

Lendlease Finance Limited

Half Year Financial Report

31 December 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 half year financial report was authorised for issue by the Directors on 19 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 2018 and the Auditor's Report thereon.

Lendlease Finance Limited is a wholly owned subsidiary of Lendlease Finance Holdings 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 2018 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 (Resigned October 2018)
F R Krile	Director appointed October 2018

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. 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 \$5,329,000 for the half year ended 31 December 2018 (31 December 2017: \$7,468,000 loss after tax).

4. Events Subsequent to Balance Date

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

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

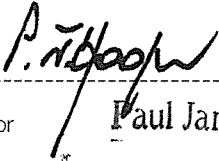
The Lead Auditor's Independence Declaration is set out at the end of this report and forms part of the Directors' Report for the six months ended 31 December 2018.

Directors' Report

6. 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 \$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 19 February 2019



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 of Lendlease Finance Limited for the half-year ended 31 December 2018 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

Eileen Hoggett

Partner

Sydney

19 February 2019

Financial Statements

Income Statement

Half Year Ended 31 December 2018

	Note	6 months December 2018 \$000s	6 months December 2017 \$000s
Finance revenue	3	49,425	28,281
Finance costs	3	(42,601)	(34,937)
Net finance revenue/(expense)		6,824	(6,656)
Other income			
Guarantee fees – related parties		13,010	11,762
Derivative and foreign exchange loss	4	(16,942)	(7,370)
Expenses			
Guarantee fees		(9,531)	(8,273)
Other expenses		(980)	(153)
Total expenses		(10,511)	(8,426)
Loss before tax		(7,619)	(10,690)
Income tax benefit	5	2,290	3,222
Loss after tax attributable to members of Lendlease Finance Limited		(5,329)	(7,468)

Statement of Comprehensive Income

Half Year Ended 31 December 2018

	6 months December 2018 \$000s	6 months December 2017 \$000s
Loss after tax	(5,329)	(7,468)
Other comprehensive income/(loss) after tax	-	-
Total comprehensive loss after tax	(5,329)	(7,468)

The accompanying notes form part of these financial statements.

Financial Statements continued

Statement of Financial Position

As at 31 December 2018

	Note	December 2018 \$000s	June 2018 \$000s
Current Assets			
Cash and cash equivalents ¹		40,861	203,163
Loans and receivables	6	2,036,101	1,024,551
Derivatives		7,314	5,821
Financial guarantee contracts		820	820
Other assets		1,818	4,033
Total current assets		2,086,914	1,238,388
Non Current Assets			
Loans and receivables	6	-	18,015
Derivatives		283	89
Financial guarantee contracts		777	777
Net deferred tax assets		10,516	3,020
Other assets		15,500	13,100
Total non current assets		27,076	35,001
Total assets		2,113,990	1,273,389
Current Liabilities			
Trade and other payables	7	232,651	135,031
Derivatives		5,799	3,017
Borrowings and financing arrangements	8	-	474,848
Other financial liabilities ¹	9	59,593	56,104
Total current liabilities		298,043	669,000
Non Current Liabilities			
Trade and other payables	7	136,632	63,318
Borrowings and financing arrangements	8	1,664,669	521,290
Derivatives		283	89
Total non current liabilities		1,801,584	584,697
Total liabilities		2,099,627	1,253,697
Net assets		14,363	19,692
Equity			
Issued capital	10	100,000	100,000
Reserves		14,941	14,941
Accumulated losses		(100,578)	(95,249)
Total equity		14,363	19,692

1. June 2018 Statement of Financial Position has been adjusted to reclassify the HSBC multi-currency notional pool from cash and cash equivalents to other financial liabilities. Refer to Note 9 Other Financial Liabilities for further detail.

