

Lendlease Finance Limited

Annual Financial Report

30 June 2018

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 annual financial report was authorised for issue by the Directors on 15 August 2018.

Directors' Report

The Directors of Lendlease Finance Limited (the Company) (ABN 49 008 618 380) present their Report together with the Annual Financial Report of the Company, for the year ended 30 June 2018 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. Governance

a. 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

b. Company Secretary

Ms Susie Ann Westlake was appointed to the position of company secretary in April 2013 and Ms Katrina Beth Smith was appointed to the position of company secretary in July 2015.

2. Operations

a. 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 year.

b. Review and Results of Operations

The Company made a loss after tax of \$5,232,000 for the year ended 30 June 2018 (30 June 2017: profit after tax \$12,213,000).

c. Dividends

No dividends were paid by the Company to its parent entity, Lendlease Corporation Limited, during the financial year (June 2017: \$Nil).

d. Significant Changes in State of Affairs

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

e. Events Subsequent to Balance Date

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

f. Likely Developments

The Company will continue to pursue its policy of borrowing, lending and investing funds and hedging the Group's foreign currency position. Information about likely developments in the operations of the Company and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

g. Environmental Regulation

The Company's operations are not of a kind which is likely to give rise to any particular or significant environmental issues under the Australian Commonwealth and/or State legislation.

Directors' Report continued

2. Operations continued

g. Environmental Regulation continued

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

3. Other

a. Indemnification and Insurance of Directors and Officers

Indemnification

The Company's constitution provides for indemnification of any former or current Officers to the extent outlined in the Company's constitution. Since 1 July 2017, the Company has not entered into a separate deed of indemnity with any current or former Officers of the Company.

Insurance Premiums

The ultimate holding company has paid or agreed to pay on behalf of the Company, premiums in respect of Directors' and Officers' liability insurance. The premiums are renewable annually. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been Directors or Executive Officers of the Company.

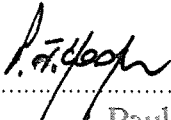
b. Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The Lead Auditor's Independence Declaration is set out on page 3 and forms part of the Directors' Report for the year ended 30 June 2018.

c. 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**
15 August 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 audit of Lendlease Finance Limited for the financial year ended 30 June 2018 there have been:

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

KPMG

Eileen Hoggett
Partner

Sydney
15 August 2018

Financial Statements

Income Statement

Year ended 30 June 2018

	Note	June 2018 \$000s	June 2017 \$000s
Finance revenue	3	67,645	78,568
Finance costs	3	(68,442)	(84,156)
Net finance expense		(797)	(5,588)
Other income			
Guarantee fees – related parties		28,148	26,192
Derivative and foreign exchange (loss)/ gain	4	(16,690)	15,431
Expenses			
Guarantee fees		(17,124)	(18,375)
Other expenses		(259)	(220)
Total expenses		(17,383)	(18,595)
(Loss)/ profit before tax		(6,722)	17,440
Income tax benefit/ (expense)	5a	1,490	(5,227)
(Loss)/ profit after tax attributable to members of Lendlease Finance Limited		(5,232)	12,213

Statement of Comprehensive Income

Year ended 30 June 2018

	June 2018 \$000s	June 2017 \$000s
(Loss)/ profit after Tax	(5,232)	12,213
Other Comprehensive (expense)/ income after Tax	-	-
Total comprehensive (expense)/ income after tax	(5,232)	12,213

The accompanying notes form part of these financial statements.

Financial Statements continued

Statement of Financial Position

As at 30 June 2018

	Note	June 2018 \$000s	June 2017 \$000s
Current Assets			
Cash and cash equivalents	6	147,059	271,736
Loans and receivables	7	1,024,551	1,065,993
Derivatives	8	5,821	3,620
Financial guarantee contracts		820	820
Other assets		4,033	3,152
Total current assets		1,182,284	1,345,321
Non Current Assets			
Loans and receivables	7	18,015	-
Derivatives	8	89	-
Financial guarantee contracts		777	1,596
Net deferred tax assets	5c	3,020	11,565
Other assets		13,100	12,262
Total non current assets		35,001	25,423
Total assets		1,217,285	1,370,744
Current Liabilities			
Trade and other payables	9	135,031	183,379
Derivatives	8	3,017	10,681
Borrowings and financing arrangements	10	474,848	259,411
Total current liabilities		612,896	453,471
Non Current Liabilities			
Trade and other payables	9	63,318	135,470
Derivatives	8	89	-
Borrowings and financing arrangements	10	521,290	756,879
Total non current liabilities		584,697	892,349
Total liabilities		1,197,593	1,345,820
Net assets		19,692	24,924
Equity			
Issued capital	11	100,000	100,000
Reserves	12	14,941	14,941
Accumulated losses		(95,249)	(90,017)
Total equity		19,692	24,924

The accompanying notes form part of these financial statements.

