

# Lendlease Finance Limited

## Annual Financial Report

30 June 2023

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 7 August 2023.

# 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 2023 and the Auditor's Report thereon.

Lendlease Finance Limited is a wholly owned subsidiary of Lendlease Finance Holding Company Pty 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 2022 and the date of this Report are:

|             |                                                 |
|-------------|-------------------------------------------------|
| A W Nieland | Appointed on 1 July 2022                        |
| K Mudeliar  | Appointed on 22 March 2023                      |
| K M Wong    | Appointed on 22 March 2023                      |
| F R Krile   | Director from October 2018 to 22 March 2023     |
| P J Hooper  | Director from February 2005 to 28 February 2023 |

### 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 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 year.

### b. Review and Results of Operations

The Company made a loss after tax of \$3,427,000 for the year ended 30 June 2023 (30 June 2022: loss after tax \$6,972,000).

### c. Dividends

No dividends were paid by the Company to its parent entity, Lendlease Finance Holding Company Pty Limited, during the financial year (June 2022: \$Nil).

### e. Significant Changes in State of Affairs

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

### f. Events Subsequent to Balance Date

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

## 2. Operations continued

### g. Likely Developments

The Company will continue to pursue its policy of borrowing, lending and investing funds and hedging the Group's foreign currency exposures and interest rate risks. Information about likely developments in the operations of the

## Directors' Report continued

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.

### h. 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.

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 2022, 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.

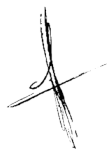
### b. Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

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 2023.

### 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 \$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.



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Director: Kaneran Mudeliar

Date 7 August 2023



# 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 2023 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

KPMG

A handwritten signature in black ink, appearing to read 'Paul Rogers', with a stylized flourish at the end.

Paul Rogers  
Partner

Sydney  
9 August 2023

# Financial Statements

## Income Statement

Year ended 30 June 2023

|                                                                            | Note | June 2023<br>\$000s | June 2022<br>\$000s |
|----------------------------------------------------------------------------|------|---------------------|---------------------|
| Finance revenue                                                            | 3    | 125,089             | 82,845              |
| Finance costs                                                              | 3    | (107,500)           | (77,845)            |
| Net finance revenue                                                        |      | <b>17,589</b>       | <b>5,000</b>        |
| <b>Other income</b>                                                        |      |                     |                     |
| Guarantee fees – related parties                                           |      | <b>24,171</b>       | <b>21,898</b>       |
| <b>Derivative and foreign exchange loss</b>                                | 4    | <b>(30,070)</b>     | <b>(22,645)</b>     |
| <b>Expenses</b>                                                            |      |                     |                     |
| Guarantee fees                                                             |      | (15,140)            | (13,977)            |
| Other expenses                                                             |      | (7,906)             | (4,066)             |
| <b>Total expenses</b>                                                      |      | <b>(23,046)</b>     | <b>(18,043)</b>     |
| <b>Loss before tax</b>                                                     |      | <b>(11,356)</b>     | <b>(13,790)</b>     |
| Income tax benefit                                                         | 5a   | 7,929               | 6,818               |
| <b>Loss after tax attributable to members of Lendlease Finance Limited</b> |      | <b>(3,427)</b>      | <b>(6,972)</b>      |

## Statement of Comprehensive Income

Year ended 30 June 2023

|                                                                | June 2023<br>\$000s | June 2022<br>\$000s |
|----------------------------------------------------------------|---------------------|---------------------|
| <b>Loss after tax</b>                                          | <b>(3,427)</b>      | <b>(6,972)</b>      |
| <b>Other Comprehensive (loss)/income after tax</b>             |                     |                     |
| Items that may be reclassified subsequently to profit or loss: |                     |                     |
| Movements in hedging reserve (net of tax)                      | (2,369)             | 25,408              |
| <b>Total comprehensive (loss)/income after tax</b>             | <b>(5,796)</b>      | <b>18,436</b>       |

The accompanying notes form part of these financial statements.

