

Lendlease Finance Limited

Half Year Financial Report

31 December 2017

Lendlease Finance Limited ABN 49 008 618 380

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Lendlease Finance Limited (the Company) is incorporated and domiciled in Australia. The Company is a for-profit entity. Further information about Lendlease Finance Limited's primary activities is included in the Directors' Report.

The Company's half year financial report was authorised for issue by the Directors on 14 February 2018.

Directors' Report

The Directors of Lendlease Finance Limited ('the Company') (ABN 49 008 618 380) present their Report together with the Half Year Financial Report of the Company, for the half year ended 31 December 2017 and the Auditor's Report thereon.

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

1. Directors

The name of each person who has been a Director of the Company at any time between 1 July 2017 and the date of this Report are:

P J Hooper	Director since February 2005
S G Benson	Director since July 2015
T D Gupta	Director since June 2016

2. Principal Activities

The principal activities of the Company are to manage financial risks undertaken through borrowing, lending and investing and hedging the Group's foreign currency exposures. In relation to these activities, the Company holds foreign exchange derivative contracts as part of its role in maintaining the Group's hedged position. There were no significant changes in the nature of this activity during the period.

3. Review and Results of Operations

The Company made a loss after tax of \$7,468,000 for the half year ended 31 December 2017 (31 December 2016: \$10,983,000 profit after tax).

4. Events Subsequent to Balance Date

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

5. Rounding Off

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

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



Director
Paul James Hooper

Date **14/2/18**

Financial Statements

Income Statement

Half Year Ended 31 December 2017

	Note	6 months December 2017 \$000s	6 months December 2016 \$000s
Finance revenue	3	28,281	40,424
Finance costs	3	(34,937)	(42,722)
Net finance expense		(6,656)	(2,298)
Other income			
Guarantee fees – related parties		11,762	13,582
Derivative and foreign exchange (loss)/gain	4	(7,370)	13,776
Expenses			
Guarantee fees		(8,273)	(9,262)
Other expenses		(153)	(115)
Total expenses		(8,426)	(9,377)
(Loss)/Profit before tax		(10,690)	15,683
Income tax benefit/(expense)	5	3,222	(4,700)
(Loss)/Profit after tax attributable to members of Lendlease Finance Limited		(7,468)	10,983

Statement of Comprehensive Income

Half Year Ended 31 December 2017

	6 months December 2017 \$000s	6 months December 2016 \$000s
(Loss)/Profit after tax	(7,468)	10,983
Other comprehensive income/(expense) after tax	-	-
Total comprehensive (expense)/income after tax	(7,468)	10,983

The accompanying notes form part of these financial statements.

Financial Statements continued

Statement of Financial Position

As at 31 December 2017

	Note	December 2017 \$000s	June 2017 \$000s
Current Assets			
Cash and cash equivalents		371,595	271,736
Loans and receivables	6	586,929	1,065,993
Derivatives		3,537	3,620
Financial guarantee contracts		820	820
Other assets		5,366	3,152
Total current assets		968,247	1,345,321
Non Current Assets			
Derivatives		98	-
Financial guarantee contracts		1,597	1,596
Deferred tax assets		1,975	16,550
Other assets		8,984	12,262
Total non current assets		12,654	30,408
Total assets		980,901	1,375,729
Current Liabilities			
Trade and other payables	7	195,211	183,379
Derivatives		4,206	10,681
Borrowings and financing arrangements	8	249,645	259,411
Total current liabilities		449,062	453,471
Non Current Liabilities			
Trade and other payables	7	-	135,470
Borrowings and financing arrangements	8	512,827	756,879
Deferred tax liabilities		1,556	4,985
Total non current liabilities		514,383	897,334
Total liabilities		963,445	1,350,805
Net assets		17,456	24,924
Equity			
Issued capital	9	100,000	100,000
Reserves		14,941	14,941
Accumulated losses		(97,485)	(90,017)
Total equity		17,456	24,924

The accompanying notes form part of these financial statements.