Financial Statements continued

Statement of Changes in Equity

Year ended 30 June 2018

	Note	June 2018 \$000s	June 2017 \$000s
Issued Capital			
Opening balance at beginning of financial year		100,000	100,000
Closing balance at end of financial year	11	100,000	100,000
Financial Guarantee Contract Reserve			
Opening balance at beginning of financial year		14,941	14,941
Closing balance at end of financial year	12	14,941	14,941
Total reserves		14,941	14,941
Accumulated Losses			
Opening balance at beginning of financial year		(90,017)	(102,230)
(Loss)/ profit attributable to members of Lendlease Finance Limited		(5,232)	12,213
Closing balance at end of financial year		(95,249)	(90,017)
Total equity		19,692	24,924
Total Comprehensive (Expense)/ Income after Tax for the Financial Year			
Attributable to members of Lendlease Finance Limited		(5,232)	12,213
Total comprehensive (expense)/ income after tax		(5,232)	12,213

The accompanying notes form part of these financial statements.

Financial Statements continued

Statement of Cash Flows

Year ended 30 June 2018

	Note	June 2018 \$000s	June 2017 \$000s
Cash Flows from Operating Activities			
Cash receipts in the course of operations		1,955,088	4,462,307
Cash payments in the course of operations		(1,976,057)	(4,517,621)
Interest received		67,514	78,526
Interest paid		(66,103)	(77,066)
Income tax paid in respect of operations		9,231	(1,476)
Net cash (used in) operating activities	15a	(10,327)	(55,330)
Cash Flows from Financing Activities			
Funding provided from Group entities		953,955	777,665
Funding provided to Group entities		(1,036,135)	(1,013,664)
Proceeds from borrowings - external		1,375,000	2,483,451
Repayment of borrowings - external		(1,404,983)	(2,200,000)
Net cash (used in)/ provided by financing activities	15b	(112,163)	47,452
Other Cash Flow Items			
Effect of foreign exchange rate movements on cash and cash equivalents		(2,187)	7,467
Net decrease in cash and cash equivalents		(124,677)	(411)
Cash and cash equivalents at beginning of financial year		271,736	272,147
Cash and cash equivalents at end of financial year	6	147,059	271,736

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1. Basis of Preparation

The financial report is a general purpose financial report which:

- has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board, and the *Corporations Act 2001*;
- complies with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board;
- is presented in Australian dollars with all values rounded off to the nearest thousand dollars unless otherwise indicated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191; and
- is prepared under the historical cost basis except for derivative financial instruments which are stated at their fair value. Refer to the specific accounting policies set out in Note 4 'Derivative and Foreign Exchange (Loss)/ Gain' for the basis of valuation of derivative financial instruments measured at fair value.

Significant accounting policies have been:

- included in the relevant notes to which the policies relate, and other significant accounting policies are discussed in Note 1.2; and
- consistently applied to all financial years presented in the financial statements, except as explained in Note 1.1.

The preparation of a financial report that complies with AASBs requires management to make judgements, estimates and assumptions.

- This can affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
- Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.
- The significant accounting policies highlight information about accounting judgements in applying accounting policies that have the most significant effects on reported amounts and further information about estimated uncertainties that have a significant risk of resulting in material adjustments with the next financial year.

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

- Current assets include assets held primarily for trading purposes, cash and cash equivalents and assets expected to be realised in, or intended for sale or use in, the course of the Company's operating cycle. All other assets are classified as non current.
- Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled in the course of the Company's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non current.

Notes to the Financial Statements continued

1. Basis of Preparation continued

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 of these new standards and amendments.

- 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

Certain new accounting standards and interpretations have been published that are not mandatory for the financial year ended 30 June 2018 but are available for early adoption and have not been applied in preparing this report.

The table below represents new and revised accounting standard, together with consequential amendments relevant to the Company's results at 30 June 2018.

Accounting Standard	Requirement	Impact on Financial Statements
AASB 15 <i>Revenue from Contracts with Customers</i> and consequential amendments	AASB 15 provides a new five step model for recognising revenue earned from a contract with a customer and will replace the existing AASB 118 <i>Revenue</i>. The standard becomes mandatory for the June 2019 financial year and will be applied retrospectively.	On adoption of AASB 15, the amendments are not expected to have any significant impact on the Company. The new standard will require an increase in the disclosure in relation to revenue derived from contracts, key judgements and future revenue expected to be generated.

Notes to the Financial Statements continued

1. Basis of Preparation continued

1.2 Other Significant Accounting Policies

a. Foreign Currency Translation

Functional and Presentation Currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial report is presented in Australian dollars, which is the Company's functional and presentation currency.

Transactions and Balances

Foreign currency transactions are translated into Australian dollars using the exchange rates on the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated to Australian dollars at balance date.

