

Lendlease Finance Limited

Half Year Financial Report

31 December 2019

Lendlease Finance Limited ABN 49 008 618 380

Table of Contents

Directors' Report	2
Auditor's Independence Declaration	4
Financial Statements	
Income Statement	5
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	7
Notes to the Financial Statements	
1. Basis of Preparation	8
2. Segment Reporting	9
3. Finance Revenue and Finance Costs	9
4. Derivative and Foreign Exchange Loss	9
5. Taxation	9
6. Loans and Receivables	10
7. Trade and Other Payables	10
8. Borrowing and Financing Arrangements	10
9. Financial Liabilities	11
10. Issued Capital	11
11. Contingent Liabilities	11
12. Fair Value Measurement	12
13. Events Subsequent to Balance Date	12
Directors' Declaration	13
Independent Auditor's Review Report	14

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 11 February 2020.

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 2019 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 2019 and the date of this Report are:

P J Hooper	Director since February 2005
S G Benson	Director since July 2015
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 and interest rate risks. In relation to these activities, the Company holds foreign exchange and interest rate 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 profit after tax of \$11,104,000 for the half year ended 31 December 2019 (31 December 2018: \$5,329,000 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 2019.

Directors' Report continued

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 11th February 2020



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 2019 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

Paul Rogers

Partner

Sydney

11 February 2020

Financial Statements

Income Statement

Half Year Ended 31 December 2019

	Note	6 months December 2019 \$000s	6 months December 2018 \$000s
Finance revenue	3	60,620	49,425
Finance costs	3	(46,711)	(42,601)
Net finance revenue/(expense)		13,909	6,824
Other income			
Guarantee fees – related parties		12,957	13,010
Derivative and foreign exchange loss	4	(2,563)	(16,942)
Expenses			
Guarantee fees		(8,885)	(9,531)
Other expenses		(913)	(980)
Total expenses		(9,798)	(10,511)
Profit/(Loss) before tax		14,505	(7,619)
Income tax (expense)/benefit	5	(3,401)	2,290
Profit/(Loss) after tax attributable to members of Lendlease Finance Limited		11,104	(5,329)

Statement of Comprehensive Income

Half Year Ended 31 December 2019

	6 months December 2019 \$000s	6 months December 2018 \$000s
Profit/(Loss) after tax	11,104	(5,329)
Other comprehensive income/(loss) after tax		
Items that may be reclassified subsequently to profit or loss:		
Movements in hedging reserve	15,487	-
Total comprehensive income/(loss) after tax	26,591	(5,329)

The accompanying notes form part of these financial statements.

Financial Statements continued

Statement of Financial Position

As at 31 December 2019

	Note	December 2019 \$000s	June 2019 \$000s
Current Assets			
Cash and cash equivalents		3,756	19,389
Loans and receivables	6	1,503,403	1,396,154
Derivatives		16,990	8,905
Financial guarantee contracts		777	777
Other assets		962	1,377
Total current assets		1,525,888	1,426,602
Non Current Assets			
Loans and receivables	6	734,332	719,847
Derivatives		15,137	491
Net deferred tax assets		6,576	12,053
Other assets		21,929	22,979
Total non current assets		777,974	755,370
Total assets		2,303,862	2,181,972
Current Liabilities			
Trade and other payables	7	248,841	525,534
Derivatives		5,025	6,075
Borrowings and financing arrangements	8	225,146	225,346
Other financial liabilities	9	-	74,039
Total current liabilities		479,012	830,994
Non Current Liabilities			
Trade and other payables	7	92,944	100,956
Borrowings and financing arrangements	8	1,683,344	1,227,811
Derivatives		251	491
Total non current liabilities		1,776,539	1,329,258
Total liabilities		2,255,551	2,160,252
Net assets		48,311	21,720
Equity			
Issued capital	10	100,000	100,000
Reserves		30,428	14,941
Accumulated losses		(82,117)	(93,221)
Total equity		48,311	21,720

The accompanying notes form part of these financial statements.

