issuance from March 2021 and the facility is classified as current for December 2020;
- £300 million of guaranteed unsecured notes issued in October 2006 in the UK bond market with a 6.125 per cent per annum coupon maturing in October 2021 and was classified as current for December 2020;
- US$400 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 4.5 per cent per annum coupon maturing in May 2026;
- S$300 million of guaranteed unsecured senior notes issued in April 2017 in the Singapore bond market under Lendlease's Euro Medium Term Note Programme with a 3.9 per cent coupon maturing in April 2027;
- $500 million of guaranteed unsecured Green senior notes issued in October 2020 in the Australian bond market with a 3.4 per cent coupon maturing October 2027; and
- $80 million of unsecured senior medium term notes issued as an A$ private placement in December 2018 with a 5.4 per cent per annum coupon maturing in December 2028.

Bank credit facilities include:

- $1,800 million syndicated cash advance facility with Tranche A $900 million maturing December 2021 and Tranche B $900 million maturing September 2022. As at 31 December 2020, tranches A and B were undrawn. Tranche A was classified as current for December 2020;
- $800 million syndicated loan facility with Tranche A $400 million and Tranche B $400 million. Tranche A was repaid and cancelled during the period. $100 million of Tranche B was cancelled during the period with the remaining $300 million maturing in May 2022 and undrawn as at 31 December 2020;
- £400 million club bank facility maturing in March 2023 undrawn as at 31 December 2020;
- $960 million A$ syndicated loan facility, maturing in March 2024. As at 31 December 2020, the $725 million Tranche A was fully drawn and the $235 million Tranche B was undrawn; and
- CNY871 million bank facility maturing in January 2025 drawn to $69 million as at 31 December 2020.

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

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

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Notes to the Consolidated Financial Statements continued

Section C: Liquidity and Working Capital continued

15. Issued Capital

	LENDLEASE CORPORATION LIMITED				LENDLEASE TRUST			
	December 2020		June 2020		December 2020		June 2020	
	No. of Shares (m)	$m	No. of Shares (m)	$m	No. of Units (m)	$m	No. of Units (m)	$m
Issued capital at beginning of financial period, net of prior period share buyback	688	1,889	564	1,300	688	1,536	564	921
Distribution reinvestment plan (DRP)	-	1	-	9	-	-	-	2
Share issue via institutional placement (net of transaction costs)	-	-	97	454	-	-	97	479
Share issue via Security Purchase Plan (net of transaction costs)	-	-	27	126	-	-	27	134
Issued capital at end of financial period	**688**	**1,890**	**688**	**1,889**	**688**	**1,536**	**688**	**1,536**

a. Issuance of Securities

As at 31 December 2020, the Group had 688 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 2 March 2021. The issue price is the arithmetic average of the daily volume weighted average price of Lendlease Group stapled securities traded (on the Australian Securities Exchange) for the period of five consecutive business days immediately following the record date, commencing on 2 March 2021, for determining entitlements to distribution. If that price is less than 50 cents, the issue price will be 50 cents. Stapled securities issued under the DRP rank equally with all other stapled securities on issue.

c. Terms and Conditions

Issued capital for Lendlease Corporation Limited comprises of ordinary shares fully paid. A stapled security represents one share in the Company stapled to one unit in LLT. Stapled securityholders have the right to receive declared dividends from the Company and distributions from LLT and are entitled to one vote per stapled security at securityholders' meetings. Ordinary stapled securityholders rank after all creditors in repayment of capital. The Group does not have authorised capital or par value in respect of its issued stapled securities.

16. Loans and Receivables

	Note	December 2020 $m	June 2020 $m
Current			
Trade receivables		593	762
Less: Impairment		(11)	(16)
		582	**746**
Related parties		94	32
Retentions		271	351
Contract debtors	16a	175	263
Accrued income	16a	70	62
Other receivables		446	213
Less: Impairment		-	-
Total current		**1,638**	**1,667**

Notes to the Consolidated Financial Statements continued

Section C: Liquidity and Working Capital continued

16. Loans and Receivables continued

	Note	December 2020 $m	June 2020 $m
Non Current			
Related parties		265	176
Less: Impairment		(2)	(2)
Retentions		173	218
Other receivables		530	352
Total non current		**966**	**744**
Total loans and receivables		**2,604**	**2,411**

a. Contract Assets	Note	December 2020 $m	June 2020 $m
Current			
Contract debtors[1]		175	263
Construction contract assets[2]	11	1,110	912
Accrued income		70	62
Total contract assets		**1,355**	**1,237**