Foreign exchange gains or losses resulting from the settlement of such transactions, and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the Income Statement.

b. Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax ('GST'), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office ('ATO') is included as a current asset or liability in the Statement of Financial Position. Cash flows are included in the Statement of Cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

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.

3. Finance Revenue and Finance Costs

Accounting Policies

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

Finance costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of costs incurred in connection with the arrangement of new borrowings facilities. Costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings.

Financial Disclosure	June 2018 \$000s	June 2017 \$000s
Finance Revenue		
Related parties	62,650	74,547
Other corporations	4,995	4,021
Total finance revenue	67,645	78,568
Finance Costs		
Related parties	(8,789)	(18,766)
Other corporations	(59,653)	(65,390)
Total finance costs	(68,442)	(84,156)
Net finance expense	(797)	(5,588)

Notes to the Financial Statements continued

4. Derivative and Foreign Exchange (Loss)/Gain

Accounting Policies

The Lendlease Group uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational, financing and investing activities. The Company manages currency risk on behalf of the Group utilising approved instruments such as foreign currency forwards, foreign currency swaps and option contracts. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivative financial instruments are recognised initially at fair value on the date a derivative contract is entered into and subsequently remeasured at their fair value. Recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of forward exchange contracts is their value at the current quoted forward price at the balance sheet date.

The Company is exposed to changes in foreign exchange rates and uses forward foreign exchange contracts to hedge these risks.

Forward foreign exchange contracts are entered into to cover the anticipated excess of revenue less expenses within the Group's operations. These foreign exchange contracts are converted at the rates at balance date. The resulting foreign exchange gains or losses are taken to the Income Statement unless they are hedge accounted.

Financial Disclosure	June 2018 \$000s	June 2017 \$000s
Foreign exchange contracts loss	(2,524)	(17,512)
Foreign exchange gain on related party loans	2,850	7,680
Foreign exchange (loss)/ gain on external borrowings	(14,727)	17,781
Foreign exchange (loss)/ gain on other transactions	(102)	15
Foreign exchange (loss)/ gain on revaluation of foreign currency bank accounts	(2,187)	7,467
Total derivative and foreign exchange (loss)/ gain	(16,690)	15,431

Notes to the Financial Statements continued

5. Taxation

Accounting Policies

Income Taxes

Income tax on the profit or loss for the financial year comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is the expected tax payable in future periods as a result of past transactions or events and is calculated by comparing the accounting balance sheet to the tax balance sheet. Temporary differences are provided for any differences in the carrying amounts of the assets and liabilities between the accounting and tax balance sheets.

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

Recognition of deferred tax assets is only to the extent it is probable that future taxable profits will be available so as the related tax asset will be realised. Deferred tax assets may include the following: deductible temporary differences, unused tax losses and unused tax credits. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax Consolidation

Lendlease Corporation Limited is the head entity of the Australian Tax Consolidated Group comprising all the Australian wholly owned subsidiaries, which excludes Lendlease Trust. The Company entered into the Australian Tax Consolidation Regime effective 1 July 2002.

The head entity recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the Australian wholly owned subsidiaries of the Australian Tax Consolidated Group.

Members of the Australian Tax Consolidated Group have entered into a tax sharing/funding arrangement that requires wholly owned Australian subsidiaries to make contributions to the Company for tax liabilities and deferred tax balances arising from external transactions occurring after the implementation of tax consolidation. The contributions are broadly calculated as if each entity paid tax on a modified standalone basis.

The contributions are payable as set out in the agreement and reflect the timing of the head entity's obligations to make payments for tax liabilities to the Australian Taxation Office ('ATO'). The assets and liabilities arising under the Australian tax sharing/funding arrangement are recognised as intercompany assets and liabilities.

Notes to the Financial Statements continued

5. Taxation continued

a. Income Tax Benefit

Financial Disclosure	June 2018 \$000s	June 2017 \$000s
Recognised in the Income Statement		
Current Tax Benefit		
Current year	10,038	9,557
	10,038	9,557
Deferred Tax Expense		
Origination and reversal of temporary differences	(8,548)	(14,784)
	(8,548)	(14,784)
Total income tax benefit/ (expense)	1,490	(5,227)
Reconciliation of income tax benefit/ (expense)		
(Loss)/ profit before tax	(6,722)	17,440
Income tax using the domestic corporation tax rate (30%)	2,017	(5,232)
Non allowable expenses	(667)	(2)
Foreign tax credits claimable	140	7
Income tax benefit/ (expense)	1,490	(5,227)

b. Current Tax Liabilities

The current tax benefit of \$10,038,000 (June 2017: \$9,557,000 tax benefit) which has been transferred to Lendlease Corporation Limited for tax consolidation, represents the amount of income taxes refundable in respect of current and prior years.

