ASX ANNOUNCEMENT

13 February 2023

Lendlease Group Appendix 4D and 2023 Half Year Consolidated Financial Report

Lendlease Group today announced its results for the half year ended 31 December 2022. 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 Responsible Entity Limited ABN 72 122 883 185 AFS Licence 308983
as responsible entity for **Lendlease Trust** ABN 39 944 184 773 ARSN 128 052 595

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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

Half Year Report for the period ended 31 December 2022
(previous corresponding period being the period ended 31 December 2021)

Results for Announcement to the Market

Profit After Tax

	6 months December 2022 $m	6 months December 2021 $m	% Change
Revenue[1]	5,164	4,569	13%
Loss after tax attributable to securityholders[1]	(141)	(264)	(47%)

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 distribution – payable 8 March 2023	4.9 cents	-

The interim distribution is comprised of a trust distribution of 4.9 cents per unit payable by LLT. No interim dividend has been declared by the Company.

The record date for determining entitlement to the interim distribution is 20 February 2023 (Record Date) and the distribution is payable on 8 March 2023.

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 21 February 2023. 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 21 February 2023. Stapled securities issued under the DRP rank equally with all other stapled securities on issue.

Additional Information

	December 2022	June 2022
Net tangible assets per security	$8.09	$8.34

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 2022 Directors' Report and the December 2022 Half Year Consolidated Financial Report.

Lendlease Half Year Consolidated Financial Report

December 2022

Sydney
Salesforce Tower,
Sydney Place

Director's Report

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 2022 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 2022 and the date of this Report are:

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

A P Lombardo
Global Chief Executive Officer since June 2021 and Managing Director since September 2021

P M Coffey
Director since 2017

N R Collishaw
Director since December 2021

D P Craig
Director since 2016

J S Hemstritch, AO
Director since 2011 (retired 8 November 2022)

E M Proust, AO
Director since 2018

N M Wakefield Evans, AM
Director since 2013

R F Welanetz
Director since 2020

A S Chan (M Lui)
Director since December 2022

2. Dividends/Distributions

An unfranked interim distribution of $34 million from the Trust (December 2021: $35 million unfranked) has been approved by the Directors. No interim dividend was declared for the Company (December 2021: no interim dividend). The interim distribution comprising of a trust distribution of 4.9 cents per unit from Lendlease Trust will be paid on 8 March 2023 (December 2021: 5.0 cents per share from Lendlease Trust paid on 16 March 2022).

3. Events subsequent to Balance Date

On 10 February 2023, the Group exchanged contracts to dispose of its interest in Lendlease DTC Industrial Trust to Australian Prime Property Fund – Industrial (the Fund), for consideration of $185 million, and at the same time acquired $100 million of additional units in the Fund.

There were no other material events subsequent to the end of the financial reporting 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 2022.

5. Rounding off

The Group is of a kind referred to in 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 9 is based on the Half Year Consolidated Financial Statements for the six months ended 31 December 2022 and should be read in conjunction with those financial statements. All currency amounts are expressed in Australian dollars unless otherwise specified. The Performance and Outlook has not been audited or reviewed by our external auditors. The items excluded from Statutory Profit are consistent with the segment note disclosures in the financial statements which have been reviewed by the Group's external auditor.

Performance and Outlook

London
Moorfields
Artist's impression

Group Performance

Key Financials[1]

	$m	HY22	HY23	Var.
Core Business				
Investments		141	197	40%
Development		39	89	128%
Construction		84	68	(19%)
Segment EBITDA		**264**	**354**	**34%**
Corporate Costs		(101)	(76)	25%
Operating EBITDA		**163**	**278**	**71%**
Depreciation & Amortisation		(74)	(71)	4%
Net Finance Costs		(68)	(63)	7%
Operating Profit before Tax		**21**	**144**	**586%**
Income tax expense		7	(39)	NA
Core Operating Profit after Tax		**28**	**105**	**275%**
Reconciliation to Statutory Profit/(Loss) after Tax				
Non Core		(30)	(7)	77%
Non Operating Items[2]		(262)	(239)	9%
Statutory (Loss)/Profit after Tax		**(264)**	**(141)**	**47%**
Group				
Core Operating EPS	**cents**	**4.1**	**15.2**	**271%**
Distribution per Security	**cents**	**5.0**	**4.9**	**(2%)**
Total Group Statutory EPS	**cents**	**(38.3)**	**(20.5)**	**47%**
Total Group Statutory ROE[3]	**%**	**(7.8%)**	**(4.1%)**	**47%**

1. Operating earnings presented reflects Statutory profit adjusted for Investment property revaluations (including in Other financial assets and Equity accounted investments) that are classified in the Investment segment, and material one-off items that could not reasonably have been expected to arise from normal operations.
2. Non operating items after tax for the period ending 31 December 2022 relates to Provision in relation to UK building remediation of $200m and Investment segment valuation decreases $39m. Prior period includes Investment segment revaluations $57m, offset by restructuring costs $88m, development impairment costs $231m.
3. Return on Equity is calculated using annualised Profit after Tax divided by the arithmetic average of beginning and half year end securityholders' equity.

Performance

The Group's Statutory Loss after Tax for the period ending 31 December 2022 was $141m, compared with a Statutory Loss after Tax of $264m for the same period last year. This includes a provision of $200m due to retrospective UK Government action (excluded from Core Operating Profit), a loss of $39m relating to property revaluations in the Investments segment and a Non core segment loss of $7m.

The provision is a consequence of industry wide action by the UK Government. This action has retrospective effect by extending the period for defects liability from 6 years to 30 years and applying changes to building safety regulations for completed UK residential buildings. The Group has been in discussion with the UK Government on this matter. The Government is now requiring Lendlease to sign a contract committing to remediate affected residential buildings or face significant trading restrictions in the UK property market. The liability primarily relates to buildings developed by Crosby entities, acquired by Lendlease in 2005. The Group remains in dialogue with the UK Government.

The Group expects that any cash expenditure relating to this provision will be spread across a period of at least five years. This estimate is before anticipated recoveries from third parties, including insurances and supply chain. For further details refer to Note 18 in the financial statements.

The Group's Core Operating Profit after Tax for the first half was $105m, an improvement on the $28m reported for the same period last year. Core Operating Earnings per Security of 15.2 cents represents a Return on Equity of 3.1 per cent. The unfranked interim distribution per security of 4.9 cents represents a payout of the earnings of the Trust during the period. This represent a payout ratio of 32 per cent of Core Operating Profit.

As detailed at the Group's November 2022 strategy update, FY23 marks the start of the two-year Create phase of the Group's five-year Reset; Create; Thrive roadmap to delivering sustained improved performance.

The key elements of the Create phase involve accelerating growth in Funds Under Management (FUM); achieving scale in development; and maintaining execution excellence in construction.

Progress has been made in advancing the Group's strategy during the half, including growing FUM by eight per cent driven by the 21 Moorfields acquisition in London; and the commencement of $2b in developments, including Hayes Point (formerly 30 Van Ness). Core segment EBITDA of $354m was up from $264m[1]. Investments earnings were higher, mainly due to the partial disposal of the US Military Housing asset management income stream. Development earnings were higher with an improved contribution from the Australian Communities business. Construction earnings were lower on the back of supply chain and inflationary pressures, in line with expectations, and were also impacted by a claim on a past non-residential project in the UK.

The Investments segment recorded a 7.1 per cent ROIC, within the FY23 expected target range of 6-7.5 per cent. The Development segment's ROIC of 1.9 per cent reflects few large urban project completions during the period. In the Construction segment the EBITDA margin of 1.8 per cent is within the FY23 expected target range of 1.5-2.5 per cent, supported by a strong contribution from Australia.

Corporate costs were $76m, a reduction of 25 per cent, which reflects savings achieved from the FY22 Reset phase. Net finance costs of $63m were lower despite the rise in interest rates, with interest income more than offsetting a modest increase in interest expense in the period, assisted by most drawn facilities being on a fixed rate.

The Group's balance sheet remains strong with gearing at 16.8 per cent. As highlighted at the FY22 results presentation, gearing was expected to rise to the mid-point of the 10-20 per cent target range during FY23. The increase in net debt from $1.1b at FY22 to $2.6b at the period end includes investments growth underpinned by the acquisition of 21 Moorfields; and development acquisitions and production spend on key projects including One Sydney Harbour, The Exchange TRX, Hayes Point and One Circular Quay. With total available liquidity of $2.4b, the Group remains confident it has the financial flexibility with regard to capital deployment, partnering and recycling, and intends to maintain net debt comfortably within its stated gearing levels.

The Non core loss primarily reflects overhead costs associated with the retained elements of the Engineering and Services businesses. We continue to maintain provisions we consider appropriate to complete our share of the retained Melbourne Metro project and for potential warranties associated with the exited Engineering and Services businesses. The project continues to progress towards milestones and has recently passed 70 per cent complete status.

1. Comparative period the half year ended 31 December 2021.

Portfolio Management Framework

	Target	HY22	HY23
Total Group Metrics			
Core Operating ROE	8-10%	0.8%	3.1%
Distribution payout ratio[1]	30-50%	125%	32%
Gearing[2]	10-20%	7.3%	16.8%
Core Business EBITDA Mix			
Investments	40-50%	53%	56%
Development	40-50%	15%	25%
Construction	10%	32%	19%
Core Business Segment Returns			
Investments ROIC[3]	6-9%[4]	5.9%	7.1%
Development ROIC[3]	10-13%[4]	0.6%	1.9%
Construction EBITDA margin	2-3%	2.6%	1.8%
Segment Invested Capital Mix[2]			
Investments	50-70%	40%	43%
Development	30-50%	60%	57%
Regional Invested Capital Mix[2]			
Australia	40-60%	33%	35%
Asia	10-25%	22%	22%
Europe	10-25%	25%	22%
United States	10-25%	20%	21%

1. Distribution payout ratio has been calculated on Core Operating Earnings.
2. Comparative value is closing FY22 balance.
3. Return on Invested Capital (ROIC) is calculated using the annualised Operating Profit after Tax divided by the arithmetic average of beginning and half year end invested capital.
4. Through-cycle target based on rolling three to five year timeline.

Portfolio Management Framework

The Portfolio Management Framework (PMF) is designed to maximise long term security holder value via a diversified risk adjusted portfolio, leveraging the integrated model and the Group's financial strength, including an investment grade credit rating, to execute the strategy.

It provides the structure for both capital allocation and generating returns across the three operating segments of Investments, Development and Construction.

Reflecting the evolution of the Group's strategy, refinements have been made to some metrics in the PMF, as presented to the market in November 2022. Target returns across the three segments and the gearing range remain unchanged.

The amendments aim to improve risk adjusted returns, lower the cost of capital, and create best-in-class product for the Investments platform.

Key changes include:

- Lifting the invested capital target range for the Investments segment to 50-70 per cent from 40-60 per cent and reducing the Development segment to a range of 30-50 per cent from 40-60 per cent.
- Shifting the target EBITDA mix for the three operating segments to reflect the change in capital allocation and the desire to maintain external Construction revenue at current levels. Investments and Development are each targeted to contribute 40-50 per cent to EBITDA, with Construction reducing to 10 per cent from 10-20 per cent.
- Narrowing the target Return on Equity range from 8-11 per cent to 8-10 per cent reflecting the change in capital allocation between Investments and Development.
- Revising the distribution policy to a payout ratio of 30-50 per cent of Core operating profit to reflect current growth.