Financial Statements continued

Statement of Changes in Equity

Half Year Ended 31 December 2017

	6 months December 2017 \$000s	6 months December 2016 \$000s
Issued Capital		
Opening balance at beginning of financial period	100,000	100,000
Closing balance at end of financial period	100,000	100,000
Financial Guarantee Contract Reserve		
Opening balance at beginning of financial period	14,941	14,941
Closing balance at end of financial period	14,941	14,941
Accumulated Losses		
Opening balance at beginning of financial period	(90,017)	(102,230)
(Loss)/Profit attributable to members of Lendlease Finance Limited	(7,468)	10,983
Closing balance at end of financial period	(97,485)	(91,247)
Total equity	17,456	23,694
Total Comprehensive (Expense)/Income After Tax for the Period		
Attributable to members of Lendlease Finance Limited	(7,468)	10,983
Total comprehensive (expense)/income after tax	(7,468)	10,983

Statement of Cash Flows

Half Year Ended 31 December 2017

	6 months December 2017 \$000s	6 months December 2016 \$000s
Cash Flows from Operating Activities		
Cash receipts in the course of operations	818,439	2,837,478
Cash payments in the course of operations	(832,187)	(2,903,603)
Interest received	28,229	40,460
Interest paid	(37,083)	(41,042)
Net cash used in operating activities	(22,602)	(66,707)
Cash Flows from Financing Activities		
Funding provided from Group entities	969,346	655,999
Funding provided to Group entities	(593,028)	(456,174)
Proceeds from borrowings - external	700,000	1,450,000
Repayment of borrowings - external	(954,950)	(1,450,000)
Net cash provided by financing activities	121,368	199,825
Other Cash Flow Items		
Effect of foreign exchange rate movements on cash and cash equivalents	1,093	6,206
Net increase in cash and cash equivalents	99,859	139,324
Cash and cash equivalents at beginning of financial period	271,736	272,147
Cash and cash equivalents at end of financial period	371,595	411,471

Notes to the Financial Statements

1. Basis of Preparation

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

- has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*;
- complies with the recognition and measurement requirements of International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB);
- should be read in conjunction with the 30 June 2017 annual financial report. The half year financial report does not contain all the information required for a full financial report;
- is presented in Australian dollars with all values rounded off to the nearest thousand dollars unless otherwise indicated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2017/191; and
- is prepared under the historical cost basis except for derivative financial instruments which are stated at their 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 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 Company and are consistent with those applied in the 30 June 2017 annual financial report other than as stated below.

1.1 Impact of New/Revised Accounting Standards

New and Revised Accounting Standards Adopted 1 July 2017

From 1 July 2017, the Company adopted the following new and revised accounting standards. There were no material financial impacts following adoption.

- AASB 9 *Financial Instruments* and consequential amendments;
- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*; and
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*.

New Accounting Standards and Interpretations Not Yet Adopted

Accounting Standard	Requirement	Impact on Financial Statements
AASB 15 <i>Revenue from Contracts with Customers</i>	AASB 15 provides a new five step model for recognising revenue earned from a contract with a customer and will replace the existing AASB 118 Revenue and AASB 111 Construction Contracts. The standard becomes mandatory for the June 2019 financial year and will be applied retrospectively.	Based on the analysis performed, this standard is not expected to have a material impact on the Company.

Notes to the Financial Statements continued

2. Segment Reporting

Business Segment

The Company is involved in providing financial services to the Lendlease Group through borrowing, lending and investing activities and in hedging foreign currency exposures.

Geographical Segment

The Company operates solely in Australia in respect of its management and operational activities. Its total assets are held in Australia.