c. Deferred Tax Assets and Liabilities

	June 2018			June 2017		
	Assets \$000s	Liabilities \$000s	Net \$000s	Assets \$000s	Liabilities \$000s	Net \$000s
Recognised Deferred Tax Assets and Liabilities						
Deferred tax assets and liabilities are attributable to the following:						
Cash and cash equivalents	1,375	-	1,375	724	-	724
Derivatives	-	(837)	(837)	2123	-	2,123
Other assets	-	(1,168)	(1,168)	-	(4,985)	(4,985)
Trade and other payables	3,650	-	3,650	13,703	-	13,703
Set off of tax	(2,005)	2,005	-	(4,985)	4,985	-
Total deferred tax assets/(liabilities)	3,020	-	3,020	11,565	-	11,565

Under AASB 112, Deferred Tax Assets (DTAs) and Deferred Tax Liabilities (DTLs) may be offset subject to certain criteria being met. The Company offsets its DTA and DTL as it has a legally enforceable right to set-off current tax assets and current tax liabilities; and because the DTA and DTL relate to income taxes levied by the same taxation authority on the same taxable entity.

Notes to the Financial Statements continued

5. Taxation continued

c. Deferred Tax Assets and Liabilities

Recognised Deferred Tax Assets and Liabilities continued

	1 July 2017 \$000s	Recognised in Income \$000s	30 June 2018 \$000s
Movement in temporary differences during the financial year:			
June 2018			
Cash and cash equivalents	724	651	1,375
Derivatives	2,123	(2,960)	(837)
Other assets	(4,985)	3,817	(1,168)
Trade and other payables	13,703	(10,053)	3,650
Total deferred tax assets/(liabilities)	11,565	(8,545)	3,020

	1 July 2016 \$000s	Recognised in Income \$000s	30 June 2017 \$000s
Movement in temporary differences during the financial year:			
June 2017			
Cash and cash equivalents	3,205	(2,481)	724
Derivatives	15,136	(13,013)	2,123
Other assets	(3,193)	(1,792)	(4,985)
Trade and other payables	11,201	2,502	13,703
Total deferred tax assets/(liabilities)	26,349	(14,784)	11,565

6. Cash and Cash Equivalents

Accounting Policies

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

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

Financial Disclosure	June 2018 \$000s	June 2017 \$000s
Cash		
Short term investments	147,059	271,736
Total cash and cash equivalents	147,059	271,736

Short term investments earned variable rates of interest which averaged 1.80% per annum during the year ended 30 June 2018 (30 June 2017: 2.10%).

Notes to the Financial Statements continued

7. Loans and Receivables

Accounting Policies

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not equity securities. Loans and receivables are carried at amortised cost using the effective interest method. Cash flows relating to short term trade and other receivables are not discounted if the effect of discounting is immaterial. The discount, if material, is then recognised as revenue over the remaining term.

The Company assesses provision for impairment of loans and receivables based on expected loss, if material. The Company considers reasonable and supportable information that is relevant and available. This includes both quantitative and qualitative information and analysis, based on the Company's historical impairment experience, credit assessment of customers and any relevant forward-looking information. The amount of the provision is recognised in the Income Statement.

Financial Disclosure	June 2018 \$000s	June 2017 \$000s
Current		
Loans to parent entity (including intercompany tax balance)	964,280	1,062,933
Related party loans and receivables	59,903	2,723
Other receivables	368	337
Total current	1,024,551	1,065,993
Non-Current		
Related party loans and receivables	18,015	-
Total non current	18,015	-
Total loans and receivables	1,042,566	1,065,993

The credit quality of all loans and receivables, including those neither past due nor impaired, is assessed and monitored on an ongoing basis. To determine the impairment provision for the financial year, the Company considers how economic and market conditions will affect the creditworthiness of certain entities. There is no impairment provision for 30 June 2018 (June 2017: \$Nil).

8. Derivatives

Financial Disclosure	June 2018 \$000s	June 2017 \$000s
Current Assets		
Forward foreign exchange contracts – other corporations	5,279	1,300
Forward foreign exchange contracts – related parties	542	2,320
Total current	5,821	3,620
Non Current Assets		
Forward foreign exchange contracts – other corporations	-	-
Forward foreign exchange contracts – related parties	89	-
Total non current	89	-
Total derivative assets	5,910	3,620
Current Liabilities		
Forward foreign exchange contracts – other corporations	(832)	(9,662)
Forward foreign exchange contracts – related parties	(2,185)	(1,019)
Total current	(3,017)	(10,681)
Non Current Liabilities		
Forward foreign exchange contracts – other corporations	(89)	-
Forward foreign exchange contracts – related parties	-	-
Total non current	(89)	-
Total derivative liabilities	(3,106)	(10,681)
Net derivative assets/(liabilities)	2,804	(7,061)

Notes to the Financial Statements continued

9. Trade and Other Payables

Accounting Policies

Trade Creditors

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 45 days. Trade and other payables are stated at amortised cost or cost when the impact of discounting would be immaterial.