Outlook

Core operating earnings are expected to improve in the second half of the financial year. However, current market risks, including inflation and interest rates, continue to temper the pace of recovery.

As indicated at the Group's strategy update in November 2022, outcomes for each of the operating segments are likely to be towards the lower end of the expected FY23 ranges. Those ranges are a ROIC for the Investments and Development segments of 6-7.5 per cent and 4-6 per cent respectively and an EBITDA margin range for the Construction segment of 1.5-2.5 per cent.

The Group is well positioned to achieve improved operating returns. The Return on Equity target range of 8-10 per cent is expected to be met by FY24.

Accelerating the transition to being an investments led company is a priority. The high quality and sustainable product created from the development pipeline remains a key driver of future funds growth which is targeted to be more than $70b by FY26.

Delivering the $121b development pipeline safely, sustainably and profitably at a rate of more than $8b of completed product per annum remains an equal priority.

Investments Segment

Key financial and operational metrics

	HY22	HY23
Management EBITDA ($m)[1]	59	57
Ownership EBITDA ($m)[2]	82	140
Operating EBITDA ($m)[2]	141	197
Operating Profit after Tax ($m)	111	142
Invested Capital ($b)[3,4]	3.7	4.4
Funds Under Management ($b)[4,5]	44.4	48.0
Assets Under Management ($b)[4,5]	30.0	32.8
Investment Portfolio ($b)[4,6]	3.5	4.2

1. Earnings primarily derived from the investment management platform and the management of US residential housing operations.
2. Returns excluding non-cash backed property related revaluation movements of Investment Property, Other Financial Assets, and Equity Accounted Investments in the Investments segment.
3. Securityholder equity plus gross debt less cash on balance sheet.
4. Comparative value is closing FY22 balance.
5. The Group's assessment of market value.
6. The Group's assessment of market value of ownership interests.

Performance

The Investments segment delivered EBITDA of $197m, up from $141m[1], driven by profit on divestments. The segment generated a ROIC of 7.1 per cent, within the expected range of 6-7.5 per cent for FY23.

Management EBITDA, derived from funds and asset management activities across the Group's Investments platform, was in line with the prior corresponding period at $57m[1].

Funds management EBITDA was $37m, compared with $40m in the prior corresponding period. Revenue increased from $79m to $92m, driven by base fees growing in line with funds under management. Higher expenses were driven by investment in resourcing to support growth in FUM, particularly in offshore regions, conversion of committed capital, and the launch of new products. This has impacted margins in the current period, ahead of expected growth in revenue.

Asset management EBITDA was $20m, compared with $19m in the prior corresponding period. Revenue was higher, with improved retail leasing activity in Asia offsetting the decline in residential management earnings following the partial sale of the asset management income stream of the US Military Housing portfolio.

Investment portfolio EBITDA was $140m, up from $82m[1]. Asset level performance was subdued against the prior corresponding period with an annualised investment yield of 3.3 per cent across the portfolio, down from approximately 4.0 per cent. This was partially due to assets under development, including 21 Moorfields which is not expected to contribute to income until the second half of FY23. Profit included $78m pre-tax associated with the part divestment of the future asset management income stream from the US Military Housing portfolio. The Retirement Living business recorded a modest rise in resales, however new unit sales were lower because of weather-related production delays.

The Group's investment portfolio is valued at $4.2b, up from $3.5b. The increase was driven by the investment in 21 Moorfields, an office building in London, alongside two capital partners; and assets acquired through Real Estate Partners 4 and the Lendlease Innovation Partnership. The investment portfolio is well diversified, with exposure across the office, residential, retail, retirement, and industrial sectors.

Outlook

Funds under management, assets under management and the investment portfolio are the key operating metrics that drive performance.

Growth in funds under management of eight per cent to $48b was underpinned by a new office partnership in London and deployment of capital for Real Estate Partners 4 for a number of commercial asset acquisitions in Australia. In addition to the current funds under management, there is approximately $4.8b of future FUM in production from development projects in managed funds or mandates.

The Group's develop to core products, derived from the urban development pipeline, are expected to be the primary source of growth for the fund's platform. More than 50 per cent of the urban development pipeline comprises institutional grade investment product across commercial and residential for rent assets.

Assets under management increased nine per cent from $30.0b to $32.8b driven by the 21 Moorfields office acquisition and the completion of Cascade, the residential for rent asset at Lakeshore East in Chicago, which saw it transfer into the Investments segment.

The Group's investment portfolio of $4.2b is well diversified with $1.3b in workplace; $1.3b in residential, which includes $0.5b in retirement; $1.1b in retail assets and the remainder includes data centres and industrial.

The Group intends to continue to grow its investment portfolio. Retaining a larger proportion of completed assets from the development pipeline and co-investing in new product alongside capital partners is expected to drive the growth.

The ROIC for the Investments segment is anticipated to be at the lower end of the expected range of 6-7.5 per cent for FY23. This reflects the subdued current market outlook with portfolio returns impacted by higher funding costs.

1. Comparative period the half year ended 31 December 2021.

Development Segment

Key financial and operational metrics

	HY22	HY23
Operating EBITDA ($m)	39	89
Operating Profit after Tax ($m)	13	54
Invested Capital ($b)[1,2]	5.4	5.9
Work in Progress ($b)[2]	18.4	17.9
Commencements ($b)[3]	1.5	2.0
Completions($b)[4]	0.2	2.8
Pipeline ($b)[2,5]	117.0	120.6

1. Securityholder equity plus gross debt less cash on balance sheet.
2. Comparative value is closing FY22 balance.
3. Project end value on product commenced during a financial period (representing 100% of project value). Subject to changes in delivery program.
4. Project end value on product completed during a financial period (representing 100% of project value).
5. Total estimated end value (representing 100% of project value).

Performance

The Development segment delivered EBITDA of $89m, up from $39m[1]. The challenging macroeconomic environment was reflected in the ROIC of 1.9 per cent, below the expected range of 4-6 per cent for FY23.

There were $2.8b of completions during the period, comprised of $2.5b urban projects and $0.3b of Communities. Sydney Place, which was fully divested in FY22, was the key contributor to urban completions. The project is 85 per cent leased by income with Salesforce as the anchor tenant.

The Exchange TRX, which is approximately 70 per cent pre leased, recorded a gain as it nears expected completion in FY24. Acquisition fees from One Circular Quay, a new major urban project secured in Sydney, also contributed.

The Australian Communities business generated EBITDA of $32m, compared with a loss of $6m in the prior corresponding period. There were 1,022 settlements. While up substantially from 504 settlements in the prior corresponding period, planning issues, together with wet weather delays, hampered the result.

There were $2b of commencements in the period. Hayes Point, a mixed-use project comprising apartments for sale and office, commenced in San Francisco. California has experienced an undersupply of housing for several years and Hayes Point is expected to take advantage of demand closer to its completion in FY26. While lot sales in the Australian Communities business were subdued at 766, reflecting current high interest rates and inflationary pressures, strong margins are still being achieved.

Invested capital rose from $5.4b to $5.9b, as expenditure accelerates ahead of higher completions. Key projects utilising capital include: One Sydney Harbour; The Exchange TRX; Milan Innovation District; Hayes Point and the Australian Communities business.

Outlook

The development pipeline rose from $117b to $121b. One Circular Quay, a $3.1b joint venture with Mitsubishi Estate, was added to the pipeline. The two-tower project comprises 158 apartments for sale and a luxury 220 room hotel.

Work in Progress, the lead indicator for future completions, is $17.9b, broadly in line with the prior period. Approximately $4b of completions are targeted for FY23, including Blue and William, North Sydney, which is now 36 per cent leased following improved leasing in the half.

FY23 settlements for the Australian Communities business are anticipated to be below the annual target of 3,000 to 4,000 lots due to weather associated production delays. More than $1b of presales will carry into the FY24 financial year which should see settlements back in the target range.

Commencements of $6b are anticipated in H2 FY23, subject to market conditions and planning approvals. This is expected to include One Circular Quay in Sydney and La Cienega, Los Angeles.

The Development segment remains on track to meet the $8b completion target in FY24. Projects that underpin this target include Tower One, One Sydney Harbour; the Melbourne Quarter Tower; and The Exchange TRX in Kuala Lumpur.

The conversion of the secured pipeline is critical for achieving the annual completion target of more than $8b. While this alleviates the need for significant origination, select opportunities will continue to be pursued, with emphasis on Asian and Australian targeted gateway cities.

The ROIC for the Development segment is anticipated to be at the lower end of the expected range of 4-6 per cent for FY23 and well below the target range of 10-13 per cent, with few completions. The segment is also still in a transition phase where profitability is subdued due to the change in approach to joint venture partnerships which has shifted the timing of profit recognition.

1. Comparative period the half year ended 31 December 2021.

Construction Segment

Key financial and operational metrics

	HY22	HY23
Revenue ($m)[1]	3,239	3,723
Operating EBITDA ($m)	84	68
Operating Profit after Tax ($m)	54	30
New Work Secured ($b)[1]	2.4	2.3
Backlog ($b)[1,2]	10.5	9.6

1. Construction revenue to be earned in future periods (excludes internal projects).
2. Comparative value is closing FY22 balance.

Performance

The Construction segment delivered EBITDA of $68m. The result was impacted by a claim on a past non-residential project in the UK dating back to 2015. Notwithstanding this, the result reflects a steady performance given the continued pandemic related productivity delays, inclement weather conditions, increased cost pressures from inflation and supply chain challenges.

Revenue of $3.7b was up 15 per cent[1]. This was driven by a 23 per cent increase from Australia and a 21 per cent increase from the United States (US).

A mix of defence, social infrastructure and office projects drove higher revenue in Australia. These included HMAS Stirling and Henderson, RAAF Tindal Stage 6 and USFPI (United States Force Posture Initiatives) Airfield Works, Sydney Metro Martin Place Integrated Station Development and the Pathway to 144 Mental Health Beds project. Residential and office buildings in New York and Los Angeles contributed to higher revenue in the US.

The EBITDA margin was 1.8 per cent, down from 2.6 per cent[1], within the FY23 expected target range of 1.5-2.5 per cent. Australia's margin was strong at 3.2 per cent. Margins remain subdued in the US.

New work secured of $2.3b was marginally down from $2.4b[1]. The US secured $1.3b of new work, a strong recovery from $0.5b in the prior corresponding period. In Australia, new work secured was $0.9b and the region is currently preferred for more than $4b of work. Social infrastructure projects remain the key sector for new work secured in the US and Australia.

The overall business is preferred for $9.8b in new projects, including $4.1b of social infrastructure and $3.7b of office.

A considerable proportion of the customer base is repeat business from deep and trusted relationships. Working collaboratively with partners has been critical in navigating a difficult operating environment.

Outlook

Backlog revenue remains solid at $9.6b, consistent with the objective to maintain a steady backlog revenue of approximately $10b, diversified by client, sector, and geography.

The Australian region is expected to be the main contributor to earnings. Australia has a strong workbook with $6b in backlog revenue. Key projects include the Frankston Hospital Redevelopment, Powerhouse Parramatta, Liverpool Health and Academic Precinct and the North and South Towers of the Over Station Development at the Sydney Metro Martin Place Integrated Station Development.

The US has backlog revenue of $2.9b, below historic levels, primarily due to a pause in projects coming to market during the pandemic and disciplined bidding on new work. The significant increase in new work secured for the period underpins confidence that backlog and revenue will recover.