Financial Statements continued

Statement of Changes in Equity

Half Year Ended 31 December 2018

	6 months December 2018 \$000s	6 months December 2017 \$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
Reserves		
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	(95,249)	(90,017)
Loss attributable to members of Lendlease Finance Limited	(5,329)	(7,468)
Closing balance at end of financial period	(100,578)	(97,485)
Total equity	14,363	17,456
Total Comprehensive Income/(Loss) After Tax for the Period		
Attributable to members of Lendlease Finance Limited	(5,329)	(7,468)
Total comprehensive loss after tax	(5,329)	(7,468)

Statement of Cash Flows

Half Year Ended 31 December 2018

	6 months December 2018 \$000s	6 months December 2017 \$000s
Cash Flows from Operating Activities		
Cash receipts in the course of operations	774,738	818,439
Cash payments in the course of operations	(765,927)	(832,187)
Interest received	49,657	28,229
Interest paid	(37,228)	(37,083)
Net cash provided by/(used) in operating activities	21,240	(22,602)
Cash Flows from Financing Activities		
Funding provided from Group entities	469,876	969,346
Funding provided to Group entities	(1,304,844)	(593,028)
Proceeds from borrowings - external	2,530,000	700,000
Repayment of borrowings - external	(1,875,000)	(954,950)
Net cash (used in)/provided by financing activities	(179,968)	121,368
Other Cash Flow Items		
Effect of foreign exchange rate movements on cash and cash equivalents	(3,574)	1,093
Net (decrease)/increase in cash and cash equivalents	(162,302)	99,859
Cash and cash equivalents at beginning of financial period¹	203,163	271,736
Cash and cash equivalents at end of financial period	40,861	371,595

1. June 2018 Statement of Cash Flows has been adjusted to reclassify the HSBC multi-currency notional pool from cash and cash equivalents to other financial liabilities. Refer to Note 9 Other Financial Liabilities for further detail.

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 2018 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 2016/191; 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 2018 annual financial report other than as stated below.

1.1 Impact of New/Revised Accounting Standards

New and Revised Accounting Standards Adopted 1 July 2018

From 1 July 2018, the Company adopted the following new and revised accounting standards. There were no material financial impacts following adoption.

- AASB 15 *Revenue from Contracts with Customers* and consequential amendments. There was no material financial impacts on the Company following adoption of this standard.

New Accounting Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the half year ended 31 December 2018 but are available for early adoption and have not been applied in preparing this report. Based on the analysis performed, the new accounting standards and interpretations not yet adopted are not expected to have a material impact to 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 2018 \$000s	6 months December 2017 \$000s
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3. Finance Revenue and Finance Costs

Finance revenue

Related parties	47,207	25,930
Other corporations	2,218	2,351
Total finance revenue	49,425	28,281

Finance costs

Related parties	(3,676)	(4,763)
Other corporations	(38,925)	(30,174)
Total finance costs	(42,601)	(34,937)

Net finance expense	6,824	(6,656)
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4. Derivative and Foreign Exchange Loss

Foreign exchange contracts gain/(loss)	5,335	(9,497)
Foreign exchange (loss)/gain on related party loans	(3,167)	2,105
Foreign exchange loss on external borrowings	(15,470)	(1,001)
Foreign exchange (loss)/gain on revaluation of foreign currency bank accounts	(3,574)	1,093
Foreign exchange loss on other transactions	(66)	(70)
Total derivative and foreign exchange loss	(16,942)	(7,370)

5. Taxation

Income Tax Expense

Recognised in the Income Statement

Current Tax Benefit

Current period	5,210	(14,369)
	5,210	(14,369)

Deferred Tax Expense

Origination and reversal of temporary differences	(7,500)	11,147
	(7,500)	11,147

Total income tax benefit	(2,290)	(3,222)
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Reconciliation of Effective Tax Rate

Loss before tax	(7,619)	(10,690)
Income tax using the domestic corporation tax rate 30%	(2,286)	(3,207)
Non allowable expenses	2	7
Foreign tax credits claimable	(6)	(22)
Income tax benefit	(2,290)	(3,222)