## Financial Statements continued

### Statement of Financial Position

As at 30 June 2023

|                                       | Note | June 2023<br>\$000s | June 2022<br>\$000s |
|---------------------------------------|------|---------------------|---------------------|
| <b>Current Assets</b>                 |      |                     |                     |
| Cash and cash equivalents             | 6    | 25,688              | 151,173             |
| Loans and receivables                 | 7    | 7,699,500           | 6,212,166           |
| Derivatives                           | 8    | 35,024              | 24,379              |
| Other assets                          |      | 2,731               | 2,696               |
| <b>Total current assets</b>           |      | <b>7,762,943</b>    | <b>6,390,414</b>    |
| <b>Non Current Assets</b>             |      |                     |                     |
| Loans and receivables                 | 7    | 1,709,877           | 1,412,691           |
| Derivatives                           | 8    | 15,176              | 31,732              |
| Other assets                          |      | 12,971              | 14,156              |
| <b>Total non current assets</b>       |      | <b>1,738,024</b>    | <b>1,458,579</b>    |
| <b>Total assets</b>                   |      | <b>9,500,967</b>    | <b>7,848,993</b>    |
| <b>Current Liabilities</b>            |      |                     |                     |
| Trade and other payables              | 9    | 7,664,811           | 6,429,659           |
| Derivatives                           | 8    | 56,551              | 31,503              |
| <b>Total current liabilities</b>      |      | <b>7,721,362</b>    | <b>6,461,162</b>    |
| <b>Non Current Liabilities</b>        |      |                     |                     |
| Trade and other payables              | 9    | 185,548             | 119,131             |
| Derivatives                           | 8    | 87,181              | 103,154             |
| Net deferred tax liabilities          | 5c   | 1,718               | 1,610               |
| Borrowings and financing arrangements | 10a  | 1,415,201           | 1,068,183           |
| <b>Total non current liabilities</b>  |      | <b>1,689,648</b>    | <b>1,292,078</b>    |
| <b>Total liabilities</b>              |      | <b>9,411,010</b>    | <b>7,753,240</b>    |
| <b>Net assets</b>                     |      | <b>89,957</b>       | <b>95,753</b>       |
| <b>Equity</b>                         |      |                     |                     |
| Issued capital                        | 11   | 100,000             | 100,000             |
| Reserves                              | 12   | 43,200              | 45,569              |
| Accumulated losses                    |      | (53,243)            | (49,816)            |
| <b>Total equity</b>                   |      | <b>89,957</b>       | <b>95,753</b>       |

The accompanying notes form part of these financial statements.

## Financial Statements continued

### Statement of Changes in Equity

Year ended 30 June 2023

|                                                           | Note | June 2023<br>\$000s | June 2022<br>\$000s |
|-----------------------------------------------------------|------|---------------------|---------------------|
| <b>Issued Capital</b>                                     |      |                     |                     |
| Opening balance at beginning of financial year            |      | 100,000             | 100,000             |
| Closing balance at end of financial year                  | 11   | <b>100,000</b>      | <b>100,000</b>      |
| <b>Financial Guarantee Contract Reserve</b>               |      |                     |                     |
| Opening balance at beginning of financial year            |      | 14,941              | 14,941              |
| Closing balance at end of financial year                  | 12   | <b>14,941</b>       | <b>14,941</b>       |
| <b>Hedge Reserve</b>                                      |      |                     |                     |
| Opening balance at beginning of financial year            |      | <b>30,628</b>       | <b>5,220</b>        |
| Comprehensive (loss)/income for the year:                 |      |                     |                     |
| Movements attributable to effective cash flow hedges      |      | (2,369)             | 25,408              |
| Closing balance at end of financial year                  | 12   | <b>28,259</b>       | <b>30,628</b>       |
| <b>Total reserves</b>                                     |      | <b>43,200</b>       | <b>45,569</b>       |
| <b>Accumulated Losses</b>                                 |      |                     |                     |
| Opening balance at beginning of financial year            |      | <b>(49,816)</b>     | <b>(42,844)</b>     |
| Loss attributable to members of Lendlease Finance Limited |      | (3,427)             | (6,972)             |
| Closing balance at end of financial year                  |      | <b>(53,243)</b>     | <b>(49,816)</b>     |
| <b>Total equity</b>                                       |      | <b>89,957</b>       | <b>95,753</b>       |

The accompanying notes form part of these financial statements.