The increase in the scale of the Investments and Development segments has resulted in the target earnings contribution for Construction being progressively reduced over the last decade to its current target weighting of 10 per cent. This is expected to be achieved by FY26.

As highlighted at the Group's strategy update in November 2022, the EBITDA margin for the Construction segment is expected to be in the range of 1.5-2.5 per cent for FY23 and potentially lower than the target range of 2-3 per cent. This is due to cost pressures and supply chain constraints, together with lingering disruption from the pandemic. While these risks continue to be proactively managed, their persistence may impact performance.

1. Comparative period the half year ended 31 December 2021.

Financial Position and Cash Flow Movements

Financial position ($m)

	FY22	HY23	Var.
Investment assets			
Other financial assets	1,149	1,163	1%
Equity accounted investments	2,128	2,747	29%
Investment properties	216	276	28%
Development assets			
Inventories	3,110	3,389	9%
Equity accounted investments	2,246	2,655	18%
Investment properties	266	322	21%
Other assets and liabilities (including financial)			
Cash and cash equivalents	1,297	579	(55%)
Borrowing and financing arrangements	(2,357)	(3,202)	(36%)
Other net assets and liabilities	(1,085)	(1,135)	(5%)
Net assets	**6,970**	**6,794**	**(3%)**

Investment Assets

Growth in the investment portfolio was driven by the co-investment in 21 Moorfields, and equity contributions to the new diversified fund, Real Estate Partners 4 and Lendlease Datacentre Partners. Investment properties directly held increased with the transfer of retail assets at Darling Square to Investment Property during the period.

Development Assets

Development assets increased in line with delivery on key projects. Inventory increased by nine per cent. Works commencing on Hayes Point was a key contributor in addition to costs capitalised on Elephant Park, and the third residential tower at Barangaroo.

Equity contributions to One Circular Quay, secured this period, in addition to development projects in delivery, One Sydney Harbour and The Exchange TRX contributed to the 18 per cent increase in Equity Accounted Investment assets. The increase in Investment Properties includes capital expenditure on our Retirement Living asset in Asia.

Other assets and liabilities

The movement in other assets and liabilities relates to timing differences with reduced Trade and Other Payables, along with the impact of the provision in relation to the UK building remediation.

Cash flow and treasury management

The Group commenced the financial year with cash and cash equivalents of $1.3b. Movements during the period comprised Operating cash outflow of $821m, Investing cash outflow of $724m and Financing cash inflow of $726m. The Group closed the period with cash and cash equivalents of $0.6b.

Core operating cash outflows include production spend on development projects on balance sheet including Hayes Point, Lakeshore East, and Australian Communities.

Investing cash outflows during the period included the acquisition of 21 Moorfields and production spend on key development projects including One Sydney Harbour, The Exchange TRX, and the acquisition of One Circular Quay, along with further equity contributions to Real Estate Partners 4.

The Group remains in a strong financial position with $2.4b of liquidity comprised of $0.6b of cash and cash equivalents and $1.8b in available undrawn debt. Average debt maturity is 5.5 years.

Gearing of 16.8 per cent is within target range of 10-20 per cent and reflects recent acquisitions and expenditure on key development projects.

Treasury management

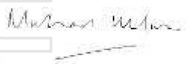
		FY22	HY23	Var.
Net debt	$m	1,060	2,623	NA
Gearing[1]	%	7.3	16.8	NA
Interest cover[2]	times	5.6	4.0	(29%)
Average cost of debt	%	3.6	4.0	11%
Average drawn debt maturity	years	6.6	5.5	(17%)
Available liquidity	$m	3,944	2,449	(38%)
Average debt mix fixed:floating	$m	88:12	79:21	

1. Net debt to total tangible assets, less cash.
2. EBITDA has been adjusted to exclude Non Operating Items.

Credit ratings[1]	
Moody's	Baa3 stable outlook
Fitch	BBB- stable outlook

1. Credit ratings have been issued by a credit rating agency which holds an Australian Financial Services Licence with an authorisation to issue credit ratings to wholesale clients only and are for the benefit of the Group's debt providers.

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

A P Lombardo

Global Chief Executive Officer and Managing Director

Sydney, 13 February 2023

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 2022 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

Eileen Hoggett

Eileen Hoggett

Partner

Sydney

13 February 2023

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Financial Statements

San Francisco
Hayes Point
Artist's impression

Table of Contents

Consolidated Financial Statements

Notes to Consolidated Financial Statements

Section A. Performance

Section B. Investment

Section C. Liquidity and Working Capital

Section D. Other Notes

Section E. Basis of Consolidation

Directors' Declaration

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 2022 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 investments 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 13 February 2023.

Consolidated Financial Statements

Income Statement

Half Year Ended 31 December 2022

		Note	6 months December 2022 $m	6 months December 2021 $m
Revenue from contracts with customers		4	5,103	4,148
Other revenue			61	70
Cost of sales			(4,811)	(3,849)
Gross profit			**353**	**369**
Share of profit of equity accounted investments		6	49	105
Other income		5	95	67
Other expenses		7	(556)	(863)
Results from operating activities from continuing operations			**(59)**	**(322)**
Finance revenue		8	12	3
Finance costs		8	(75)	(71)
Net finance costs			**(63)**	**(68)**
Loss before tax from continuing operations			**(122)**	**(390)**
Income tax (expense)/benefit from continuing operations		9	(19)	106
Loss after tax from continuing operations			**(141)**	**(284)**
Profit after tax from discontinued operations		22	-	20
Loss after tax			**(141)**	**(264)**
Profit/(Loss) after tax attributable to:				
Members of Lendlease Corporation Limited			(175)	(335)
Unitholders of Lendlease Trust			34	71
Loss after tax attributable to securityholders			**(141)**	**(264)**
External non controlling interests			-	-
Loss after tax			**(141)**	**(264)**
Basic/Diluted Earnings per Lendlease Group Stapled Security (EPSS) from Continuing Operations				
Securities excluding treasury shares	(cents)	3, 22	(20.6)	(41.6)
Securities on issue	(cents)	3, 22	(20.5)	(41.2)
Basic/Diluted Earnings per Lendlease Group Stapled Security (EPSS)				
Securities excluding treasury shares	(cents)	3	(20.6)	(38.7)
Securities on issue	(cents)	3	(20.5)	(38.3)

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statement of Comprehensive Income

Half Year Ended 31 December 2022

	6 months December 2022 $m	6 months December 2021 $m
Loss after Tax	**(141)**	**(264)**
Other Comprehensive Income/(Loss) after Tax		
Items that may be reclassified subsequently to profit or loss:		
Movements in hedging reserve	37	9
Movements in foreign currency translation reserve	90	37
Total items that may be reclassified subsequently to profit or loss[1]	**127**	**46**
Items that will not be reclassified to profit or loss:		
Movements in non controlling interest acquisition reserve	(1)	(2)
Movements in defined benefit plans remeasurements	(76)	35
Total items that will not be reclassified to profit or loss	**(77)**	**33**
Total comprehensive loss after tax	**(91)**	**(185)**
Total comprehensive income/(loss) after tax from continuing operations attributable to:		
Members of Lendlease Corporation Limited	(146)	(279)
Unitholders of Lendlease Trust	54	74
Total comprehensive income after tax from discontinued operations attributable to:		
Members of Lendlease Corporation Limited	-	20
Total comprehensive loss after tax attributable securityholders	**(92)**	**(185)**
External non controlling interests	1	-
Total comprehensive loss after tax	**(91)**	**(185)**

1. Includes Other comprehensive income of $134 million (December 2021: Other comprehensive income of $47 million) relating to share of other comprehensive income of equity accounted investments.

The accompanying notes form part of these consolidated financial statements.

Statement of Financial Position

As at 31 December 2022

	Note	December 2022 $m	June 2022 $m
Current Assets			
Cash and cash equivalents	19	579	1,297
Loans and receivables	16	1,671	2,033
Inventories	11	1,478	1,459
Other financial assets	13	38	24
Current tax assets		18	-
Other assets		86	51
Total current assets		**3,870**	**4,864**
Non Current Assets			
Loans and receivables	16	1,914	1,896
Inventories	11	2,575	2,320
Equity accounted investments	12	5,403	4,379
Investment properties		598	482
Other financial assets	13	1,188	1,181
Deferred tax assets		181	144
Property, plant and equipment		237	272
Intangible assets		1,217	1,225
Defined benefit plan asset		189	282
Other assets		52	56
Total non current assets		**13,554**	**12,237**
Total assets		**17,424**	**17,101**
Current Liabilities			
Trade and other payables	17	4,255	4,557
Provisions	18	683	720
Other financial liabilities		30	28
Income tax payable		-	49
Total current liabilities		**4,968**	**5,354**
Non Current Liabilities			
Trade and other payables	17	1,878	1,988
Provisions	18	217	68
Borrowings and financing arrangements	14.a	3,202	2,357
Other financial liabilities		101	102
Deferred tax liabilities		264	262
Total non current liabilities		**5,662**	**4,777**
Total liabilities		**10,630**	**10,131**
Net assets		**6,794**	**6,970**
Equity			
Issued capital	15	1,893	1,891
Treasury securities		(74)	(77)
Reserves		271	184
Retained earnings		2,787	3,078
Total equity attributable to members of Lendlease Corporation Limited		**4,877**	**5,076**
Total equity attributable to unitholders of Lendlease Trust		1,889	1,867
Total equity attributable to securityholders		**6,766**	**6,943**
External non controlling interests		28	27
Total equity		**6,794**	**6,970**

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statement of Changes in Equity

Half Year Ended 31 December 2022

	Issued Capital $m	Treasury Securities[1] $m	Reserves[2] $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 1 July 2021	**1,888**	**(79)**	**3**	**3,327**	**5,139**	**1,788**	**24**	**6,951**
Total Comprehensive Income								
Loss for the period	-	-	-	(335)	(335)	71	-	(264)
Other comprehensive income (net of tax)	-	-	41	35	76	3	-	79
Total comprehensive income/(loss)	**-**	**-**	**41**	**(300)**	**(259)**	**74**	**-**	**(185)**
Transactions with Owners of the Company								
Capital contributed by non controlling interests	-	-	-	-	-	-	1	1
Distribution Reinvestment Plan (DRP)	2	-	-	-	2	1	-	3
Dividends and distributions	-	-	-	(55)	(55)	(35)	-	(90)
Treasury securities acquired	-	(23)	-	-	(23)	-	-	(23)
Treasury securities vested	-	21	-	-	21	-	-	21
Fair value movement on allocation and vesting of securities	-	-	4	-	4	-	-	4
Transfer as a result of asset disposal[3]	-	-	(2)	-	(2)	-	-	(2)
Other movements	-	-	-	-	-	(1)	-	(1)
Total other movements through reserves	**2**	**(2)**	**2**	**(55)**	**(53)**	**(35)**	**1**	**(87)**
Balance as at 31 December 2021	**1,890**	**(81)**	**46**	**2,972**	**4,827**	**1,827**	**25**	**6,679**
Balance as at 1 July 2022	**1,891**	**(77)**	**184**	**3,078**	**5,076**	**1,867**	**27**	**6,970**
Total Comprehensive Income								
Loss for the period	-	-	-	(175)	(175)	34	-	(141)
Other comprehensive income (net of tax)	-	-	105	(76)	29	20	1	50
Total comprehensive income/(loss)	**-**	**-**	**105**	**(251)**	**(146)**	**54**	**1**	**(91)**
Transactions with Owners of the Company								
Distribution Reinvestment Plan (DRP)	2	-	-	-	2	1	-	3
Dividends and distributions	-	-	-	(39)	(39)	(34)	-	(73)
Treasury securities acquired	-	(40)	-	-	(40)	-	-	(40)
Treasury securities vested	-	43	-	-	43	-	-	43
Fair value movement on allocation and vesting of securities	-	-	(18)	-	(18)	-	-	(18)
Other movements	-	-	-	(1)	(1)	1	-	-
Total other movements through reserves	**2**	**3**	**(18)**	**(40)**	**(53)**	**(32)**	**-**	**(85)**
Balance as at 31 December 2022	**1,893**	**(74)**	**271**	**2,787**	**4,877**	**1,889**	**28**	**6,794**

1. Opening balance for number of treasury securities at 1 July 2022 was 6 million (1 July 2021: 6 million) and closing balance at 31 December 2022 was 6 million (31 December 2021: 6 million).
2. Balance and movement in reserves are presented on a combined basis for the half year ended 31 December 2022 and 31 December 2021.
3. These movements in reserves were transferred to profit and loss in the period.