Notes to the Financial Statements continued

	December 2018 \$000s	June 2018 \$000s
6. Loan and Receivables		
Current		
Loans to parent entity (including intercompany tax balance)	2,028,766	964,280
Related party loans and receivables	6,688	59,903
Other receivables	647	368
Total current	2,036,101	1,024,551
Non Current		
Related party loans and receivables	-	18,015
Total non current	-	18,015
Total loan and receivables	2,036,101	1,042,566

7. Trade and Other Payables

Current		
Related party trade payables and loans	215,965	125,974
Accrued expenses	16,686	9,057
Total current	232,651	135,031
Non Current		
Related party trade payables and loans	136,632	63,318
Total non current	136,632	63,318
Total trade and other payables	369,283	198,349

8. Borrowing and Financing Arrangements

a. Borrowings – Measured at Amortised Cost

Current		
Commercial notes	-	249,848
Bank credit facilities	-	225,000
Total current	-	474,848
Non current		
Commercial notes	614,669	521,290
Bank credit facilities	1,050,000	-
Total non current	1,664,669	521,290
Total borrowings and financing arrangements	1,664,669	996,138

b. Finance Facilities

The Company has access to the following lines of credit:

Commercial notes		
Facility available	614,669	771,138
Amount of facility used	(614,669)	(771,138)
Amount of facility unused	-	-
Bank credit facilities		
Facility available	1,800,000	1,500,000
Amount of facility used	(1,050,000)	(225,000)
Amount of facility unused	750,000	1,275,000
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 that was matured and repaid in November 2018 and A\$225.0 million with a 6.0% p.a. coupon maturing in May 2020;
- 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.
- A\$80.0 million of unsecured medium term notes issued in December 2018 in the Australian bond market with a 5.425% p.a. coupon maturing in December 2028.

Bank credit facilities include:

- Tranche A of the A\$1,500.0 million Syndicated Cash Advance Facility was refinanced during the period. The Tranche A facility limit has been extended to A\$900.0 million maturing in December 2021 (June 2018: A\$600.0 million maturing in June 2019). Tranche B remains consistent with 30 June 2018 with a facility limit of A\$900.0 million maturing in June 2020.

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.

	December 2018 \$000s	June 2018 \$000s
9. Financial Liabilities		
Current		
Other corporations ¹	59,593	56,104
Total current financial liabilities	59,593	56,104

1. The Company participates in a HSBC multi-currency notional pool with other members of the Lendlease Group. This allows the Group to take advantage of liquidity in other regions that cannot be transferred to Australia, and it does so through 'covered' overdraft arrangements. This may result in LL Finance being in overdraft position on an individual basis, however this is covered by the balance in other Lendlease entities within the pool.

10. Issued Capital

	December 2018		June 2018	
	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 Finance Holdings 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.

11. 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 2018.

Notes to the Financial Statements continued

12. 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	December 2018		June 2018	
		Carrying Amount \$000s	Fair Value \$000s	Carrying Amount \$000s	Fair Value \$000s
Liabilities					
Current					
Commercial notes	8	-	-	249,848	252,897
Non Current					
Commercial notes	8	614,669	699,784	521,290	577,448

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 interest rate swaps, 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 2018				
Financial Assets				
Derivatives	-	7,597	-	7,597
Financial Liabilities				
Derivatives	-	6,082	-	6,082
	Level 1 \$000s	Carrying Amount Level 2 \$000s	Level 3 \$000s	Total \$000s
June 2018				
Financial Assets				
Derivatives	-	5,910	-	5,910
Financial Liabilities				
Derivatives	-	3,106	-	3,106

13. Events Subsequent to Balance Date

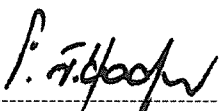
There were no material events subsequent to the end of the financial period.

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 2018 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 19 february 2019

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 2018 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 2018;
- 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 13 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*; and
- 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 2018 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

19 February 2019