	6 months December 2017 \$000s	6 months December 2016 \$000s
3. Finance Revenue and Finance Costs		
Finance revenue		
Related parties	25,930	38,548
Other corporations	2,351	1,876
Total finance revenue	28,281	40,424
Finance costs		
Related parties	(4,763)	(10,429)
Other corporations	(30,174)	(32,293)
Total finance costs	(34,937)	(42,722)
Net finance expense	(6,656)	(2,298)

4. Derivative and Foreign Exchange (Loss)/Gain

Foreign exchange contracts (loss)/gain	(9,497)	7,782
Foreign exchange gain/(loss) on related party loans	2,105	(11,984)
Foreign exchange (loss)/gain on external borrowings	(1,001)	11,729
Foreign exchange gain on revaluation of foreign currency bank accounts	1,093	6,206
Foreign exchange (loss)/gain on other transactions	(70)	43
Total derivative and foreign exchange (loss)/ gain	(7,370)	13,776

5. Taxation

Income Tax Expense

Recognised in the Income Statement

Current Tax Benefit

Current period	(14,369)	(14,737)
	(14,369)	(14,737)

Deferred Tax Expense

Origination and reversal of temporary differences	11,147	19,437
	11,147	19,437

Total income tax (benefit)/expense	(3,222)	4,700
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Reconciliation of Effective Tax Rate

(Loss)/Profit before tax	(10,690)	15,683
Income tax using the domestic corporation tax rate 30%	(3,207)	4,705
Non allowable expenses	7	2
Foreign tax credits claimable	(22)	(7)
Income tax (benefit)/expense	(3,222)	4,700

Notes to the Financial Statements continued

	December 2017 \$000s	June 2017 \$000s
6. Loans and Receivables		
Current		
Loans to parent entity (including intercompany tax balance)	393,319	1,062,933
Related party loans and receivables	193,424	2,723
Other receivables	186	337
Total loans and receivables	586,929	1,065,993

7. Trade and Other Payables

Current		
Related party trade payables and loans	181,992	166,140
Accrued expenses	13,206	17,223
Other creditors	13	16
Total current	195,211	183,379
Non Current		
Related party trade payables and loans	-	135,470
Total non current	-	135,470
Total trade and other payables	195,211	318,849

8. Borrowing and Financing Arrangements

a. Borrowings – Measured at Amortised Cost

Current		
Commercial notes	249,645	259,411
Total current	249,645	259,411
Non Current		
Commercial notes	512,827	756,879
Total non current	512,827	756,879
Total borrowings and financing arrangements	762,472	1,016,290

b. Finance Facilities

The Company has access to the following lines of credit:

Commercial notes		
Facility available	762,472	1,016,290
Amount of facility used	(762,472)	(1,016,290)
Amount of facility unused	-	-
Bank credit facilities		
Facility available	1,500,000	1,500,000
Amount of facility used	-	-
Amount of facility unused	1,500,000	1,500,000
Bank overdrafts		
Facility available	115,000	115,000
Amount of facility used	-	-
Amount of facility unused	115,000	115,000

Notes to the Financial Statements continued

8. Borrowing and Financing Arrangements continued

Commercial notes include:

- A\$475.0 million of unsecured medium term notes issued in May 2013 (A\$375.0 million) and June 2014 (A\$100.0 million) in the Australian bond market comprising A\$250.0 million with a 5.5% p.a. coupon maturing in November 2018 and A\$225.0 million with a 6.0% p.a. coupon maturing in May 2020. The A\$250.0 million unsecured medium term note maturing in November 2018 has been classified as current for December 2017;
- S\$275.0 million of guaranteed senior unsecured notes issued in July 2012 in the Singapore bond market with a 4.625% p.a. coupon matured and was repaid in July 2017; and
- S\$300.0 million of guaranteed unsecured senior notes issued in April 2017 in the Singapore bond market under Lendlease's Euro Medium Term Note programme with a 3.90% p.a. coupon maturing in April 2027.

Bank credit facilities include:

- A\$1,500.0 million syndicated multi-option facility maturing in June 2019 (A\$600.0 million) and June 2020 (A\$900.0 million) undrawn as at 31 December 2017 (30 June 2017: undrawn).