Financial Statements continued

Statement of Changes in Equity

Half Year Ended 31 December 2019

	6 months December 2019 \$000s	6 months December 2018 \$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		
Hedging Reserve		
Opening balance at beginning of financial period	-	-
Comprehensive income for the period:		
Movements attributable to effective cash flow hedges	15,487	-
Closing balance at end of financial period	15,487	-
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
Total reserves	30,428	14,941
Accumulated Losses		
Opening balance at beginning of financial period	(93,221)	(95,249)
Profit/(loss) attributable to members of Lendlease Finance Limited	11,104	(5,329)
Closing balance at end of financial period	(82,117)	(100,578)
Total equity	48,311	14,363
Total Comprehensive Income/(Loss) After Tax for the Period		
Attributable to members of Lendlease Finance Limited	26,591	(5,329)
Total comprehensive income/(loss) after tax	26,591	(5,329)

Statement of Cash Flows

Half Year Ended 31 December 2019

	6 months December 2019 \$000s	6 months December 2018 \$000s
Cash Flows from Operating Activities		
Cash receipts in the course of operations	2,417,915	774,738
Cash payments in the course of operations	(2,426,579)	(765,927)
Interest received	58,783	49,657
Interest paid	(43,823)	(37,228)
Net cash provided by operating activities	6,296	21,240
Cash Flows from Financing Activities		
Funding provided from Group entities	954,488	469,876
Funding provided to Group entities	(1,354,573)	(1,304,844)
Proceeds from borrowings - external	1,425,000	2,530,000
Repayment of borrowings - external	(973,000)	(1,875,000)
Repayment of other financial liabilities	(73,800)	-
Net cash used in financing activities	(21,885)	(179,968)
Other Cash Flow Items		
Effect of foreign exchange rate movements on cash and cash equivalents	(44)	(3,574)
Net decrease in cash and cash equivalents	(15,633)	(162,302)
Cash and cash equivalents at beginning of financial period	19,389	203,163
Cash and cash equivalents at end of financial period	3,756	40,861

The accompanying notes form part of these financial statements.

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 2019 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 2019 annual financial report other than as stated below.

1.1 Impact of New/Revised Accounting Standards

New and Revised Accounting Standards Adopted 1 July 2019

From 1 July 2019, the Company adopted the following new and revised accounting standards. There were no material financial impacts following adoption.

- AASB 16 *Leases* and consequential amendments; and
- Interpretation 23 *Uncertainty over Income Tax Treatments*.

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 2019 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 and interest rate risks.

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 2019 \$000s	6 months December 2018 \$000s
3. Finance Revenue and Finance Costs		
Finance revenue		
Related parties	59,554	47,207
Other corporations	1,066	2,218
Total finance revenue	60,620	49,425
Finance costs		
Related parties	(5,588)	(3,676)
Other corporations	(41,123)	(38,925)
Total finance costs	(46,711)	(42,601)
Net finance expense	13,909	6,824

4. Derivative and Foreign Exchange Loss

Foreign exchange contracts (loss)/gain	(3,242)	5,335
Foreign exchange gain/(loss) on related party loans	3,790	(3,167)
Foreign exchange loss on external borrowings	(3,339)	(15,470)
Foreign exchange gain/(loss) on revaluation of foreign currency bank accounts	193	(3,574)
Foreign exchange gain/(loss) on other transactions	35	(66)
Total derivative and foreign exchange loss	(2,563)	(16,942)

5. Taxation

Income Tax Expense

Recognised in the Income Statement

Current Tax Benefit/(Expense)

Current period	2,077	(5,210)
	2,077	(5,210)

Deferred Tax Expense

Origination and reversal of temporary differences	(5,478)	7,500
	(5,478)	7,500

Total income tax (expense)/benefit	(3,401)	2,290
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Reconciliation of Effective Tax Rate

Profit/(loss) before tax	14,505	(7,619)
Income tax using the domestic corporation tax rate 30%	(4,352)	2,286
Non allowable expenses	(233)	(2)
Other	407	-
Foreign tax credits claimable	778	6
Income tax (expense)/benefit	(3,401)	2,290