## Financial Statements continued

### Statement of Cash Flows

Year ended 30 June 2023

|                                                                        | Note | June 2023<br>\$000s | June 2022<br>\$000s |
|------------------------------------------------------------------------|------|---------------------|---------------------|
| <b>Cash Flows from Operating Activities</b>                            |      |                     |                     |
| Cash receipts in the course of operations                              |      | 8,132,342           | 8,471,894           |
| Cash payments in the course of operations                              |      | (8,197,620)         | (8,480,501)         |
| Interest received                                                      |      | 123,812             | 78,010              |
| Interest paid                                                          |      | (111,859)           | (68,023)            |
| Income tax (paid)/ refunded in respect of operations                   |      | (8,682)             | 11,534              |
| Net cash (used in)/provided by operating activities                    | 15a  | <b>(62,007)</b>     | <b>12,914</b>       |
| <b>Cash Flows from Financing Activities</b>                            |      |                     |                     |
| Funding provided from Group entities                                   |      | 2,491,890           | 1,062,116           |
| Funding provided to Group entities                                     |      | (2,875,218)         | (1,310,059)         |
| Proceeds from borrowings – external                                    |      | 2,010,000           | 435,000             |
| Repayment of borrowings – external                                     |      | (1,690,000)         | (435,000)           |
| Net cash used in financing activities                                  |      | <b>(63,328)</b>     | <b>(247,943)</b>    |
| <b>Other Cash Flow Items</b>                                           |      |                     |                     |
| Effect of foreign exchange rate movements on cash and cash equivalents |      | <b>(150)</b>        | <b>(73)</b>         |
| Net decrease in cash and cash equivalents                              |      | <b>(125,485)</b>    | <b>(235,102)</b>    |
| Cash and cash equivalents at beginning of financial year               |      | <b>151,173</b>      | <b>386,275</b>      |
| Cash and cash equivalents at end of financial year                     | 6    | <b>25,688</b>       | <b>151,173</b>      |

# 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. Recognised assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged. Refer to the specific accounting policies set out in Note 4 'Derivative and Foreign Exchange Loss' 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 'Other Significant Accounting Policies'; and
- consistently applied to all financial years presented in the financial statements, except as explained in Note 1.1 'Impact of New/Revised Accounting Standards'.

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 within 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 or within the next 12 months. 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.

### 1.1 Impact of New/Revised Accounting Standards

#### 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 2023 but are available for early adoption and have not been applied in preparing this report.

| Accounting Standard                                                                                                                                                                       | Requirement                                                                                                                                                                                                                                                                              | Impact on Financial Statements                                                                                     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|
| AASB 2014-10<br><i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and consequential amendments</i> | AASB 2014-10 amends AASB 10 and AASB 128 to clarify the requirements for recording the sale or contribution of assets between an investor and its associate or joint venture.<br><br>The amendment becomes mandatory for the June 2026 financial year and will be applied prospectively. | Based on preliminary analysis performed, the amendments are not expected to have a material impact on the Company. |

# 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 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.

## 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 2023<br>\$000s | June 2022<br>\$000s |
|------------------------------|---------------------|---------------------|
| <b>Finance Revenue</b>       |                     |                     |
| Related parties              | 121,723             | 81,183              |
| Other corporations           | 3,366               | 1,662               |
| <b>Total finance revenue</b> | <b>125,089</b>      | <b>82,845</b>       |
| <b>Finance Costs</b>         |                     |                     |
| Related parties              | (32,396)            | (14,793)            |
| Other corporations           | (75,104)            | (63,052)            |
| <b>Total finance costs</b>   | <b>(107,500)</b>    | <b>(77,845)</b>     |
| <b>Net finance revenue</b>   | <b>17,589</b>       | <b>5,000</b>        |

# Notes to the Financial Statements continued

## 4. Derivative and Foreign Exchange Loss

### Accounting Policies

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate 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 2023<br>\$000s | June 2022<br>\$000s |
|------------------------------------------------------------------------|---------------------|---------------------|
| Foreign exchange contracts loss                                        | (88,955)            | (5,034)             |
| Foreign exchange gain/ (loss) on related party loans                   | 78,173              | (1,217)             |
| Foreign exchange loss on external borrowings                           | (20,833)            | (15,470)            |
| Foreign exchange gain/ (loss) on other transactions                    | 1,695               | (851)               |
| Foreign exchange loss on revaluation of foreign currency bank accounts | (150)               | (73)                |
| <b>Total derivative and foreign exchange loss</b>                      | <b>(30,070)</b>     | <b>(22,645)</b>     |

## 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 applicable tax rates (and tax laws) 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 applicable tax rates (and tax laws) 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 2023<br>\$000s | June 2022<br>\$000s |
|----------------------------------------------------------|---------------------|---------------------|
| Recognised in the Income Statement                       |                     |                     |
| <b>Current Tax Benefit/ (Expense)</b>                    |                     |                     |
| Current year                                             | 9,052               | (8,681)             |
| Over provided in prior year                              | -                   | 38                  |
|                                                          | <b>9,052</b>        | <b>(8,643)</b>      |
| <b>Deferred Tax (Expense)/ Benefit</b>                   |                     |                     |
| Origination and reversal of temporary differences        | (1,123)             | 15,461              |
|                                                          | <b>(1,123)</b>      | <b>15,461</b>       |
| Total income tax benefit                                 | <b>7,929</b>        | <b>6,818</b>        |
| <b>Reconciliation of income tax expense</b>              |                     |                     |
| Loss before tax                                          | (11,356)            | (13,790)            |
| Income tax using the domestic corporation tax rate (30%) | <b>3,407</b>        | <b>4,137</b>        |
| Non allowable expense                                    | (2,297)             | (1,149)             |
| Foreign tax credits claimable                            | 6,819               | 3,830               |
| Income tax benefit                                       | <b>7,929</b>        | <b>6,818</b>        |