The accompanying notes form part of these consolidated financial statements.

Statement of Cash Flows

Half Year Ended 31 December 2022

	Note	6 months December 2022 $m	6 months December 2021[1] $m
Cash Flows from Operating Activities			
Cash receipts in the course of operations		5,327	4,668
Cash payments in the course of operations		(6,016)	(5,536)
Interest received		10	2
Interest paid in relation to other corporations		(86)	(87)
Interest paid in relation to lease liabilities		(8)	(9)
Dividends/distributions received		53	55
Income tax paid in respect of operations		(101)	(40)
Net cash used in operating activities		**(821)**	**(947)**
Cash Flows from Investing Activities			
Sale/redemption of investments		166	40
Acquisition of investments		(1,024)	(349)
Acquisition of/capital expenditure on investment properties		(14)	(32)
Net loan drawdowns from associates and joint ventures		(15)	(3)
Disposal of consolidated entities (net of cash disposed and transaction costs)		191	369
Disposal of property, plant and equipment		-	66
Acquisition of property, plant and equipment		(9)	(3)
Acquisition of intangible assets		(19)	(36)
Net cash (used in)/provided by investing activities		**(724)**	**52**
Cash Flows from Financing Activities			
Proceeds from borrowings		2,585	1,552
Repayment of borrowings		(1,753)	(1,379)
Dividends/distributions paid		(72)	(80)
Increase in capital of non controlling interests		-	2
Repayment of lease liabilities		(34)	(32)
Net cash provided by financing activities		**726**	**63**
Other Cash Flow Items			
Effect of foreign exchange rate movements on cash and cash equivalents		101	12
Net decrease in cash and cash equivalents		**(718)**	**(820)**
Cash and cash equivalents at beginning of financial period		1,297	1,662
Cash and cash equivalents at end of financial period	19	**579**	**842**

1. Balances include cash flows relating to both continuing and discontinued operations. Net cash flows relating to discontinued operations have been disclosed in Note 22 'Discontinued Operations'.

The accompanying notes form part of these consolidated financial statements.

Notes to Consolidated Financial Statements

Basis of Preparation

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

- Has been prepared in accordance with AASB 134 *Interim Financial Reporting* (AASB 134) 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 2022 annual consolidated financial report and any public announcements made 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
- 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 2022 annual consolidated financial report

At 31 December 2022, 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 general market conditions.

The Group has:

- $1,870 million in undrawn facilities. See Note 14 'Borrowings and Financing Arrangements'
- $579 million in cash and cash equivalents. See Note 19 '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 2026 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.

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

Accounting Policies

The Group's segments are Investments, Development, Construction 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 Global 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 presented the segments around business activity due to the Group's business model being broadly consistent in all regions. Additional disclosure has also been included for Operating EBITDA, Operating PAT and Statutory Profit by region.

The Group reports Operating EBITDA and Operating PAT as its primary earnings metrics, in addition to the statutory result. Operating PAT is defined as Statutory profit adjusted for Investment property revaluations (including in Other financial assets and Equity accounted investments) that are classified in the Investment segment, and material one-off items that could not reasonably have been expected to arise from normal operations. Operating EBITDA is before Interest, Tax, Depreciation and Amortisation. Operating EBITDA and Operating PAT includes revaluation increases or decreases of Investment properties under construction that are classified in the Development segment.

The Chief Operating Decision Maker receives information and assesses segment performance under these 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:

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

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.

Non core
Non core includes the provision of project management, design and construction services in the Australian infrastructure sector. These products and services represent the retained Engineering and retained Services projects. The discontinued operations referenced throughout the financial statements are included in this segment. Discontinued operations represent the Services business sold during the prior period, excluding the projects retained by the Group.

Notes to Consolidated Financial Statements continued

Section A. Performance continued

1. Segment Reporting continued

1.a. Business Segment Information

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

				TOTAL SEGMENT RESULTS
	Investments	Development[1]	Construction	Total Core Segments
6 months to December 2022	$m	$m	$m	$m
Revenue				
Construction services	-	-	3,723	**3,723**
Investment services	137	-	-	**137**
Development services	-	690	-	**690**
Sale of development properties	-	295	-	**295**
Total revenue from contracts with customers - continuing operations	**137**	**985**	**3,723**	**4,845**
Other revenue	30	23	-	**53**
Total revenue from external customers - continuing operations	**167**	**1,008**	**3,723**	**4,898**
Construction services - discontinued operations	-	-	-	**-**
Total revenue from external customers	**167**	**1,008**	**3,723**	**4,898**
Cost of sales - continuing operations	(47)	(912)	(3,587)	**(4,546)**
Cost of sales - discontinued operations	-	-	-	**-**
Gross profit/(loss)	**120**	**96**	**136**	**352**
Share of profit of equity accounted investments[2]	48	42	-	**90**
Other income[2]	83	24	8	**115**
Other expenses[3]	(54)	(73)	(76)	**(203)**
Operating EBITDA	**197**	**89**	**68**	**354**
Reconciling Items				
Finance revenue	-	6	-	**6**
Finance expenses	-	(2)	(6)	**(8)**
Depreciation and amortisation	(8)	(9)	(17)	**(34)**
Operating profit/(loss) before tax[4]	**189**	**84**	**45**	**318**
Operating income tax expense/(benefit)	(47)	(30)	(15)	**(92)**
Operating profit/(loss) after tax	**142**	**54**	**30**	**226**
Investments segment revaluations (pre-tax):				
Investment properties	(12)	-	-	**(12)**
Financial assets	(3)	-	-	**(3)**
Equity accounted investments	(41)	-	-	**(41)**
Provision in relation to UK building remediation	-	(200)	-	**(200)**
Total adjustments[4]	**(56)**	**(200)**	**-**	**(256)**
Income tax benefit/(expense) on adjustments	17	-	-	**17**
Statutory profit/(loss) after tax	**103**	**(146)**	**30**	**(13)**

1. The Development segment includes $37 million (December 2021: $53 million) of revaluation gains from Equity accounted investments.
2. Excludes Investments segment revaluations.
3. Excludes depreciation and amortisation, as well as the impact of a provision in relation to UK building remediation.
4. Operating profit before tax of $134 million (December 2021: profit of $11 million) plus Investment segment revaluations (pre-tax) of $(56) million (December 2021: $68 million), Provision in relation to UK building remediation of $(200) million (December 2021: $nil million) and Restructuring costs (pre tax) of $nil million (December 2021: $(448) million) reconciles to Loss before tax from continuing operations of $(122) million (December 2021: loss of $(390) million) as disclosed in the Income Statement and Profit before tax for discontinued operations of $nil million (December 2021: $21 million) as disclosed in Note 22 'Discontinued Operations'.

The Non core segment operating profit after tax includes overhead costs associated with managing the completion of the remaining retained projects from the sale of the Engineering and Services businesses and other residual exit related matters. Corporate Activity costs are not allocated to the Non core segment given these costs relate to supporting the growth and operations of the Core segments.

		RECONCILIATION OF CORE AND NON CORE SEGMENTS TO STATUTORY PROFIT				
Non Core	Total Segments	Total Core Segments	Corporate Activities	Total Core	Non Core	Total Group
$m	$m	$m	$m	$m	$m	$m
258	3,981	3,723	-	3,723	258	3,981
-	137	137	-	137	-	137
-	690	690	-	690	-	690
-	295	295	-	295	-	295
258	5,103	4,845	-	4,845	258	5,103
-	53	53	8	61	-	61
258	5,156	4,898	8	4,906	258	5,164
-	-	-	-	-	-	-
258	5,156	4,898	8	4,906	258	5,164
(259)	(4,805)	(4,546)	(6)	(4,552)	(259)	(4,811)
-	-	-	-	-	-	-
(1)	351	352	2	354	(1)	353
-	90	90	-	90	-	90
(5)	110	115	-	115	(5)	110
(2)	(205)	(203)	(78)	(281)	(2)	(283)
(8)	346	354	(76)	278	(8)	270
-	6	6	6	12	-	12
-	(8)	(8)	(67)	(75)	-	(75)
(2)	(36)	(34)	(37)	(71)	(2)	(73)
(10)	308	318	(174)	144	(10)	134
3	(89)	(92)	53	(39)	3	(36)
(7)	219	226	(121)	105	(7)	98
-	(12)	(12)	-	(12)	-	(12)
-	(3)	(3)	-	(3)	-	(3)
-	(41)	(41)	-	(41)	-	(41)
-	(200)	(200)	-	(200)	-	(200)
-	(256)	(256)	-	(256)	-	(256)
-	17	17	-	17	-	17
(7)	(20)	(13)	(121)	(134)	(7)	(141)

Notes to Consolidated Financial Statements continued

Section A. Performance continued

1. Segment Reporting continued

1.a. Business Segment Information continued

				TOTAL SEGMENT RESULTS
	Investments	Development[1]	Construction	Total Core Segments
6 months to December 2021	$m	$m	$m	$m
Revenue				
Construction services	-	-	3,236	**3,236**
Investment services	126	-	-	**126**
Development services	-	388	-	**388**
Sale of development properties	-	184	-	**184**
Total revenue from contracts with customers - continuing operations	**126**	**572**	**3,236**	**3,934**
Other revenue	35	17	3	**55**
Total revenue from external customers - continuing operations	**161**	**589**	**3,239**	**3,989**
Construction services – discontinued operations	-	-	-	**-**
Total revenue from external customers	**161**	**589**	**3,239**	**3,989**
Cost of sales – continuing operations	(25)	(490)	(3,080)	**(3,595)**
Cost of sales – discontinued operations	-	-	-	**-**
Gross profit	**136**	**99**	**159**	**394**
Share of profit of equity accounted investments[2]	45	29	2	**76**
Other income[2]	11	(1)	17	**27**
Other expenses[3]	(51)	(88)	(94)	**(233)**
Operating EBITDA	**141**	**39**	**84**	**264**
Reconciling Items				
Finance revenue	-	2	-	**2**
Finance expenses	-	(3)	(2)	**(5)**
Depreciation and amortisation	(5)	(6)	(16)	**(27)**
Operating profit/(loss) before tax[4]	**136**	**32**	**66**	**234**
Operating income tax expense/(benefit)	(25)	(19)	(12)	**(56)**
Operating profit/(loss) after tax	**111**	**13**	**54**	**178**
Investments segment revaluations (pre-tax):				
Investment properties	4	-	-	**4**
Financial assets	35	-	-	**35**
Equity accounted investments	29	-	-	**29**
Restructuring costs (pre-tax):				
Development impairments	-	(299)	-	**(299)**
Tenancy impairments	-	-	-	**-**
Redundancy costs	-	-	-	**-**
Total adjustments[4]	**68**	**(299)**	**-**	**(231)**
Income tax benefit/(expense) on adjustments	(11)	68	-	**57**
Statutory profit/(loss) after tax	**168**	**(218)**	**54**	**4**

1. The Development segment includes $53 million of revaluation gains from Equity accounted investments.
2. Excludes Investments segment revaluations.
3. Excludes depreciation and amortisation.
4. Operating profit before tax of $11 million plus Investments segment revaluations (pre-tax) of $68 million and Restructuring costs (pre tax) of $(448) million reconciles to Profit before tax from continuing operations of $(390) million as disclosed in the Income Statement and Profit before tax for discontinued operations of $21 million as disclosed in Note 22 'Discontinued Operations'.