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

17. Trade and Other Payables

	Note	December 2020 $m	June 2020 $m
Current			
Trade and accrued creditors		1,998	2,281
Construction contract liabilities	17a	1,302	1,460
Related parties		263	17
Retentions		368	476
Deferred land payments		268	19
Unearned income	17a	29	40
Lease liabilities[1]		70	71
Other		84	132
Total current		**4,382**	**4,496**
Non Current			
Trade and accrued creditors		3	4
Retentions		139	190
Deferred land payments		369	614
Unearned income	17a	37	177
Lease liabilities[1]		447	473
Other payables - PLLACes		-	608
Other		592	339
Total non current		**1,587**	**2,405**
Total trade and other payables		**5,969**	**6,901**

1. As at 31 December 2020, the Group recognised right-of-use assets of $339 million (June 2020: $359 million) within Property, plant and equipment, and $nil (June 2020: $50 million) within Investment Properties.

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Notes to the Consolidated Financial Statements continued

Section C: Liquidity and Working Capital continued

17. Trade and Other Payables continued

a. Contract Liabilities	December 2020 $m	June 2020 $m
Current		
Unearned income[1]	29	40
Construction contract liabilities[2]	1,302	1,460
Total current	**1,331**	**1,500**
Non Current		
Unearned income[1]	37	177
Total non current	**37**	**177**
Total contract liabilities	**1,368**	**1,677**

1. Movements in Unearned income relate primarily to residential pre-sales settled during the period and deposits received for development properties.
2. Movements in Construction contract liabilities relate primarily to revenue recognised on construction contracts with customers in excess of billings raised during the period and utilisation of project losses on retained Engineering projects.

18. Cash and Cash Equivalents

	Note	December 2020 $m	June 2020 $m
Continuing			
Cash		693	937
Short term investments		206	174
Total cash and cash equivalents for continuing operations		**899**	**1,111**
Disposal Group Assets Held for Sale			
Cash		-	142
Short term investments		-	309
Total cash and cash equivalents classified as Disposal Group assets held for sale	21	**-**	**451**
Total cash and cash equivalents		**899**	**1,562**

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Notes to the Consolidated Financial Statements continued

Section D: Other Notes

19. Fair Value Measurement

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

		December 2020		June 2020	
	Note	Carrying Amount $m	Fair Value $m	Carrying Amount $m	Fair Value $m
Liabilities					
Current					
Commercial notes	14a	535	560	134	133
Non Current					
Commercial notes	14a	1,382	1,523	1,500	1,676

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

a. Basis of Determining Fair Value

The determination of fair values of financial assets and liabilities that are measured at fair value are summarised as follows:

- The fair value of unlisted equity investments, including investments in property funds, is determined based on an assessment of the underlying net assets, which may include periodic independent and Directors' valuations, future maintainable earnings and any special circumstances pertaining to the particular investment. Fair value of unlisted equity investments has also taken the COVID-19 pandemic into consideration to determine fair value at 31 December 2020. This included valuations of underlying investment properties at balance date;
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted valuation techniques; these include the use of recent arm's length transactions, reference to other assets that are substantially the same, and discounted cash flow analysis; 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 valuation methods for each level have been defined as follows:

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

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

20. Contingent Liabilities

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

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

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

  Where it is probable there will be liabilities from such claims and the potential exposure can be quantified with sufficient reliability, a provision has been made for anticipated losses arising from such claims.
- In certain circumstances, the Company guarantees the performance of particular Group entities in respect of their obligations. This includes bonding and bank guarantee facilities used primarily by the Construction business as well as performance guarantees for certain of the Company's subsidiaries.
- Securities Class Action

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

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Notes to the Consolidated Financial Statements continued

Section D: Other Notes continued

21. Discontinued Operations

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

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

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

The results of discontinued operations are presented separately in the Income Statement and Statement of Comprehensive Income. Comparatives have also been re-presented for the Income Statement, Statement of Comprehensive Income and corresponding Notes to include the Services business and retained Engineering projects as continuing operations of the Group.