Trade and other payables are presented as current liabilities unless there is an unconditional contractual right for the Company to defer payment for at least 12 months from the reporting date.

Financial Disclosure	June 2018 \$000s	June 2017 \$000s
Current		
Related party trade payables and loans	125,974	166,140
Accrued expenses	9,057	17,223
Other creditors	-	16
Total current	135,031	183,379
Non Current		
Related party trade payables and loans	63,318	135,470
Total non current	63,318	135,470
Total trade and other payables	198,349	318,849

10. Borrowings and Financing Arrangements

Accounting Policies

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

a. Borrowings – Measured at Amortised Cost

Financial Disclosure	June 2018 \$000s	June 2017 \$000s
Current		
Commercial notes	249,848	259,411
Bank credit facilities	225,000	-
Total current	474,848	259,411
Non Current		
Commercial notes	521,290	756,879
Total non current	521,290	756,879
Total borrowings and financing arrangements	996,138	1,016,290

Notes to the Financial Statements continued

10. Borrowings and Financing Arrangements continued

b. Finance Facilities – Gross Value

	June 2018 \$000s	June 2017 \$000s
The Company has access to the following lines of credit:		
Commercial notes		
Facility available	771,138	1,016,290
Amount of facility used	(771,138)	(1,016,290)
Amount of facility unused	-	-
Bank credit facilities		
Facility available	1,500,000	1,500,000
Amount of facility used	(225,000)	-
Amount of facility unused	1,275,000	1,500,000
Bank overdrafts		
Facility available	115,000	115,000
Amount of facility used	-	-
Amount of facility unused	115,000	115,000

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 June 2018;
- 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) was drawn by A\$225.0 million at 30 June 2018 (30 June 2017: undrawn).

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

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

The following schedule profiles the borrowings by currency and interest exposure.

	Interest Exposure			Currency		
	Fixed \$000s	Floating \$000s	Total \$000s	AS \$000s	S\$ \$000s	Total \$000s
June 2018						
Less than one year	249,848	225,000	474,848	474,848	-	474,848
Between one and five years	225,743	-	225,743	225,743	-	225,743
More than five years	295,547	-	295,547	-	295,547	295,547
Total	771,138	225,000	996,138	700,591	295,547	996,138
June 2017						
Less than one year	259,411	-	259,411	-	259,411	259,411
Between one and five years	475,579	-	475,579	475,579	-	475,579
More than five years	281,300	-	281,300	-	281,300	281,300
Total	1,016,290	-	1,016,290	475,579	540,711	1,016,290

Notes to the Financial Statements continued

11. Issued Capital

Accounting Policies

Issued Capital

Ordinary shares are classified as equity.

Dividends/distributions are recognised as a liability in the financial year in which they are declared.

Financial Disclosure	June 2018		June 2017	
	No. of Shares	\$000s	No. of Shares	\$000s
Ordinary shares of \$1 each fully paid	5,000,000	5,000	5,000,000	5,000
Ordinary shares of \$9,500,000 each fully paid	10	95,000	10	95,000
Issued capital at end of financial year	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.

12. Reserves

Accounting Policies

Held for Trading Derivatives

Certain derivative instruments do not qualify for hedge accounting or hedge accounting treatment is not sought. These instruments are classed as held for trading and changes in their fair value are recognised immediately in the Income Statement.

Financial Guarantee Contract Reserve is in relation to an asset the Company recognises for the parent company guarantee provided by Lendlease Corporation Limited in relation to external debt facilities. The Company is not required to make payments to the parent entity in relation to this guarantee, and it is therefore treated as a capital contribution by Lendlease Corporation Limited and recorded in reserves under equity.

13. 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 year.

The Company does not have any other contingent liabilities as at 30 June 2018.

14. Financial Instruments and Risk Management

The Lendlease Asset and Liability Committee oversees the management of the Company's foreign currency, credit, interest rate and liquidity risk exposures, within the parameters of the Group Board approved policy. The Lendlease Asset and Liability Committee maintains a Group-wide framework for risk management, within which the Company operates, and reviews issues of material risk exposure.

a. Foreign Currency

Foreign currency risk is the risk in local currency terms that the value of a financial commitment or a recognised asset or liability, will fluctuate due to changes in foreign currency exchange rates.

The Company is exposed to foreign currency risk primarily from foreign currency intercompany loans, foreign currency external borrowings, foreign currency bank accounts and derivative financial instruments (mainly forward foreign exchange contracts used to hedge the Lendlease Group's foreign currency exposures). Speculative derivative trading is not permitted.