		RECONCILIATION OF CORE AND NON CORE SEGMENTS TO STATUTORY PROFIT				
Non Core	Total Segments	Total Core Segments	Corporate Activities	Total Core	Non Core	Total Group
$m	$m	$m	$m	$m	$m	$m
213	3,449	3,236	-	3,236	213	3,449
-	126	126	-	126	-	126
-	388	388	-	388	-	388
-	184	184	1	185	-	185
213	4,147	3,934	1	3,935	213	4,148
-	55	55	15	70	-	70
213	4,202	3,989	16	4,005	213	4,218
351	351	-	-	-	351	351
564	4,553	3,989	16	4,005	564	4,569
(236)	(3,831)	(3,595)	(18)	(3,613)	(236)	(3,849)
(320)	(320)	-	-	-	(320)	(320)
8	402	394	(2)	392	8	400
-	76	76	-	76	-	76
9	36	27	1	28	9	37
(14)	(247)	(233)	(100)	(333)	(14)	(347)
3	267	264	(101)	163	3	166
-	2	2	1	3	-	3
-	(5)	(5)	(66)	(71)	-	(71)
(13)	(40)	(27)	(47)	(74)	(13)	(87)
(10)	224	234	(213)	21	(10)	11
(3)	(59)	(56)	63	7	(3)	4
(13)	165	178	(150)	28	(13)	15
-	4	4	-	4	-	4
-	35	35	-	35	-	35
-	29	29	-	29	-	29
-	(299)	(299)	-	(299)	-	(299)
(25)	(25)	-	(95)	(95)	(25)	(120)
-	-	-	(29)	(29)	-	(29)
(25)	(256)	(231)	(124)	(355)	(25)	(380)
8	65	57	36	93	8	101
(30)	(26)	4	(238)	(234)	(30)	(264)

Notes to Consolidated Financial Statements continued

Section A. Performance continued

1. Segment Reporting continued

1.a. Business Segment Information continued

The following table provides information on the Return on invested capital for the Investments and Development segment. Construction is excluded from the table below on the basis that its main operational metric is EBITDA margin.

	DECEMBER 2022				DECEMBER 2021			
	Investments $m	Development $m	Remaining Group $m	Total Group $m	Investments $m	Development $m	Remaining Group $m	Total Group $m
Net assets	4,403	5,782	(3,391)	**6,794**	3,972	4,910	(2,203)	**6,679**
Less: Cash and cash equivalents	(44)	(47)	(488)	**(579)**	(48)	(54)	(740)	**(842)**
Less: Other financial liabilities	-	-	131	**131**	1	-	47	**48**
Less: Borrowings and financing arrangements	6	212	2,984	**3,202**	6	162	2,370	**2,538**
Invested capital at half year	4,365	5,947			3,931	5,018		
Invested capital at beginning of period	3,657	5,377			3,633	4,416		
Average invested capital	**4,011**	**5,662**			**3,782**	**4,717**		
Operating profit after tax	142	54			111	13		
Return on invested capital[1]	**7.1%**	**1.9%**			**5.9%**	**0.6%**		

1. Return on Invested Capital is calculated using the annualised Operating Profit after Tax divided by the arithmetic average of beginning and half year invested capital.

The following table provides information on the Group's Return on equity:

	December 2022 $m	December 2021 $m
Equity attributable to securityholders at half year	6,766	6,654
Equity attributable to securityholders at beginning of period	6,943	6,927
Average equity attributable to securityholders	6,855	6,791
Core operating profit after tax	105	28
Operating return on equity[1]	**3.1%**	**0.8%**
Statutory loss after tax	(141)	(264)
Statutory return on equity[2]	**(4.1)%**	**(7.8)%**

1. Operating Return on Equity is calculated using the annualised Core operating Profit after Tax divided by the arithmetic average of beginning and half year securityholders' equity.
2. Statutory Return on Equity is calculated using the annualised Statutory Profit after Tax divided by the arithmetic average of beginning and half year securityholders' equity.

The following table provides a reconciliation of Core operating earnings per stapled security to the Total Group statutory earnings per stapled security:

		CENTS PER STAPLED SECURITY	
	Note	December 2022	December 2021
Core operating earnings per stapled security		15.2	4.1
Non core operating earnings per stapled security		(1.0)	(1.9)
Total Segment operating earnings per stapled security		**14.2**	**2.2**
Total adjustments (after tax) to reconcile to statutory profit[1]		(34.7)	(40.5)
Total Group statutory earnings per stapled security	3	**(20.5)**	**(38.3)**

1. The total adjustments (after tax) is calculated using the Total adjustments of $(256) million (December 2021: ($380) million) and Income tax benefit/(expense) on adjustments of $17 million (December 2021: $101 million) divided by the weighted average number of stapled securities on issue.

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

	DECEMBER 2022			JUNE 2022		
	Material Non Cash Items[1]	Non Current Segment Assets[2]	Group Total Assets	Material Non Cash Items[1]	Non Current Segment Assets[2]	Group Total Assets
	$m	$m	$m	$m	$m	$m
Core						
Investments	(14)	3,325	4,713	57	2,638	4,093
Development	(178)	6,940	8,494	(294)	6,201	7,940
Construction	(1)	1,461	3,781	(1)	1,494	3,847
Total core segments	**(193)**	**11,726**	**16,988**	**(238)**	**10,333**	**15,880**
Non core	-	5	294	(26)	7	304
Total segments	**(193)**	**11,731**	**17,282**	**(264)**	**10,340**	**16,184**
Corporate activities	(19)	265	142	(278)	290	917
Total	**(212)**	**11,996**	**17,424**	**(542)**	**10,630**	**17,101**

1. Material Non Cash Items relates to impairments and provisions raised or written back, unrealised foreign exchange movements and fair value gains or losses.
2. Excludes deferred tax assets, financial instruments and defined benefit plan assets.

1.b. Geography Segment Information

The following table sets out further information on Operating EBITDA, Operating PAT and Statutory Profit by region:

	OPERATING EBITDA		OPERATING PAT		TOTAL ADJUSTMENTS		TAX ON ADJUSTMENTS		STATUTORY PROFIT	
	6 months December 2022	6 months December 2021	6 months December 2022	6 months December 2021	6 months December 2022	6 months December 2021	6 months December 2022	6 months December 2021	6 months December 2022	6 months December 2021
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Australia	230	202	156	148	(15)	(145)	5	53	146	56
Asia	45	27	35	16	-	(1)	-	-	35	15
Europe	(9)	19	(19)	12	(210)	(82)	2	3	(227)	(67)
United States	88	16	54	2	(31)	(3)	10	1	33	-
Total region	**354**	**264**	**226**	**178**	**(256)**	**(231)**	**17**	**57**	**(13)**	**4**
Corporate activities	(76)	(101)	(121)	(150)	-	(124)	-	36	(121)	(238)
Total core	**278**	**163**	**105**	**28**	**(256)**	**(355)**	**17**	**93**	**(134)**	**(234)**
Non core	(8)	3	(7)	(13)	-	(25)	-	8	(7)	(30)
Total Group	**270**	**166**	**98**	**15**	**(256)**	**(380)**	**17**	**101**	**(141)**	**(264)**

The following table sets out Non current assets by region:

	NON CURRENT ASSETS[1]	
	December 2022	June 2022
	$m	$m
Australia	5,332	4,577
Asia	2,030	1,794
Europe	2,052	1,629
United States	2,317	2,340
Total segment	**11,731**	**10,340**
Corporate activities	265	290
Total	**11,996**	**10,630**

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

Notes to Consolidated Financial Statements continued

Section A. Performance continued

1. Segment Reporting continued

1.b. Geography Segment Information continued

The operating segments generate revenue in the following regions:

	REVENUE[1]							
6 months to December 2022	Investments $m	Development $m	Construction $m	Total Core Segments $m	Non Core $m	Total Segments $m	Corporate Activities $m	Statutory Result $m
Australia	95	691	1,908	**2,694**	258	**2,952**	14	**2,966**
Asia	47	22	141	**210**	-	**210**	-	**210**
Europe	12	151	386	**549**	-	**549**	-	**549**
United States	13	150	1,288	**1,451**	-	**1,451**	-	**1,451**
Total	**167**	**1,014**	**3,723**	**4,904**	**258**	**5,162**	**14**	**5,176**
6 months to December 2021								
Australia	96	360	1,547	**2,003**	564	**2,567**	17	**2,584**
Asia	34	7	156	**197**	-	**197**	-	**197**
Europe	9	196	474	**679**	-	**679**	-	**679**
United States	22	28	1,062	**1,112**	-	**1,112**	-	**1,112**
Total	**161**	**591**	**3,239**	**3,991**	**564**	**4,555**	**17**	**4,572**

1. Comprised of Revenue from contracts with customers from continuing operations of $5,103 million (December 2021: $4,148 million), Other revenue from continuing operations of $61 million (December 2021: $70 million), Finance revenue from continuing operations of $12 million (December 2021: $3 million) and Revenue from contracts with customers from discontinued operations of $nil million (December 2021: $351 million).

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

2. Dividends/Distributions

		COMPANY/TRUST[1]	
	Cents Per Share/Unit	6 months December 2022 $m	6 months December 2021 $m
Parent Company Interim Dividend			
December 2022[2]	-	-	-
December 2021[2]	-	-	-
Lendlease Trust Interim Distribution			
December 2022 – provided for and payable 8 March 2023	4.9	34	-
December 2021 – paid 16 March 2022	5.0	-	35
Total		**34**	**35**

1. The current and prior period interim distributions were unfranked.
2. No interim dividend was declared by the Company for 31 December 2021 and 31 December 2022.

		COMPANY/TRUST[1]	
	Cents Per Share/Unit	6 months June 2022 $m	6 months June 2021 $m
Parent Company Final Dividend			
June 2022 – paid 21 September 2022	5.7	39	-
June 2021 – paid 15 September 2021	7.9	-	55
Lendlease Trust Final Distribution			
June 2022 – paid 21 September 2022	5.3	36	-
June 2021 – paid 15 September 2021	4.1	-	28
Total		**75**	**83**

1. The current and prior period final distributions were unfranked. The current period final dividend was 75 per cent franked, with the balance sourced from the conduit foreign income account. The prior period final dividend was unfranked and 100 per cent sourced from the conduit foreign income account.