On 25 February 2019, the Group announced that its Engineering and Services businesses are no longer a required part of the Group's strategy. Management at that time committed to a plan to exit from Non core operations of Engineering and Services. On 19 December 2019, the Group entered into an agreement with Acciona to sell its Engineering business and on 9 September 2020 the Group completed the sale. The agreed purchase price for the sale of the Engineering business was $160 million which was adjusted by $37 million at completion, resulting in total estimated proceeds of $197 million. The discontinued operations represent the Engineering business sold, excluding the projects retained by the Group.

On 28 April 2020, the Group announced the sales process for the Services business has been paused given the uncertainty in market conditions. The Services business no longer meets the accounting criteria to be held for sale, therefore it has not been included in discontinued operations or assets and liabilities classified as held for sale at 31 December 2020. As a result, the 31 December 2019 results have been re-presented to include the Services business and the Engineering projects retained by the Group as part of the continuing operations.

The major classes of assets and liabilities of the Engineering business sold as at 9 September 2020 are as follows:

Assets/(Liabilities) Sold	9 September 2020 $m
Cash and cash equivalents	411
Loans and receivables	187
Inventories	34
Other assets	215
Total assets sold	**847**
Trade and other payables	610
Other liabilities	50
Total liabilities sold	**660**
Net assets and liabilities sold	**187**
Net proceeds from sale of the Engineering business[1]	(197)
Transaction and other costs	10
Gain/(loss) on sale of the Engineering business	**-**

1. $157 million receivable remains due at 31 December 2020. The balance is expected to be received by 30 June 2021.

The results of the discontinued operations are as follows:

Results from Discontinued Operations	1 July - 9 September 2020 $m	6 months December 2019 $m
Revenue from contracts with customers	283	794
Cost of sales	(272)	(668)
Gross profit	**11**	**126**
Other income	1	1
Other expenses	(13)	(63)
(Loss)/profit before tax for discontinued operations	**(1)**	**64**
Income tax benefit/(expense)	3	(19)
Total profit after tax for discontinued operations as presented in the Income Statement	**2**	**45**

Notes to the Consolidated Financial Statements continued

Section D: Other Notes continued

21. Discontinued Operations continued

		December 2020		December 2019[1]	
		Shares/ Securities Excluding Treasury Securities	Shares/ Securities on Issue	Shares/ Securities Excluding Treasury Securities	Shares/ Securities on Issue
Basic/Diluted Earnings Per Share (EPS) from Continuing Operations					
Profit from continuing operations attributable to members of Lendlease Corporation Limited (Company)	$m	169	169	236	236
Weighted average number of ordinary shares	m	684	688	584	588
Basic/Diluted EPS from continuing operations	**cents**	**24.7**	**24.6**	**40.4**	**40.1**
Basic/Diluted Earnings Per Share (EPS) from Discontinued Operations					
Profit from discontinued operations attributable to members of Lendlease Corporation Limited (Company)	$m	2	2	45	45
Weighted average number of ordinary shares	m	684	688	584	588
Basic/Diluted EPS from discontinued operations	**cents**	**0.3**	**0.3**	**7.7**	**7.7**
Basic/Diluted Earnings Per Security (EPSS) from Continuing Operations					
Profit from continuing operations attributable to securityholders of Lendlease Group	$m	194	194	268	268
Weighted average number of stapled securities	m	684	688	584	588
Basic/Diluted EPSS from continuing operations	**cents**	**28.4**	**28.2**	**45.9**	**45.6**
Basic/Diluted Earnings Per Security (EPSS) from Discontinued Operations					
Profit from discontinued operations attributable to securityholders of Lendlease Group	$m	2	2	45	45
Weighted average number of stapled securities	m	684	688	584	588
Basic/Diluted EPSS from discontinued operations	**cents**	**0.3**	**0.3**	**7.7**	**7.6**

1. As required under AASB 133 *Earnings per Share*, the 31 December 2019 weighted average number of ordinary shares and the weighted average number of stapled securities have been updated to reflect the new stapled securities issued via the institutional placement and Security Purchase Plan during the 30 June 2020 year. The Basic/Diluted EPS and Basic/Diluted EPSS have been restated to reflect this change.