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

Consistent with prior periods, the Company has not defaulted on any obligations of principal or interest in relation to its borrowings and finance arrangements.

9. Issued Capital

	December 2017		June 2017	
	No. of Shares	\$000s	No. of Shares	\$000s
Issued Capital				
Ordinary shares of A\$1 each fully paid	5,000,000	5,000	5,000,000	5,000
Ordinary shares of A\$9,500,000 each fully paid	10	95,000	10	95,000
Issued capital at beginning and end of financial period	5,000,010	100,000	5,000,010	100,000

Terms and Conditions

Lendlease Corporation Limited, as sole shareholder, has the right to receive dividends as declared from the Company from time to time. Ordinary shareholders rank after all creditors in repayment of capital.

10. Contingent Liabilities

In certain circumstances, the Company guarantees the bonding and bank guarantee facilities of particular Group entities in respect of their obligations. This includes bonding and bank guarantee facilities primarily used by the Group's construction business. These guarantees are provided in respect of activities that occur in the ordinary course of business and there are no known claims in respect of these guarantees that give rise to a loss which would be material in respect of the relevant contracts as at the end of the financial period.

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

11. 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 2017		June 2017	
	Note	Carrying Amount \$000s	Fair Value \$000s	Carrying Amount \$000s	Fair Value \$000s
Liabilities					
Current					
Commercial notes	8	249,645	257,659	259,411	260,097
Non Current					
Commercial notes	8	512,827	587,781	756,879	849,848

Notes to the Financial Statements continued

11. Fair Value Measurement continued

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.

Valuation of Financial Assets and Liabilities

Where financial assets and liabilities are carried at fair value, the fair value is based on assumptions of future events and involves estimates. The basis of valuation is set out below.

Basis of Determining Fair Value

The determination of fair values of financial and non financial assets and liabilities that are not measured at cost or amortised cost in the half year financial report are summarised as follows:

- The fair value of derivative instruments comprises forward foreign exchange contracts and foreign exchange options, which are valued using forward rates at balance date, measured at the present value of future cash flows estimated and discounted based on applicable yield curves derived from quoted interest rates and include counterparty risk adjustments.

Fair Value Measurements

The table below analyses financial and non financial assets and liabilities carried at fair value, by valuation method. The different levels have been defined as follows:

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

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

	Level 1 \$000s	Carrying Amount Level 2 \$000s	Level 3 \$000s	Total \$000s
December 2017				
Financial Assets				
Derivatives	-	3,635	-	3,635
Financial Liabilities				
Derivatives	-	4,206	-	4,206
	Level 1 \$000s	Carrying Amount Level 2 \$000s	Level 3 \$000s	Total \$000s
June 2017				
Financial Assets				
Derivatives	-	3,620	-	3,620
Financial Liabilities				
Derivatives	-	10,681	-	10,681

12. Events Subsequent to Balance Date

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

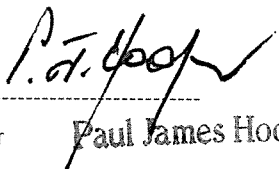
Directors' Declaration

In the opinion of the Directors of Lendlease Finance Limited ('the Company'):

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

Director


Paul James Hooper

Date

14/2/18

Independent Auditor's Review Report

To the members of Lendlease Finance Limited

Report on the Half-year Financial Report

Conclusion

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

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 Finance Limited is not in accordance with the *Corporations Act 2001*, including:

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

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

- Statement of financial position as at 31 December 2017;
- Income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the Half-year ended on that date;
- Notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the 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*
- for such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

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

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

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

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



KPMG



Eileen Hoggett

Partner

Sydney

14 February 2018



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

To the Directors of Lendlease Finance Limited

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

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

KPMG

KPMG

Eileen Hoggett

Eileen Hoggett

Partner

Sydney

14 February 2018