## b. Current Tax Liabilities

The current tax benefit of \$9,052,000 (June 2022: \$8,643,000 tax expense) which has been transferred to Lendlease Corporation Limited for tax consolidation, represents the amount of income taxes receivable/ payable in respect of current and prior years.

## c. Deferred Tax Assets and Liabilities

|                                                                        | Assets<br>\$000s | June 2023<br>Liabilities<br>\$000s | Net<br>\$000s  | Assets<br>\$000s | June 2022<br>Liabilities<br>\$000s | Net<br>\$000s  |
|------------------------------------------------------------------------|------------------|------------------------------------|----------------|------------------|------------------------------------|----------------|
| <b>Recognised Deferred Tax Assets and Liabilities</b>                  |                  |                                    |                |                  |                                    |                |
| Deferred tax assets and liabilities are attributable to the following: |                  |                                    |                |                  |                                    |                |
| Cash and cash equivalents                                              | 45               | -                                  | 45             | 22               | -                                  | 22             |
| Derivatives                                                            | 6,490            | -                                  | 6,490          | 1,484            | -                                  | 1,484          |
| Other assets                                                           | -                | -                                  | -              | -                | (33)                               | (33)           |
| Trade and other payables <sup>1</sup>                                  | 3,858            | -                                  | 3,858          | 10,043           | -                                  | 10,043         |
| Hedge reserve                                                          | -                | (12,111)                           | (12,111)       | -                | (13,126)                           | (13,126)       |
| Set off of tax                                                         | (10,393)         | 10,393                             | -              | (11,549)         | 11,549                             | -              |
| Total deferred tax liabilities                                         | -                | <b>(1,718)</b>                     | <b>(1,718)</b> | -                | <b>(1,610)</b>                     | <b>(1,610)</b> |

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.

- Deferred tax balances arising from trade and other payables is mainly derived from unrealised foreign exchange gains on revaluation of related party loans and external borrowings in foreign currencies.

## Notes to the Financial Statements continued

### 5. Taxation continued

#### c. Deferred Tax Assets and Liabilities

##### Recognised Deferred Tax Assets and Liabilities continued

| Movement in temporary differences during the financial year: | 1 July 2022<br>\$000s | Recognised<br>in Income<br>\$000s | Recognised<br>in Equity<br>\$000s | 30 June<br>2023<br>\$000s |
|--------------------------------------------------------------|-----------------------|-----------------------------------|-----------------------------------|---------------------------|
| <b>June 2023</b>                                             |                       |                                   |                                   |                           |
| Cash and cash equivalents                                    | 22                    | 23                                | -                                 | 45                        |
| Derivatives                                                  | 1,484                 | 5,006                             | -                                 | 6,490                     |
| Other assets                                                 | (33)                  | 33                                | -                                 | -                         |
| Trade and other payables                                     | 10,043                | (6,185)                           | -                                 | 3,858                     |
| Hedge reserve                                                | (13,126)              | -                                 | 1,015                             | (12,111)                  |
| <b>Total deferred tax liabilities</b>                        | <b>(1,610)</b>        | <b>(1,123)</b>                    | <b>1,015</b>                      | <b>(1,718)</b>            |

| Movement in temporary differences during the financial year: | 1 July 2021<br>\$000s | Recognised<br>in Income<br>\$000s | Recognised<br>in Equity<br>\$000s | 30 June<br>2022<br>\$000s |
|--------------------------------------------------------------|-----------------------|-----------------------------------|-----------------------------------|---------------------------|
| <b>June 2022</b>                                             |                       |                                   |                                   |                           |
| Cash and cash equivalents                                    | 325                   | (303)                             | -                                 | 22                        |
| Derivatives                                                  | 1,964                 | (480)                             | -                                 | 1,484                     |
| Other assets                                                 | (253)                 | 220                               | -                                 | (33)                      |
| Trade and other payables                                     | (5,981)               | 16,024                            | -                                 | 10,043                    |
| Hedge reserve                                                | (2,237)               | -                                 | (10,889)                          | (13,126)                  |
| <b>Total deferred tax liabilities</b>                        | <b>(6,182)</b>        | <b>15,461</b>                     | <b>(10,889)</b>                   | <b>(1,610)</b>            |