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

Cash Flows from Discontinued Operations	1 July - 9 September 2020 $m	6 months December 2019 $m
Net cash (outflow)/inflow from operating activities	(39)	102
Net cash outflow from investing activities	(1)	(32)
Net cash outflow from financing activities	-	-
Net (decrease)/increase in cash and cash equivalents	**(40)**	**70**

The major classes of assets and liabilities held for sale are as follows:

Disposal Group Assets/(Liabilities) Held for Sale	December 2020[1] $m	June 2020 $m
Cash and cash equivalents	-	451
Loans and receivables	-	135
Inventories	-	32
Other assets	-	223
Total Disposal Group assets held for sale	**-**	**841**
Trade and other payables	-	629
Other liabilities	-	41
Total Disposal Group liabilities held for sale	**-**	**670**
Disposal Group net assets held for sale	**-**	**171**

1. The Group had no assets or liabilities recorded as held for sale at 31 December 2020 as the sale of the Engineering business completed on 9 September 2020. Refer to 'Assets/(Liabilities) Sold' table above for further details.

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Notes to the Consolidated Financial Statements continued

Section E: Basis of Consolidation

22. Consolidated Entities

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

PARENT ENTITY

Lendlease Corporation Limited

AUSTRALIA

Capella Capital Lendlease Pty Limited

Capella Capital Partnership

Lendlease Building Pty Limited

Lendlease Building Contractors Pty Limited

Lendlease Communities (Australia) Limited

Lendlease Development Pty Limited

Lendlease Finance Limited

Lendlease Infrastructure Investments Pty Limited

Lendlease International Pty Limited

Lendlease Real Estate Investments Limited

Lendlease Responsible Entity Limited

Lendlease Services Pty Limited

Lendlease Trust[1]

EUROPE

Lendlease Construction (Europe) Limited

Lendlease Construction Holdings (Europe) Limited

Lendlease Europe Finance plc

Lendlease Europe Limited

Lendlease Residential (CG) Limited

Lendlease (Elephant & Castle) Limited

ASIA

Lendlease Japan Inc.

Lendlease Singapore Pte. Limited

AMERICAS

Lendlease (US) Capital, Inc.

Lendlease (US) Construction, Inc.

Lendlease (US) Construction LMB, Inc.

Lendlease (US) Public Partnerships, LLC

Lendlease (US) Public Partnerships Holdings LLC

Lendlease Development, Inc.

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

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

During the current and prior period, the following **disposals** of material consolidated entities occurred.

31 December 2020	Ownership Interest Disposed %	Date Disposed	Consideration received/ receivable $m
One Sydney Harbour R1 Trust	25.0	1 July 2020	43
Lendlease Construction Australia Holdings Pty Limited[1]	100.0	9 September 2020	197
Lendlease (US) Telecom Holdings LLC	100.0	15 October 2020	390
31 December 2019			
Victoria Cross Commercial Head Trust	25.0	21 December 2019	31

1. Includes the sale of Lendlease Engineering Pty Limited.

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Directors' Declaration

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

1. The financial statements and notes are in accordance with the *Corporations Act 2001*, including:
   a. Giving a true and fair view of the financial position of the Consolidated Entity as at 31 December 2020 and of its performance for the half year ended on that date; and
   b. Complying with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

M J Ullmer, AO
Chairman

S B McCann
Chief Executive Officer
and Managing Director

Sydney, 22 February 2021

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Independent Auditor's Review Report

To the members of Lendlease Corporation Limited

Conclusion

We have reviewed the accompanying ***Half Year Financial Report*** of Lendlease Corporation Limited (the Company) as the deemed parent presenting the stapled security arrangement of Lendlease Group.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half Year Financial Report of Lendlease Corporation Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of Lendlease Group's financial position as at 31 December 2020 and of its performance for the Half Year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Half Year Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 2020;
- Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half Year ended on that date;
- Notes 1 to 22 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

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

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

Basis for Conclusion

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

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

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Responsibilities of the Directors for the Half Year Financial Report

The Directors of the Company are responsible for:

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

Auditor's Responsibilities for the Review of the Half Year Financial Report

Our responsibility is to express a conclusion on the Half Year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half Year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the Half Year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

D M McLennan

Partner

Sydney

22 February 2021

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