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

		DECEMBER 2022		DECEMBER 2021	
		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]					
Loss attributable to members of Lendlease Corporation Limited (Company)	$m	(175)	(175)	(335)	(335)
Weighted average number of ordinary shares	m	683	689	683	689
Basic/Diluted EPS	**cents**	**(25.6)**	**(25.4)**	**(49.0)**	**(48.6)**
Basic/Diluted Earnings Per Stapled Security (EPSS)[1]					
Loss attributable to securityholders of Lendlease Group	$m	(141)	(141)	(264)	(264)
Weighted average number of stapled securities	m	683	689	683	689
Basic/Diluted EPSS[2]	**cents**	**(20.6)**	**(20.5)**	**(38.7)**	**(38.3)**

1. Balances include both continuing and discontinued operations. Earnings per share/stapled security for continuing and discontinued operations have been separately disclosed in Note 22 'Discontinued Operations'.
2. Details of the Group's Core operating earnings per stapled security are disclosed in Note 1a 'Segment Reporting'.

4. Revenue from Contracts with Customers

	6 months December 2022 $m	6 months December 2021 $m
Revenue from the provision of services		
Core Construction services	3,723	3,239
Non core Construction services	258	213
Construction services	**3,981**	**3,452**
Development services	690	386
Investment services	137	125
Total revenue from the provision of services	**4,808**	**3,963**
Revenue from the sale of development properties	295	185
Total revenue from contracts with customers[1]	**5,103**	**4,148**

1. Further information on revenue by geography and by segments is included in Note 1b 'Segment Reporting'.

Notes to Consolidated Financial Statements continued

Section A. Performance continued

5. Other Income

	6 months December 2022 $m	6 months December 2021 $m
Net gain on sale/transfer of investments		
Consolidated entities	(5)	-
Asset management contract sale[1]	78	-
Equity accounted investments	-	3
Investment properties	2	-
Other assets and liabilities	-	12
Total net gain on sale/transfer of investments	**75**	**15**
Net gain on fair value measurement		
Investment properties[2]	4	4
Fair value through profit or loss assets	-	41
Total net gain on fair value measurement	**4**	**45**
Other	16	7
Total other income	**95**	**67**

1. During the half-year, the Group disposed of a 13 per cent interest in the asset management income stream of the Group's Military Housing portfolio, recording a net gain on sale pre-tax of $78 million.
2. Net gain on fair value measurements for Investment properties includes $12 million loss (December 2021: $4 million gain) recognised in the Investments segment adjustments in Note 1 ' Segment Reporting'.

6. Share of Profit of Equity Accounted Investments

	Note	6 months December 2022 $m	6 months December 2021 $m
Associates[1,2]			
Share of profit	12.a	3	25
Joint Ventures[1,2]			
Share of profit	12.b	46	80
Total share of profit of equity accounted investments		**49**	**105**

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 includes $(14) million loss (December 2021: $5 million gain) and $(27) million loss (December 2021: $24 million gain), respectively, in revaluation gains and losses recognised in the Investments segment adjustment in Note 1 'Segment Reporting'. Share of profit from Associates and Joint Ventures include $nil million (December 2021: $6 million) and $37 million (December 2021: $47 million), respectively, in revaluation gains in the Development segment.

7. Other Expenses

	6 months December 2022 $m	6 months December 2021 $m
Profit before income tax includes the following expense items:		
Total employee benefit expense[1]	917	955
Less: recoveries through projects[1]	(795)	(759)
Net employee benefit expense	**122**	**196**
Superannuation accumulation plan expense[1]	43	44
Net defined benefit plans expense	(4)	(2)
Restructuring expenses:		
Development impairments	-	299
Tenancy impairments - Core	-	95
Tenancy impairments - Non core	-	25
Redundancy costs	-	29
Provision in relation to UK building remediation[2]	200	-
Expenses include other impairments raised/(reversals) relating to:		
Loans and receivables	3	(4)
Equity accounted investments	-	(8)
Net loss on sale of consolidated entity	-	6
Lease expense (including outgoings)	12	13
Depreciation on right-of-use assets	25	29
Depreciation on owned assets	14	22
Amortisation	34	29
Net foreign exchange (gain)/loss	4	(1)
Other[1]	103	91
Total other expenses	**556**	**863**

1. This note has been amended in the current period to reconcile to the income statement, with minor presentation adjustments to facilitate this reconciliation. Comparative information has been updated to align to the current period presentation.
2. Expense recorded on recognition of provision in relation to UK building remediation. Refer to Note 18 'Provisions' for further detail.

8. Finance Revenue and Finance Costs

	6 months December 2022 $m	6 months December 2021 $m
Finance Revenue		
Other corporations	6	2
Other finance revenue	5	1
Total interest finance revenue	**11**	**3**
Interest discounting	1	-
Total finance revenue	**12**	**3**
Finance Costs		
Interest expense in relation to other corporations	70	59
Interest expense in relation to lease liabilities	8	9
Less: Capitalised interest finance costs	(13)	(9)
Total interest finance costs	**65**	**59**
Non interest finance costs	10	12
Total finance costs	**75**	**71**
Net finance costs	**(63)**	**(68)**

Notes to Consolidated Financial Statements continued

Section A. Performance continued

9. Taxation

Income Tax Expense	6 months December 2022 $m	6 months December 2021 $m
Recognised in the Income Statement		
Current Tax Expense		
Current period	34	5
Current year tax losses written off	3	-
Adjustments for prior years	2	2
Total current tax expense	**39**	**7**
Deferred Tax Expense		
Origination and reversal of temporary differences	(81)	(115)
Temporary differences recovered/recognised	(1)	(14)
Unrecognised deferred tax assets[1]	60	-
Write-off of prior year net tax losses	2	17
Total deferred tax (benefit)	**(20)**	**(112)**
Income Tax Expense		
Total income tax expense/(benefit) from continuing operations	19	(106)
Total income tax expense from discontinued operations	-	1
Total income tax expense/(benefit)	**19**	**(105)**
Reconciliation of Effective Tax Rate		
Loss before tax	(122)	(369)
Income tax using domestic corporate tax rate 30%	**(37)**	**(111)**
Adjustments for prior year tax claim	2	2
Non assessable and exempt income[2]	(9)	(25)
Non allowable expenses[3]	8	2
Net write off of tax losses through income tax expense	3	26
Temporary differences recognised through income tax expense[4]	(1)	(2)
Unrecognised deferred tax assets[1]	60	-
Utilisation of capital losses on disposal of assets	-	(41)
Effect of tax rates in foreign jurisdictions[5]	(5)	8
Other	(2)	36
Income tax expense/(benefit)	**19**	**(105)**

1. Includes deferred tax assets not recognised in respect of a provision in relation to UK building remediation. Refer to Note 18 'Provisions' for further detail.
2. Includes Lendlease Trust Group profit.
3. Includes accounting expenses for which a tax deduction is not allowed permanently.
4. Includes temporary differences not recognised in the current period which are 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 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. This also includes the effect of changes in tax rates.

10. Events Subsequent to Balance Date

On 10 February 2023, the Group exchanged contracts to dispose of its interest in Lendlease DTC Industrial Trust to Australian Prime Property Fund – Industrial (the Fund), for consideration of $185 million, and at the same time acquired $100 million of additional units in the Fund.

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

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 2022 $m	June 2022 $m
Current			
Development properties		814	792
Construction contract assets	16.a	663	664
Other		1	3
Total current		**1,478**	**1,459**
Non Current			
Development properties		2,575	2,320
Total non current		**2,575**	**2,320**
Total inventories		**4,053**	**3,779**

12. Equity Accounted Investments

Equity Accounted Investments (Associates and Joint Ventures)

Development - Investment Property

Investments in this category hold investment property that is under construction and is subject to periodic revaluations. These revaluations represent development profit earned and are recognised in the Development segment.

Development - Inventory

Investments in this category contain inventory under development and are held at cost. Revenue is recognised once the inventory settles with the customer and is recognised in the Development segment.

	Note	December 2022 $m	June 2022 $m
Associates			
Investment in associates	12.a	707	598
Less: Impairment	12.a	-	-
Total associates		**707**	**598**
Joint Ventures			
Investment in joint ventures	12.b	4,721	3,806
Less: Impairment	12.b	(25)	(25)
Total joint ventures		**4,696**	**3,781**
Total equity accounted investments		**5,403**	**4,379**

Notes to Consolidated Financial Statements continued

Section B. Investment continued

12. Equity Accounted Investments continued

12.a. Associates	INTEREST December 2022 %	INTEREST June 2022 %	SHARE OF PROFIT December 2022 $m	SHARE OF PROFIT December 2021 $m	NET BOOK VALUE December 2022 $m	NET BOOK VALUE June 2022 $m
Australia						
Investments						
Lendlease Sub Regional Retail Fund[1]	10.0	10.0	(1)	6	23	25
Lendlease Real Estate Partners 4	33.3	33.3	(10)	-	110	34
Other			-	-	5	5
Total Australia			**(11)**	**6**	**138**	**64**
Asia						
Investments						
Lendlease Global Commercial REIT	26.3	26.2	14	10	519	485
Lendlease Asian Retail Investment Fund 1	48.7	48.7	-	-	4	4
Lendlease Asian Retail Investment Fund 2	39.8	39.8	(1)	5	42	41
Lendlease Asian Retail Investment Fund 3	-	-	-	3	-	-
Total Asia			**13**	**18**	**565**	**530**
United States						
Investments						
Other			1	1	4	4
Total United States			**1**	**1**	**4**	**4**
Total Group			**3**	**25**	**707**	**598**
Less: Impairment			-	-	-	-
Total associates			**3**	**25**	**707**	**598**

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

12.b. Joint Ventures	INTEREST December 2022 %	INTEREST June 2022 %	SHARE OF PROFIT December 2022 $m	SHARE OF PROFIT December 2021 $m	NET BOOK VALUE December 2022 $m	NET BOOK VALUE June 2022 $m
Australia						
Investments						
Lendlease Retirement Living Trust	25.1	25.1	16	48	535	526
Lendlease DTC Industrial Trust	50.0	50.0	2	1	178	161
Other			-	-	1	-
Development						
Development - Investment Property						
Circular Quay Tower	-	-	-	31	-	-
Victoria Cross	75.0	75.0	-	-	171	153
Development - Inventory						
Melbourne Quarter R1	50.0	50.0	1	-	7	35
North East Link	20.0	20.0	-	(1)	171	153
Frankston Hospital	50.0	50.0	-	-	107	88
One Sydney Harbour R1 Trust	75.0	75.0	-	1	375	240
One Sydney Harbour R2 Trust	75.0	75.0	-	-	311	205
One Circular Quay[1]	33.3	-	-	-	141	-
Other Development			-	1	15	15
Total Australia			**19**	**81**	**2,012**	**1,576**