The Company currently applies hedge accounting under AASB 9 *Financial Instruments* on a very limited basis as the majority of forward foreign exchange contracts relate to foreign currency intercompany loans which mainly net off in the Income Statement. The Company has minimal hedges designated as fair value or cash flow hedges.

Notes to the Financial Statements continued

14. Financial Instruments and Risk Management continued

a. Foreign Currency continued

The net asset exposure by currency is detailed below.

	A\$000s	US\$000s	£000s	S\$000s	€000s	Other 000s	Total A\$000s
June 2018							
Net asset exposure	376,102	54,252	424	(359,480)	258	(51,864)	19,692
June 2017							
Net asset exposure	802,527	(151,697)	590	(575,405)	4,493	(55,584)	24,924

Sensitivity Analysis

The sensitivity analysis of the Company's Australian dollar denominated Income Statement and Statement of Financial Position to foreign currency movements is based on a 10% fluctuation (June 2017: 10% fluctuation) on the average rates during the financial year and the spot rate at balance date respectively. This analysis assumes that all other variables, in particular interest rates, remain constant, and excludes the effects of the foreign exchange contracts above.

A 10% movement in the average foreign exchange rates would have impacted the Company's Profit after Tax as follows.

	10% Weakening Increase/(Decrease) In Profit after Tax		10% Strengthening Increase/(Decrease) In Profit after Tax	
	June 2018 \$000s	June 2017 \$000s	June 2018 \$000s	June 2017 \$000s
USD	317	(930)	(267)	753
GBP	103	(48)	(82)	40
SGD	(2,111)	361	1,811	(326)
EUR	42	11	(36)	(9)
Others	122	2	(96)	(2)
Total	(1,527)	(604)	1,330	456

A 10% movement in the foreign exchange spot rates at balance date would have impacted the Company's net assets as follows.

	10% Weakening Increase/(Decrease) In Net Assets		10% Strengthening Increase/(Decrease) In Net Assets	
	June 2018 \$000s	June 2017 \$000s	June 2018 \$000s	June 2017 \$000s
USD	5,619	(17,082)	(4,729)	13,057
GBP	51	68	(41)	(54)
SGD	(38,606)	(66,185)	33,121	54,456
EUR	29	534	(24)	(417)
Others	(5,763)	(6,174)	4,713	5,023
Total	(38,670)	(88,839)	33,040	72,065

b. Credit Risk

Credit risk represents the risk that a counterparty will not be able to complete its obligations in respect of a financial instrument, resulting in a financial loss to the Company. The maximum credit risk on financial assets has been factored into the carrying amounts which are reflected in the Statement of Financial Position. No provision for doubtful debts has been raised as no impairment has been identified.

Credit risk on financial instruments is managed under the Group Board approved credit policy that determines acceptable counterparties. Derivative counterparties and cash deposits are limited to recognised financial intermediaries with a minimum investment-grade credit rating as determined by a recognised rating agency. The policy sets out credit limits for approved counterparty based on these ratings.

Notes to the Financial Statements continued

14. Financial Instruments and Risk Management continued

c. Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument or cash flow associated with the instrument will fluctuate due to changes in market interest rates. Speculative trading is not permitted.

The Company's exposure to interest rate risk on its financial assets and liabilities is set out as follows.

	Carrying Amount	
	June 2018 \$000s	June 2017 ¹ \$000s
Fixed rate		
Financial assets	-	100,000
Financial liabilities	(771,138)	(1,016,290)
	(771,138)	(916,290)
Variable rate		
Financial assets	219,172	171,736
Financial liabilities	(413,318)	(300,691)
	(194,146)	(128,955)

Sensitivity Analysis

At 30 June 2018 it is estimated that an increase of one percentage point in interest rates would have decreased the Company's profit after tax and retained earnings by A\$2.6 million (June 2017¹: one percentage point increase would have caused a A\$7.3 million decrease in the Company's profit after tax and retained earnings). A one percentage point decrease in interest rates would have increased the Company's profit after tax and retained earnings by A\$2.6 million (June 2017¹: one percentage point decrease would have caused a A\$7.3 million increase in the Company's profit after tax and retained earnings). The increase or decrease in interest income/expense is proportional to the increase or decrease in interest rates.

1. June 2017 comparatives have been restated to include loans from related parties.

d. Liquidity Risk

Liquidity risk is the risk of having insufficient funds to settle financial liabilities as and when they fall due. This includes having insufficient levels of committed credit facilities.

The Company aims to manage its liquidity risk exposure by maintaining sufficient levels of cash and committed credit facilities to meet financial commitments as and when they fall due.

Liquidity risk is reduced through prudent cash management, which ensures sufficient levels of cash are maintained to meet working capital requirements. It also allows flexibility of liquidity by matching the maturity profiles of short term investments with cash flow requirements, and timely review and renewal of credit facilities.