### 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 2023<br>\$000s | June 2022<br>\$000s |
|----------------------------------------|---------------------|---------------------|
| Cash                                   | 3,687               | 4,020               |
| Short term investments                 | 22,001              | 147,153             |
| <b>Total cash and cash equivalents</b> | <b>25,688</b>       | <b>151,173</b>      |

Short term investments earned variable rates of interest which averaged 3.32% per annum during the year ended 30 June 2023 (30 June 2022: 0.61%).

## 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 2023<br>\$000s | June 2022<br>\$000s |
|-------------------------------------|---------------------|---------------------|
| <b>Current</b>                      |                     |                     |
| Related party loans and receivables | 7,697,234           | 6,209,726           |
| Other receivables                   | 2,266               | 2,440               |
| <b>Total current</b>                | <b>7,699,500</b>    | <b>6,212,166</b>    |
| <b>Non Current</b>                  |                     |                     |
| Related party loans and receivables | 1,709,877           | 1,412,691           |
| <b>Total non current</b>            | <b>1,709,877</b>    | <b>1,412,691</b>    |
| <b>Total loans and receivables</b>  | <b>9,409,377</b>    | <b>7,624,857</b>    |

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 2023 (June 2022: \$Nil).

### 8. Derivatives

| Financial Disclosure                                    | June 2023<br>\$000s | June 2022<br>\$000s |
|---------------------------------------------------------|---------------------|---------------------|
| <b>Current Assets</b>                                   |                     |                     |
| Forward foreign exchange contracts – other corporations | 6,684               | 10,968              |
| Forward foreign exchange contracts – related parties    | 2,779               | 89                  |
| Interest rate caps – other corporations                 | 25,561              | 13,322              |
| <b>Total current</b>                                    | <b>35,024</b>       | <b>24,379</b>       |
| <b>Non Current Assets</b>                               |                     |                     |
| Forward foreign exchange contracts – other corporations | 367                 | 1,300               |
| Interest rate caps – other corporations                 | 14,809              | 30,432              |
| <b>Total non current</b>                                | <b>15,176</b>       | <b>31,732</b>       |
| <b>Total derivative assets</b>                          | <b>50,200</b>       | <b>56,111</b>       |
| <b>Current Liabilities</b>                              |                     |                     |
| Forward foreign exchange contracts – other corporations | (27,345)            | (11,736)            |
| Forward foreign exchange contracts – related parties    | (3,735)             | (4,252)             |
| Interest rate swaps – other corporations                | (25,471)            | (15,515)            |
| <b>Total current</b>                                    | <b>(56,551)</b>     | <b>(31,503)</b>     |
| <b>Non Current Liabilities</b>                          |                     |                     |
| Forward foreign exchange contracts – related parties    | (367)               | (1,300)             |
| Interest rate swaps – other corporations                | (86,814)            | (101,854)           |
| <b>Total non current</b>                                | <b>(87,181)</b>     | <b>(103,154)</b>    |
| <b>Total derivative liabilities</b>                     | <b>(143,732)</b>    | <b>(134,657)</b>    |
| <b>Net derivative liabilities</b>                       | <b>(93,532)</b>     | <b>(78,546)</b>     |

## Notes to the Financial Statements continued

## 9. Trade and Other Payables

## Accounting Policies

**Trade Payables**

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade payables are normally settled within 45 days. Trade and other payables are carried at amortised cost using the effective interest method, which applies the interest rate that discounts estimated future cash outflows over the term of the trade and other payables. Cash flows relating to short term trade and other payables are not discounted if the effect of discounting is immaterial. The discount, if material, is then recognised as an expense over the remaining term.

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 2023<br>\$000s | June 2022<br>\$000s |
|----------------------------------------|---------------------|---------------------|
| <b>Current</b>                         |                     |                     |
| Loans from parent entity               | 2,012,598           | 759,018             |
| Related party trade payables and loans | 5,639,705           | 5,658,914           |
| Accrued expenses                       | 12,508              | 11,727              |
| <b>Total current</b>                   | <b>7,664,811</b>    | <b>6,429,659</b>    |
| <b>Non Current</b>                     |                     |                     |
| Related party trade payables and loans | 185,548             | 119,131             |
| <b>Total non current</b>               | <b>185,548</b>      | <b>119,131</b>      |
| <b>Total trade and other payables</b>  | <b>7,850,359</b>    | <b>6,548,790</b>    |

## 10. Borrowings and Financing Arrangements

## Accounting Policies

Borrowings recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest rate method. Under the amortised cost method the difference between the amount initially recognised and the redemption value is recorded in the Income Statement over the period of the borrowing on an effective interest basis. Borrowings are referred to in this section using their redemption value when describing the terms and conditions.