Notes to the Financial Statements continued

	December 2019 \$000s	June 2019 \$000s
6. Loan and Receivables		
Current		
Loans to parent entity (including intercompany tax balance)	1,493,276	1,387,814
Related party loans and receivables	9,982	8,163
Other receivables	145	177
Total current	1,503,403	1,396,154
Non Current		
Related party loans and receivables	734,332	719,847
Total non current	734,332	719,847
Total loan and receivables	2,237,735	2,116,001

7. Trade and Other Payables

Current		
Related party trade payables and loans	234,849	511,683
Accrued expenses	13,992	13,851
Total current	248,841	525,534
Non Current		
Related party trade payables and loans	92,944	100,956
Total non current	92,944	100,956
Total trade and other payables	341,785	626,490

8. Borrowing and Financing Arrangements

a. Borrowings – Measured at Amortised Cost

Current		
Commercial notes	225,146	225,346
Total current	225,146	225,346
Non current		
Commercial notes	396,344	392,811
Bank credit facilities	1,287,000	835,000
Total non current	1,683,344	1,227,811
Total borrowings and financing arrangements	1,908,490	1,453,157

b. Finance Facilities

The Company has access to the following lines of credit:

Commercial notes		
Facility available	621,490	618,157
Amount of facility used	(621,490)	(618,157)
Amount of facility unused	-	-
Bank credit facilities		
Facility available	2,760,000	2,760,000
Amount of facility used	(1,287,000)	(835,000)
Amount of facility unused	1,473,000	1,925,000
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:

- \$225.0 million of unsecured medium term notes issued in May 2013 (\$125.0 million) and June 2014 (\$100.0 million) in the Australian bond market with a 6.0% p.a. coupon maturing in May 2020 has been classified as current for December 2019;
- 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; and
- \$80.0 million of unsecured medium term notes issued as an A\$ private placement in December 2018 with a 5.4% p.a. coupon maturing in December 2028.

Bank credit facilities include:

- \$1,800.0 million syndicated cash advance facility, maturing in December 2021 (Tranche A: \$900.0 million) and September 2022 (Tranche B: \$900.0 million) are drawn to \$562.0million. As at 31 December 2019, Tranche A was drawn to \$562.0 million and Tranche B was undrawn; and
- \$960.0 million A\$ syndicated loan facility, maturing in March 2024. As at 31 December 2019, the \$725.0 million Tranche A was fully drawn and the \$235.0 million Tranche B was undrawn.

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

The Company has not defaulted on any obligations in relation to its borrowings and finance arrangements.

December 2019 \$000s	June 2019 \$000s
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9. Financial Liabilities

Current

Other corporations ¹	-	74,039
Total current financial liabilities	-	74,039

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 Lendlease Finance Limited 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 2019		June 2019	
	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

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

- In certain circumstances, the Company, as part of the Group, guarantees the performance of particular Group entities in respect of their obligations. This includes bonding and bank guarantee facilities used primarily by the construction business. These guarantees are provided in respect of activities that occur in the ordinary course of business and any known losses in respect of the relevant contracts have been brought to account.

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.

		December 2019		June 2019	
	Note	Carrying Amount \$000s	Fair Value \$000s	Carrying Amount \$000s	Fair Value \$000s
Liabilities					
Current					
Commercial notes	8	225,146	228,844	225,346	233,662
Non Current					
Commercial notes	8	396,344	440,221	392,811	424,313

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, which are valued using forward rates at balance date, and interest rate derivatives which are measured at the present value of future cash flows estimated and discounted based on applicable yield curves derived from quoted interest rates and 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 2019				
Financial Assets				
Derivatives	-	16,640	-	16,640
Financial Liabilities				
Derivatives	-	5,275	-	5,275
June 2019				
Financial Assets				
Derivatives	-	9,396	-	9,396
Financial Liabilities				
Derivatives	-	6,566	-	6,566

13. Events Subsequent to Balance Date

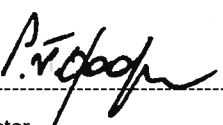
There were no material events subsequent to the end of the financial period.

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 2019 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 11th February 2020



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 2019 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 2019
- 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
- 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*
- 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

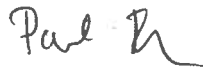
Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, 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 2019 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

KPMG



Paul Rogers

Partner

Sydney

11 February 2020