As disclosed in Note 13 'Contingent Liabilities', in certain circumstances the Company guarantees the performance of particular Group entities in respect of their obligations including bonding and bank guarantees. Issued bank guarantees have cash collateralisation requirements if the bank guarantee facility is not renewed by the provider. At 30 June 2018, the Company does not anticipate a significant liquidity risk in relation to these facilities in the next 12 months.

Notes to the Financial Statements continued

14. Financial Instruments and Risk Management continued

d. Liquidity Risk continued

The following are the contractual cash flow maturities of financial liabilities including estimated interest payments.

	Note	Carrying Amount \$000s	Contractual Cash Flows \$000s	Less than One Year \$000s	One to Two Years \$000s	Two to Five Years \$000s	More than Five Years \$000s
June 2018							
Non derivative financial liabilities							
Trade and other payables	9	198,349	198,349	135,031	-	63,318	-
Borrowings and financing arrangements	10	996,138	1,145,051	510,834	256,067	34,752	343,398
Total		1,194,487	1,343,400	645,865	256,067	98,070	343,398
Derivative financial liabilities							
Forward foreign exchange contracts – other corporations	8	-	146,042	140,107	5,527	408	-
Outflow		-	146,042	140,107	5,527	408	-
Inflow		-	(145,121)	(139,275)	(5,442)	(404)	-
Subtotal		921	921	832	85	4	-
Forward foreign exchange contracts – related parties	8	-	19,814	19,814	-	-	-
Outflow		-	19,814	19,814	-	-	-
Inflow		-	(17,629)	(17,629)	-	-	-
Subtotal		2,185	2,185	2,185	-	-	-
Total		3,106	3,106	3,017	85	4	-
June 2017							
Non derivative financial liabilities							
Trade and other payables	9	318,849	318,849	183,379	135,470	-	-
Borrowings and financing arrangements	10	1,016,290	1,158,552	283,059	271,562	265,693	338,238
Total		1,335,139	1,477,401	466,438	407,032	265,693	338,238
Derivative financial liabilities							
Forward foreign exchange contracts – other corporations	8	-	633,203	633,203	-	-	-
Outflow		-	633,203	633,203	-	-	-
Inflow		-	(623,541)	(623,541)	-	-	-
Subtotal		9,662	9,662	9,662	-	-	-
Forward foreign exchange contracts – related parties	8	-	65,615	65,615	-	-	-
Outflow		-	65,615	65,615	-	-	-
Inflow		-	(64,596)	(64,596)	-	-	-
Subtotal		1,019	1,019	1,019	-	-	-
Total		10,681	10,681	10,681	-	-	-

Notes to the Financial Statements continued

14. Financial Instruments and Risk Management continued

e. 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.

	Note	June 2018		June 2017	
		Carrying Amount \$000s	Fair Value \$000s	Carrying Amount \$000s	Fair Value \$000s
Liabilities					
Current					
Commercial notes	10a	249,848	252,897	259,411	260,097
Non Current					
Commercial notes	10a	521,290	577,448	756,879	849,848

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

Basis of Determining Fair Value

The determination of fair values of financial assets and liabilities that are not measured at cost or amortised cost in the financial report are the fair value of derivative instruments comprising forward foreign exchange contracts, which are valued using forward rates at balance date, 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 assets and liabilities carried at fair value, by valuation method. The different levels have been defined as follows:

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

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

	Note	Carrying Amount			Total \$000s
		Level 1 \$000s	Level 2 \$000s	Level 3 \$000s	
June 2018					
Financial assets					
Derivatives	8	-	5,910	-	5,910
Financial liabilities					
Derivatives	8	-	3,106	-	3,106

	Note	Carrying Amount			Total \$000s
		Level 1 \$000s	Level 2 \$000s	Level 3 \$000s	
June 2017					
Financial assets					
Derivatives	8	-	3,620	-	3,620
Financial liabilities					
Derivatives	8	-	10,681	-	10,681