12.b. Joint Ventures	INTEREST December 2022 %	INTEREST June 2022 %	SHARE OF PROFIT December 2022 $m	SHARE OF PROFIT December 2021 $m	NET BOOK VALUE December 2022 $m	NET BOOK VALUE June 2022 $m
Asia						
Investments						
CDR JV Limited	25.0	25.0	-	-	3	3
Paya Lebar Quarter	30.0	30.0	7	4	438	392
Lendlease Data Centre Partners	20.0	20.0	(2)	-	18	-
Lendlease Life Science and Innovation Partners	15.0	15.0	1	-	20	18
Development						
Development - Investment Property						
Certis and Lendlease Property Trust	49.0	49.0	-	-	51	49
The Exchange TRX[1]	60.0	60.0	19	1	596	501
Total Asia			**25**	**5**	**1,126**	**963**
Europe						
Investments						
LRIP LP	20.0	20.0	4	2	177	173
MSG South[2]	50.0	50.0	3	4	138	103
21 Moorfields	25.0	-	1	-	155	-
Other			-	-	14	14
Development						
Development - Investment Property						
IQL Office LP	50.0	50.0	-	-	112	106
LRIP 2 LP	50.0	50.0	4	3	107	78
Milano Innovation District	50.0	50.0	-	1	104	72
Stratford City Business District Limited (International Quarter London)	50.0	50.0	(1)	(2)	12	14
Development - Inventory						
Victoria Drive Wandsworth	50.0	50.0	(2)	(1)	23	25
Other Development			-	(1)	8	8
Total Europe			**9**	**6**	**850**	**593**
United States						
Investments						
845 Madison	37.5	37.5	(11)	5	82	91
Americas Residential Partnership						
Clippership Wharf Multifamily Holdings	50.1	50.1	(11)	2	79	89
720 S Wells Holdings	50.1	50.1	(4)	(2)	85	88
445 East Waterside[3]	42.5	42.5	14	-	107	93
DoD Asset Management Holdings	50.0	50.0	5	-	19	4
Other			1	-	6	4
Development						
Development - Investment Property						
60 Guest Street	25.0	25.0	-	-	45	27
Americas Residential Partnership						
211 North Harbor Drive Venture	42.5	42.5	-	-	109	107
SB Polk Street	50.1	50.1	-	-	57	39
1 Java Holdings	25.0	25.0	-	-	52	40
La Cienega	50.0	50.0	(1)	1	39	35
Development - Inventory						
277 Fifth Avenue	40.0	40.0	-	(20)	14	14
Other Development			-	-	38	38
Construction						
Lendlease Turner Joint Venture	50.0	50.0	-	2	1	5
Total United States			**(7)**	**(12)**	**733**	**674**
Total Group			**46**	**80**	**4,721**	**3,806**
Less: Impairment			-	-	(25)	(25)
Total joint ventures			**46**	**80**	**4,696**	**3,781**
Total associates			**3**	**25**	**707**	**598**
Total equity accounted investments			**49**	**105**	**5,403**	**4,379**

1. Investment includes both investment property and residential inventory.
2. During the period, MSG South was transferred from Development segment to the Investments segment subsequent to project completion.
3. During the period, 445 East Waterside was transferred from Development segment to the Investments segment subsequent to project completion.

Notes to Consolidated Financial Statements continued

Section B. Investment continued

12. Equity Accounted Investments continued

12.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		THE EXCHANGE TRX	
	6 months December 2022	6 months December 2021	6 months December 2022	6 months December 2021	6 months December 2022	6 months December 2021	6 months December 2022	6 months December 2021
Income Statement[1]	$m	$m	$m	$m	$m	$m	$m	$m
Revenue and other income	129	64	127	113	88	85	40	23
Cost of sales	(27)	(10)	(26)	(26)	(13)	(19)	(30)	(19)
Other expenses	(11)	(10)	(35)	(31)	(13)	(9)	2	(1)
Unrealised fair value gains/(losses)	-	-	7	51	6	2	(2)	24
Finance costs	(24)	(6)	(11)	(11)	(29)	(26)	(1)	(1)
Income tax (benefit)/expense	-	-	-	-	(2)	-	(1)	12
Other	(13)	-	-	-	-	-	-	-
Profit/(loss) for the period	**54**	**38**	**62**	**96**	**37**	**33**	**8**	**38**
Other comprehensive (expense)/income	(13)	(18)	(1)	10	-	-	-	-
Total comprehensive income	**41**	**20**	**61**	**106**	**37**	**33**	**8**	**38**
Group's ownership interest	26.3%	26.5%	25.1%	50.0%	30.0%	30.0%	60.0%	60.0%
Group's total share of:								
Profit/(loss) for the period	**14**	**10**	**16**	**48**	**11**	**10**	**5**	**23**
Other adjustments	-	-	-	-	(4)	(6)	14	(22)
Total profit/(loss) for the period	**14**	**10**	**16**	**48**	**7**	**4**	**19**	**1**
Other comprehensive income/(expenses)	23	3	-	5	38	16	9	-
Total comprehensive income/(expenses)	**37**	**13**	**16**	**53**	**45**	**20**	**28**	**1**

1. The underlying investments in the material associate and joint ventures are office, retail and retirement living investment properties measured at fair value. At 31 December 2022, valuations were undertaken on the underlying assets. The carrying value of the investments are considered recoverable as it correlates with the net assets of the associate and joint ventures, which have been valued at 31 December 2022.

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

	ASSOCIATES		JOINT VENTURES	
	6 months December 2022	6 months December 2021	6 months December 2022	6 months December 2021
Income Statement	$m	$m	$m	$m
Aggregate amounts of the Group's share of:				
(Loss)/profit from continuing operations	(11)	15	4	28
Other comprehensive income	2	5	62	18
Aggregate amounts of Group's share of total comprehensive (expense)/income of individually immaterial equity accounted investments	**(9)**	**20**	**66**	**46**

Statement of Financial Position	LENDLEASE GLOBAL COMMERCIAL REIT December 2022 $m	LENDLEASE GLOBAL COMMERCIAL REIT June 2022 $m	LENDLEASE RETIREMENT LIVING TRUST[1] December 2022 $m	LENDLEASE RETIREMENT LIVING TRUST[1] June 2022 $m	PAYA LEBAR QUARTER December 2022 $m	PAYA LEBAR QUARTER June 2022 $m	THE EXCHANGE TRX December 2022 $m	THE EXCHANGE TRX June 2022 $m
Current assets								
Cash and cash equivalents	64	48	23	41	255	122	72	63
Other current assets	30	23	69	59	9	93	12	45
Total current assets	**94**	**71**	**92**	**100**	**264**	**215**	**84**	**108**
Non current assets								
Investment properties	3,946	3,754	8,041	7,826	3,301	3,129	1,694	1,522
Equity accounted investments	9	16	-	-	-	-	-	-
Other non current assets	14	19	39	38	33	3	97	20
Total non current assets	**3,969**	**3,789**	**8,080**	**7,864**	**3,334**	**3,132**	**1,791**	**1,542**
Current liabilities								
Resident liabilities	-	-	5,137	5,054	-	-	-	-
Financial liabilities (excluding trade payables)	661	312	-	-	-	-	87	113
Other current liabilities	62	44	80	78	60	43	56	49
Total current liabilities	**723**	**356**	**5,217**	**5,132**	**60**	**43**	**143**	**162**
Non current liabilities								
Financial liabilities (excluding trade payables)	903	1,200	866	777	1,915	1,813	635	532
Other non current liabilities	24	19	-	-	43	33	-	-
Total non current liabilities	**927**	**1,219**	**866**	**777**	**1,958**	**1,846**	**635**	**532**
Net assets	**2,413**	**2,285**	**2,089**	**2,055**	**1,580**	**1,458**	**1,097**	**956**
Reconciliation to Carrying Amounts								
Opening net assets 1 July	2,285	1,144	2,055	1,882	1,458	1,292	956	658
Total comprehensive income/(loss) for the period	41	126	61	193	37	89	8	68
Acquisition/contributions	18	1,003	-	-	4	6	125	172
Distributions	(30)	(74)	(27)	(20)	-	-	-	-
Foreign currency translation for the period	99	86	-	-	81	71	8	58
Closing net assets	**2,413**	**2,285**	**2,089**	**2,055**	**1,580**	**1,458**	**1,097**	**956**
% ownership	26.3%	26.2%	25.1%	25.1%	30.0%	30.0%	60.0%	60.0%
Group's share of net assets	**635**	**599**	**524**	**516**	**474**	**437**	**658**	**574**
Other adjustments	(116)	(114)	(2)	(3)	(36)	(45)	(62)	(73)
Carrying amount at end of the period	**519**	**485**	**522**	**513**	**438**	**392**	**596**	**501**

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:

Statement of Financial Position	ASSOCIATES December 2022 $m	ASSOCIATES June 2022 $m	JOINT VENTURES December 2022 $m	JOINT VENTURES June 2022 $m
Aggregate carrying value of individually immaterial equity accounted investments	188	113	3,152	2,387

Notes to Consolidated Financial Statements continued

Section B. Investment continued

13. Other Financial Assets

	Fair Value Level[1]	December 2022 $m	June 2022 $m
Current Measured at Fair Value			
Fair Value Through Profit or Loss - Designated at Initial Recognition			
Derivatives	Level 2	38	24
Total current		**38**	**24**
Non Current Measured at Fair Value			
Fair Value Through Profit or Loss - Designated at Initial Recognition			
Lendlease International Towers Sydney Trust	Level 3	166	174
Lendlease One International Towers Sydney Trust	Level 3	60	62
Australian Prime Property Fund - Industrial	Level 3	171	136
Australian Prime Property Fund - Commercial	Level 3	410	412
Australian Prime Property Fund - Retail	Level 3	59	59
Military Housing Projects Initiative	Level 3	193	216
Parkway Parade Partnership Limited	Level 3	72	68
Other investments	Level 3	32	22
Derivatives	Level 2	25	32
Total non current		**1,188**	**1,181**
Total other financial assets		**1,226**	**1,205**

1. Refer to Note 20 'Fair Value Measurement' for details on basis of determining fair value and valuation technique.

13.a. Fair Value Reconciliation

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

	December 2022 $m	June 2022 $m
Carrying amount at beginning of financial period	1,149	1,070
Acquisitions/(Disposals)	9	(7)
Net gains recognised in Income Statement	-	65
Other movements	5	21
Carrying amount at end of financial period	**1,163**	**1,149**

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

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 disclosures 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

14.a. Borrowings – Measured at Amortised Cost	December 2022 $m	June 2022 $m
Non Current		
Commercial notes	2,109	2,082
Bank credit facilities	1,093	275
Total non current	**3,202**	**2,357**
Total borrowings	**3,202**	**2,357**

14.b. Finance Facilities	December 2022 $m	June 2022 $m
The Group has access to the following lines of credit:		
Commercial Notes		
Facility available	2,109	2,082
Amount of facility used	(2,109)	(2,082)
Amount of facility unused	-	-
Bank Credit Facilities		
Facility available	2,839	2,798
Amount of facility used	(1,093)	(275)
Amount of facility unused	**1,746**	**2,523**
Bank Overdrafts		
Facility available and amount unused	**124**	**124**

Commercial notes include:

- US$400 million of guaranteed unsecured senior notes issued in May 2016 in the US Reg. S market 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 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 in October 2027
- $80 million of guaranteed unsecured senior medium term notes issued as an A$ private placement in December 2018 with a 5.4 per cent per annum coupon maturing in December 2028
- $300 million of guaranteed unsecured Green senior notes issued in March 2021 in the Australian bond market with a 3.7 per cent coupon maturing in March 2031
- £250 million of guaranteed unsecured Green senior notes issued in December 2021 in the Sterling bond market with a 3.5 per cent coupon maturing in December 2033.

Notes to Consolidated Financial Statements continued

Section C. Liquidity and Working Capital continued

14. Borrowings and Financing Arrangements continued

Bank credit facilities include:

- £400 million sustainability linked loan, refinanced during the period, maturing in October 2027 was drawn to $402 million as at 31 December 2022
- US$300 million sustainability linked loan, extended during the period, maturing in July 2025 was drawn to $74 million as at 31 December 2022
- CNY928 million bank facility maturing in January 2025 was drawn to $193 million as at 31 December 2022
- S$300 million sustainability linked loan maturing in February 2025 was drawn to $76 million as at 31 December 2022
- $800 million sustainability linked loan with Tranche A $400 million maturing in November 2025, was drawn to $215 million as at 31 December 2022 and Tranche B $400 million maturing in November 2026 was undrawn as at 31 December 2022
- €200 million sustainability linked loan, extended during the period, maturing in July 2027 was drawn to $109 million as at 31 December 2022.