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 2023<br>\$000s | June 2022<br>\$000s |
|--------------------------|---------------------|---------------------|
| <b>Non Current</b>       |                     |                     |
| Commercial notes         | 1,095,201           | 1,068,183           |
| Bank credit facilities   | 320,000             | -                   |
| <b>Total non current</b> | <b>1,415,201</b>    | <b>1,068,183</b>    |
| <b>Total borrowings</b>  | <b>1,415,201</b>    | <b>1,068,183</b>    |

## Notes to the Financial Statements continued

## 10. Borrowings and Financing Arrangements continued

## b. Finance Facilities – Gross Value

| Financial Disclosure                                    | June 2023<br>\$000s | June 2022<br>\$000s |
|---------------------------------------------------------|---------------------|---------------------|
| The Company has access to the following lines of credit |                     |                     |
| <b>Commercial notes</b>                                 |                     |                     |
| Facility available                                      | 1,095,201           | 1,068,183           |
| Amount of facility used                                 | (1,095,201)         | (1,068,183)         |
| Total non current                                       | -                   | -                   |
| <b>Bank credit facilities</b>                           |                     |                     |
| Facility available                                      | 800,000             | 800,000             |
| Amount of facility used                                 | (320,000)           | -                   |
| Total non current                                       | 480,000             | 800,000             |
| <b>Bank overdrafts</b>                                  |                     |                     |
| Facility available                                      | 115,000             | 115,000             |
| Amount of facility used                                 | -                   | -                   |
| Total non current                                       | 115,000             | 115,000             |

Commercial notes include:

- S\$300 million of guaranteed unsecured senior notes issued in April 2017 in the Singapore bond market with a 3.9% coupon maturing in April 2027;
- \$80 million of guaranteed unsecured senior medium term notes issued as an A\$ private placement in December 2018 with a 5.4% coupon maturing in December 2028;
- \$500 million of guaranteed unsecured Green senior notes issued in October 2020 in the Australian bond market with a 3.4% coupon maturing in October 2027; and
- \$300 million of guaranteed unsecured Green senior notes issued in March 2021 in the Australian bond market with a 3.7% coupon maturing in March 2031.

Bank credit facility include:

- \$800 million sustainability linked loan with Tranche A \$400 million maturing in November 2025, was drawn to \$300 million as at 30 June 2023 and Tranche B \$400 million maturing in November 2026 was drawn to \$20 million as at 30 June 2023.

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 in relation to its borrowings and finance arrangements.

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

|                            | Interest Exposure |                    |                  | Currency         |                |                  |
|----------------------------|-------------------|--------------------|------------------|------------------|----------------|------------------|
|                            | Fixed<br>\$000s   | Floating<br>\$000s | Total<br>\$000s  | \$<br>\$000s     | S\$<br>\$000s  | Total<br>\$000s  |
| <b>June 2023</b>           |                   |                    |                  |                  |                |                  |
| Less than one year         | -                 | -                  | -                | -                | -              | -                |
| Between one and five years | 758,183           | 320,000            | 1,078,183        | 745,493          | 332,690        | 1,078,183        |
| More than five years       | 337,018           | -                  | 337,018          | 337,018          | -              | 337,018          |
| <b>Total</b>               | <b>1,095,201</b>  | <b>320,000</b>     | <b>1,415,201</b> | <b>1,082,511</b> | <b>332,690</b> | <b>1,415,201</b> |
| <b>June 2022</b>           |                   |                    |                  |                  |                |                  |
| Less than one year         | -                 | -                  | -                | -                | -              | -                |
| Between one and five years | 311,689           | -                  | 311,689          | -                | 311,689        | 311,689          |
| More than five years       | 756,494           | -                  | 756,494          | 756,494          | -              | 756,494          |
| <b>Total</b>               | <b>1,068,183</b>  | <b>-</b>           | <b>1,068,183</b> | <b>756,494</b>   | <b>311,689</b> | <b>1,068,183</b> |

## 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 2023        |                | June 2022        |                |
|------------------------------------------------|------------------|----------------|------------------|----------------|
|                                                | 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         |
| <b>Issued capital at end of financial year</b> | <b>5,000,010</b> | <b>100,000</b> | <b>5,000,010</b> | <b>100,000</b> |

#### Terms and Conditions

Lendlease Finance Holding Company Pty 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

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.