Notes to the Financial Statements continued

15. Notes to the Statement of Cash Flows

	June 2018 \$000s	June 2017 \$000s
a. Reconciliation of (Loss)/ Profit after Tax to Net Cash Used in Operating Activities		
(Loss)/ Profit after Tax	(5,232)	12,213
Net unrealised foreign exchange contracts profit	(9,864)	(43,379)
Unrealised/realised foreign exchange gain on intercompany loans	(2,850)	(7,680)
Unrealised/ realised foreign exchange loss/ (gain) on external debt	9,569	(17,781)
Realised foreign exchange loss/ (gain) on revaluation of cash and cash equivalents	2,187	(7,467)
Unrealised foreign exchange loss/ (gain) on revaluation of trade and other payables	11	(12)
Financial guarantee contracts expense	820	820
Amortisation of borrowings	203	431
Net cash used in by operating activities before changes in assets and liabilities	(5,156)	(62,855)
Changes in Assets and Liabilities		
(Increase)/ decrease in loans and receivables	(3,114)	717
Increase in derivatives	-	(1)
(Increase)/ decrease in other assets	(1,718)	2,479
Decrease in net deferred tax assets	8,546	14,789
(Decrease)/ increase in trade and other payables	(8,080)	574
Decrease in current tax provision	(805)	(11,033)
Net cash used in operating activities	(10,327)	(55,330)
b. Reconciliation of Liabilities Arising from Financing Activities		
Balance at the beginning of financial year	263,282	240,858
Net proceeds from Group entities	(82,180)	(235,999)
Net proceeds from borrowings - external	(29,983)	283,451
Effect of foreign exchange rate movements	6,778	(25,459)
Amortisation	203	431
Balance at the end of financial year	158,100	263,282

16. Auditor's Remuneration

	June 2018 A\$	June 2017 A\$
Amounts payable or paid to the auditor of the Company for:		
Audit services	52,276	51,455
Total audit and other assurance services	52,276	51,455

Notes to the Financial Statements continued

17. Related Party Information

Key Management Personnel Disclosures

The Company does not employ personnel in its own right. Key management personnel compensation is paid by Lendlease Corporation Limited. A number of key management persons of the Company hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. There have been no transactions with key management personnel and other related parties for the years ending 30 June 2018 and 30 June 2017.

Other Related Party Transactions

All transactions with related parties are made on normal commercial terms and conditions. These transactions include the provision of the following services to Lendlease Corporation Limited and/or its wholly owned controlled entities: finance and treasury services, which includes working capital facilities and long term financing. Interest is earned or incurred on loans provided to or drawn with subsidiaries based on specific risks and returns. Outstanding balances arising from such loans are typically unsecured and repayable on demand.

In addition, guarantees are provided to particular Group entities in respect of their obligations, including bonding and bank guarantee facilities used primarily by the Construction business as well as performance guarantees for certain Development business commercial built-form developments. Guarantee fees are charged under normal terms and conditions.

Lendlease Group Services Limited provides a range of corporate services for which fees, based on the cost of providing those services, are charged. The corporate service charge for the financial year ending 30 June 2018 was \$29,833 (June 2017: \$Nil).

Details of amounts receivable and received from or payable and paid to related entities are also set out in Note 3 'Finance Revenue and Finance Costs'; Note 7 'Loans and Receivables'; and Note 9 'Trade and Other Payables'.

18. Events Subsequent to Balance Date

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

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 30 June 2018 and of its performance for the financial year ended on that date; and
 - b. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.
3. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Director



Paul James Hooper

Sydney, 15 August 2018



Independent Auditor's Report

To the members of Lendlease Finance Limited

Opinion

We have audited the **Financial Report** of Lendlease Finance Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Company's** financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Statement of financial position as at 30 June 2018;
- Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with *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* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Borrowings and Financing Arrangements (Current: A\$475m and Non-Current: A\$521m)

Refer to Note 10 Borrowings and Financing Arrangements and Note 14 Financial Instruments and Risk Management to the Financial Report

The key audit matter	How the matter was addressed in our audit
The Company holds various commercial loan notes and a syndicated multi-option facility which are used to finance related party entities. The loan notes and facility have differing contractual terms and conditions including repayment dates and interest rates. During the year, \$275m of guaranteed senior unsecured notes, issued in July 2012 in the Singapore bond market, reached its maturity and was fully repaid in July 2017. In addition, A\$250m unsecured medium term notes maturing in November 2018 have now been classified as current for the 30 June 2018 financial year. Furthermore, the A\$1,500m syndicated multi-option facility maturing in June 2019 (A\$600m) and June 2020 (A\$900m) was drawn by A\$225m as at 30 June 2018. We focused our audit effort on borrowing and financing arrangements given the current year activity and the size of the borrowings balance relative to the balance sheet of the Company.	Our procedures included: • Obtaining balance and facility limit confirmations from the commercial loans and Syndicated bank facility providers; • Reading the latest financing agreements to understand the key terms and conditions of each arrangement; • Assessing the classification of debt as a current or a non-current liability given our understanding of the financing agreements and the criteria in the accounting standards; and • Evaluating the debt maturity profile and related financial instrument and risk management disclosures in the light of our understanding of the financing agreements.

Other Information

Other Information is financial and non-financial information in Lendlease Finance Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.



A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar6.pdf. This description forms part of our Auditor's Report.

The KPMG logo, consisting of the letters 'KPMG' in a bold, sans-serif font, with a stylized graphic of four squares above the 'M'.

KPMG

A handwritten signature in black ink, reading 'Eileen Hoggett'.

Eileen Hoggett
Partner

Sydney
15 August 2018