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.

15. Issued Capital

	LENDLEASE CORPORATION LIMITED				LENDLEASE TRUST			
	December 2022		June 2022		December 2022		June 2022	
	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	689	1,891	689	1,888	689	1,538	689	1,537
Distribution Reinvestment Plan (DRP)	-	2	-	3	-	1	-	1
Issued capital at end of financial period	**689**	**1,893**	**689**	**1,891**	**689**	**1,539**	**689**	**1,538**

15.a. Issuance of Securities

As at 31 December 2022, the Group had 689 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.

15.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 21 February 2023. 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 21 February 2023, 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.

15.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 2022 $m	June 2022 $m
Current			
Trade receivables		637	726
Less: Impairment		(13)	(13)
		624	**713**
Related parties		111	208
Retentions		255	259
Contract debtors	16.a	188	291
Accrued income	16.a	109	82
Other receivables		384	480
Total current		**1,671**	**2,033**
Non Current			
Trade receivables		2	2
Related parties		593	589
Less: Impairment		(8)	(5)
		587	**586**
Retentions		83	71
Other receivables		1,244	1,239
Total non current		**1,914**	**1,896**
Total loans and receivables		**3,585**	**3,929**

16.a. Contract Assets	Note	December 2022 $m	June 2022 $m
Current			
Contract debtors[1]		188	291
Construction contract assets[2]	11	663	664
Accrued income		109	82
Total contract assets		**960**	**1,037**

1. Movements in contract debtors during the period relate primarily to amounts transferred into Trade receivables as the right to receive payment from the customer has become 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.

Notes to Consolidated Financial Statements continued

Section C. Liquidity and Working Capital continued

17. Trade and Other Payables

	Note	December 2022 $m	June 2022 $m
Current			
Trade and accrued creditors		2,222	2,316
Construction contract liabilities	17.a	1,270	1,327
Related parties		198	197
Retentions		340	344
Deferred land payments		21	126
Unearned income	17.a	44	38
Lease liabilities		77	77
Other		83	132
Total current		**4,255**	**4,557**

	Note	December 2022 $m	June 2022 $m
Non Current			
Trade and accrued creditors		366	366
Retentions		83	51
Deferred land payments		330	330
Unearned income	17.a	81	77
Lease liabilities		315	331
Other		703	833
Total non current		**1,878**	**1,988**
Total trade and other payables		**6,133**	**6,545**

17.a. Contract Liabilities	December 2022 $m	June 2022 $m
Current		
Unearned income[1]	44	38
Construction contract liabilities[2]	1,270	1,327
Total current	**1,314**	**1,365**
Non Current		
Unearned income[1]	81	77
Total non current	**81**	**77**
Total contract liabilities	**1,395**	**1,442**

1. Movements in Unearned income relates primarily to residential presales 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. This balance also contains provisions previously incurred on retained Engineering projects that are in progress.

18. Provisions

	Employee Benefits $m	Development Projects $m	Construction Projects $m	Other $m	Total $m
Balance as at 1 July 2022	**164**	**130**	**384**	**110**	**788**
Provisions made during the period	33	33	38	200	304
Provisions used during the period	(32)	(3)	(101)	(29)	(165)
Provisions reversed during the period	(1)	(5)	(6)	(15)	(27)
Balance as at 31 December 2022	**164**	**155**	**315**	**266**	**900**
Current provisions	145	114	308	116	683
Non current provisions	19	41	7	150	217
Total provisions	**164**	**155**	**315**	**266**	**900**

Provision in relation to UK building remediation

The UK Government has enacted a number of retrospective legislative changes and taken additional action with respect to residential buildings with a height of 11 metres and above in the UK. This action extends the period for defect liabilities from 6 to 30 years and applies changes to building safety regulations for completed residential buildings.

On 30 January 2023 the UK Government sent a letter to developers of residential buildings in the UK, including Lendlease, requiring those companies by 13 March 2023 (subject to any agreed extension) to sign a long form contract committing to remediate building safety risks or face significant trade restrictions. The proposed restrictions, including not being able to gain development or construction approvals or government funding, would materially adversely impact operations of Lendlease in the UK. Given the letter received from the UK Government, Lendlease has recognised a provision in its financial statements as it has limited options to avoid incurring a liability.

Based on limited available information to date, Lendlease believes the liability primarily relates to approximately 56 buildings developed by Crosby, no longer owned by Lendlease. The Crosby entities were acquired by Lendlease in 2005 to enter the residential development market in the UK. Many of these buildings were completed or construction commenced prior to Lendlease's acquisition.

It is noted that each building completed by a Lendlease entity was certified as complying with applicable building regulations at the time of its completion.

Lendlease has not received any specific claims to date, and only has limited information relating to the buildings in the Crosby portfolio. However, the government department responsible for this legislation has provided a schedule of claims that it has received to date in respect of some of the buildings in the Crosby portfolio and, in some cases, their assessment or estimate of the cost to remediate. This information is being evaluated, and has been used as a proxy to apply across the rest of the Crosby portfolio in order to provide an initial estimate of the provision that may be required with respect to this matter.

At 31 December 2022 Lendlease has recognised a provision in respect of this matter of $200 million (pre-tax), as a gross amount. It is expected that any cash expenditure by Lendlease will be paid over a period of at least five years. This expense has been excluded from Core Operating Profit given it is a consequence of retrospective government action, which could not reasonably have been expected from normal operations. This does not include anticipated recoveries from third parties, including insurances and supply chain. We will be working to maximise third party recoveries.

Determining the liability position for this matter and any estimate is a complex process requiring significant judgement with respect to whether there is an obligating event and the quantum of any liability. The estimate of any potential liability is based on incomplete information, given there have been and continue to be ongoing discussions with a changing government leadership and limited information as to what is required to be remediated. Lendlease will continue to engage with the UK Government on these industry wide actions and assess additional relevant information on an ongoing basis.

19. Cash and Cash Equivalents

	December 2022 $m	June 2022 $m
Cash	554	1,128
Short term investments	25	169
Total cash and cash equivalents	**579**	**1,297**

Notes to Consolidated Financial Statements continued

Section D. Other Notes

20. 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 2022		JUNE 2022	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Note	$m	$m	$m	$m
Liabilities					
Non Current					
Commercial notes	14.a	2,109	1,882	2,082	1,996

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.

20.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. 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
- The fair value of derivative instruments comprises forward foreign exchange contracts, which are valued using forward rates at balance date, and interest rate swap and cap 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.

20.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
- 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.

21. 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
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.

22. Discontinued Operations

Accounting Policies

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.

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.

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.

On 21 July 2021, the Group entered into an agreement with Service Stream to sell the Services business and on 1 November 2021 the Group completed the sale. The agreed purchase price for the sale of the Services business was $310 million which was adjusted by $19 million at completion, resulting in total estimated proceeds of $329 million. $317 million has been received by 31 December 2022, and the remaining balance was received in January 2023.

The discontinued operations represent the Services business sold in the prior year, excluding the projects retained by the Group.

The major classes of assets and liabilities sold are as follows:

	SERVICES
	1 November 2021
Assets and Liabilities Sold	$m
Cash and cash equivalents	3
Loans and receivables	84
Inventories	145
Other assets	276
Total assets sold	**508**
Trade and other payables	121
Other liabilities	97
Total liabilities sold	**218**
Net assets and liabilities sold	**290**
Net proceeds from sale	331
Transaction and separation costs	(32)
Gain on sale	**9**

Notes to Consolidated Financial Statements continued

Section D. Other Notes continued

22. Discontinued Operations continued

The results of the discontinued operations representing the Services business for the prior period is as follows:

	SERVICES 1 July to 1 November 2021
Results from Discontinued Operations	**$m**
Revenue from contracts with customers	351
Cost of sales	(320)
Gross profit	**31**
Gain on sale	9
Other expenses	(19)
Profit before tax for discontinued operations	**21**
Income tax expense	(1)
Total profit after tax for discontinued operations as presented in the Income Statement	**20**

		Shares/Securities Excluding Treasury Securities December 2021	Shares/Securities on Issue December 2021
Basic/Diluted Earnings Per Share (EPS) from Continuing Operations			
Loss from continuing operations attributable to members of Lendlease Corporation Limited (Company)	$m	(355)	(355)
Weighted average number of ordinary shares	m	683	689
Basic/Diluted EPS from continuing operations	**cents**	**(51.9)**	**(51.5)**
Basic/Diluted Earnings Per Share (EPS) from Discontinued Operations			
Profit from discontinued operations attributable to members of Lendlease Corporation Limited (Company)	$m	20	20
Weighted average number of ordinary shares	m	683	689
Basic/Diluted EPS from discontinued operations	**cents**	**2.9**	**2.9**
Basic/Diluted Earnings Per Security (EPSS) from Continuing Operations			
Loss from continuing operations attributable to securityholders of Lendlease Group	$m	(284)	(284)
Weighted average number of stapled securities	m	683	689
Basic/Diluted EPSS from continuing operations	**cents**	**(41.6)**	**(41.2)**
Basic/Diluted Earnings Per Security (EPSS) from Discontinued Operations			
Profit from discontinued operations attributable to securityholders of Lendlease Group	$m	20	20
Weighted average number of stapled securities	m	683	689
Basic/Diluted EPSS from discontinued operations	**cents**	**2.9**	**2.9**

The net cash flows for discontinued operations representing the Services business for the prior period is as follows:

	SERVICES 1 July to 1 November 2021
Cash Flows from Discontinued Operations	**$m**
Net cash inflow from operating activities	16
Net cash inflow from investing activities	4
Net cash outflow from financing activities	(2)
Net increase in cash and cash equivalents	**18**

Section E. Basis of Consolidation

23. 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 Construction Pty Limited[1]
Lendlease Construction (Southern) Pty Limited[2]
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 Trust[3]

Europe

Lendlease Construction (Europe) Limited
Lendlease Construction Holdings (Europe) Limited
Lendlease Europe Finance plc
Lendlease Residential (CG) Limited
Lendlease (Elephant & Castle) Limited

Asia

Lendlease Japan Inc.
Lendlease Singapore Pte. Limited

United States

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. Formerly Lendlease Building Pty Limited.
2. Formerly Lendlease Building Contractors Pty Limited.
3. Lendlease Trust is a consolidated entity of the Group as the parent entity is deemed to control it. The parent entity has no ownership interest in Lendlease Trust.

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.

	Ownership Interest Disposed %	Date Disposed	Consideration Received/Receivable $m
December 2022			
AHFH Managing Member LLC	100.0	9 August 2022	93
December 2021			
Lendlease Services Pty Limited	100.0	1 November 2021	331

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 2022 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

A P Lombardo

Global Chief Executive Officer and Managing Director

Sydney, 13 February 2023

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.

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 the ***Group's*** financial position as at 31 December 2022 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 2022;
- 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 23 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The ***Group*** comprises Lendlease Corporation Limited (the Company) 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 these requirements.

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 2022 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

KPMG

Eileen Hoggett	Paul Rogers
Partner	*Partner*
Sydney	Sydney
13 February 2023	13 February 2023

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