Hedge Reserve is in relation to the interest rate caps. The hedges are in place to hedge against interest rate risk using interest rate derivatives. The effective portion of changes in the fair value of derivatives that are designated and qualify as effective cash flow hedges are recognised in other comprehensive income.

| Financial Guarantee Contract Reserve              | June 2023     | June 2022     |
|---------------------------------------------------|---------------|---------------|
|                                                   | \$000s        | \$000s        |
| Lendlease Corporation Limited                     | 14,941        | 14,941        |
| <b>Total financial guarantee contract reserve</b> | <b>14,941</b> | <b>14,941</b> |
| <b>Hedge Reserve</b>                              |               |               |
| Hedge reserve – interest rate caps                | 28,259        | 30,628        |
| <b>Total hedge reserve</b>                        | <b>28,259</b> | <b>30,628</b> |
| <b>Total reserves</b>                             | <b>43,200</b> | <b>45,569</b> |

### 13. Contingent Liabilities

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

- 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 as well as performance guarantees for certain of the Group's subsidiaries.

## Notes to the Financial Statements continued

### 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.

The net asset exposure by currency is detailed below.

|                    | A\$000s     | US\$000s | £000s     | S\$000s   | €000s | Other 000s | Total<br>A\$000s |
|--------------------|-------------|----------|-----------|-----------|-------|------------|------------------|
| <b>June 2023</b>   |             |          |           |           |       |            |                  |
| Net asset exposure | (1,130,851) | 640,511  | 1,062,519 | (484,004) | 161   | 1,621      | <b>89,957</b>    |
| <b>June 2022</b>   |             |          |           |           |       |            |                  |
| Net asset exposure | (1,002,487) | 375,206  | 1,114,969 | (394,721) | 1,069 | 1,717      | <b>95,753</b>    |

#### 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 2022: 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<br>Increase/(Decrease) In<br>Profit after Tax |                     | 10% Strengthening<br>Increase/(Decrease) In<br>Profit after Tax |                     |
|--------------|-------------------------------------------------------------|---------------------|-----------------------------------------------------------------|---------------------|
|              | June 2023<br>\$000s                                         | June 2022<br>\$000s | June 2023<br>\$000s                                             | June 2022<br>\$000s |
| USD          | 1,426                                                       | 402                 | (1,137)                                                         | (344)               |
| GBP          | 3,426                                                       | 1,987               | (2,737)                                                         | (1,547)             |
| SGD          | (3,604)                                                     | (2,330)             | 2,979                                                           | 1,988               |
| EUR          | (1)                                                         | (11)                | 1                                                               | 10                  |
| Others       | -                                                           | -                   | -                                                               | -                   |
| <b>Total</b> | <b>1,247</b>                                                | <b>48</b>           | <b>(894)</b>                                                    | <b>107</b>          |

## Notes to the Financial Statements continued

### 14. Financial Instruments and Risk Management continued

#### a. Foreign Currency continued

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

|              | 10% Weakening<br>Increase/(Decrease) In<br>Net Assets |                     | 10% Strengthening<br>Increase/(Decrease) In<br>Net Assets |                     |
|--------------|-------------------------------------------------------|---------------------|-----------------------------------------------------------|---------------------|
|              | June 2023<br>\$000s                                   | June 2022<br>\$000s | June 2023<br>\$000s                                       | June 2022<br>\$000s |
| USD          | 82,080                                                | 42,362              | (66,551)                                                  | (34,558)            |
| GBP          | 106,329                                               | 131,173             | (87,674)                                                  | (106,188)           |
| SGD          | (53,778)                                              | (45,898)            | 44,000                                                    | 37,238              |
| EUR          | 18                                                    | 127                 | (14)                                                      | (103)               |
| Others       | 180                                                   | 189                 | (147)                                                     | (155)               |
| <b>Total</b> | <b>134,829</b>                                        | <b>127,953</b>      | <b>(110,386)</b>                                          | <b>(103,766)</b>    |

#### 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 2023<br>\$000s | June 2022<br>\$000s |
| <b>Fixed rate</b>     |                     |                     |
| Financial liabilities | (1,095,201)         | (1,068,183)         |
|                       | <b>(1,095,201)</b>  | <b>(1,068,183)</b>  |
| <b>Variable rate</b>  |                     |                     |
| Financial assets      | 1,810,252           | 1,716,680           |
| Financial liabilities | (1,083,119)         | (845,573)           |
|                       | <b>727,133</b>      | <b>871,107</b>      |

#### Sensitivity Analysis

At 30 June 2023 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 \$0.5 million (June 2022: one percentage point increase would have caused a \$0.5 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 \$0.5 million (June 2022: one percentage point decrease would have caused a \$0.5 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. Interest rate derivatives have been included in this calculation.

#### 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 2023, the Company does not anticipate a significant liquidity risk in relation to the following financial liabilities 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<br>\$000s | Contractual Cash Flows<br>\$000s | Less than One Year<br>\$000s | One to Two Years<br>\$000s | Two to Five Years<br>\$000s | More than Five Years<br>\$000s |
|---------------------------------------------------------|------|---------------------------|----------------------------------|------------------------------|----------------------------|-----------------------------|--------------------------------|
| <b>June 2023</b>                                        |      |                           |                                  |                              |                            |                             |                                |
| <b>Non derivative financial liabilities</b>             |      |                           |                                  |                              |                            |                             |                                |
| Trade and other payables                                | 9    | 7,850,359                 | 7,850,359                        | 7,664,813                    | 146,780                    | 38,766                      | -                              |
| Borrowings and financing arrangements                   | 10   | 1,415,201                 | 1,773,469                        | 40,225                       | 48,148                     | 1,271,374                   | 413,722                        |
| <b>Total</b>                                            |      | <b>9,265,560</b>          | <b>9,623,828</b>                 | <b>7,705,038</b>             | <b>194,928</b>             | <b>1,310,140</b>            | <b>413,722</b>                 |
| <b>Derivative financial liabilities</b>                 |      |                           |                                  |                              |                            |                             |                                |
| Forward foreign exchange contracts – other corporations | 8    |                           |                                  |                              |                            |                             |                                |
| Inflow                                                  |      | 139,630                   | 2,181,061                        | 1,993,102                    | 47,785                     | 109,488                     | 30,686                         |
| Outflow                                                 |      | -                         | (2,041,431)                      | (1,940,285)                  | (23,604)                   | (58,488)                    | (19,054)                       |
| <b>Subtotal</b>                                         |      | <b>139,630</b>            | <b>139,630</b>                   | <b>52,817</b>                | <b>24,181</b>              | <b>51,000</b>               | <b>11,632</b>                  |
| Forward foreign exchange contracts – related parties    | 8    |                           |                                  |                              |                            |                             |                                |
| Inflow                                                  |      | 4,102                     | 198,631                          | 180,981                      | 298                        | 17,352                      | -                              |
| Outflow                                                 |      | -                         | (194,529)                        | (177,246)                    | (275)                      | (17,008)                    | -                              |
| <b>Subtotal</b>                                         |      | <b>4,102</b>              | <b>4,102</b>                     | <b>3,735</b>                 | <b>23</b>                  | <b>344</b>                  | <b>-</b>                       |
| <b>Total</b>                                            |      | <b>143,732</b>            | <b>143,732</b>                   | <b>56,552</b>                | <b>24,204</b>              | <b>51,344</b>               | <b>11,632</b>                  |
| <b>June 2022</b>                                        |      |                           |                                  |                              |                            |                             |                                |
| <b>Non derivative financial liabilities</b>             |      |                           |                                  |                              |                            |                             |                                |
| Trade and other payables                                | 9    | 6,548,790                 | 6,548,790                        | 6,429,659                    | -                          | 119,131                     | -                              |
| Borrowings and financing arrangements                   | 10   | 1,068,183                 | 1,484,271                        | 40,807                       | 49,220                     | 142,334                     | 1,251,910                      |
| <b>Total</b>                                            |      | <b>7,616,973</b>          | <b>8,033,061</b>                 | <b>6,470,466</b>             | <b>49,220</b>              | <b>261,465</b>              | <b>1,251,910</b>               |
| <b>Derivative financial liabilities</b>                 |      |                           |                                  |                              |                            |                             |                                |
| Forward foreign exchange contracts – other corporations | 8    |                           |                                  |                              |                            |                             |                                |
| Inflow                                                  |      | 129,105                   | 1,415,314                        | 1,189,985                    | 45,415                     | 123,524                     | 56,390                         |
| Outflow                                                 |      | -                         | (1,286,432)                      | (1,162,957)                  | (24,027)                   | (67,005)                    | (32,443)                       |
| <b>Subtotal</b>                                         |      | <b>129,105</b>            | <b>128,882</b>                   | <b>27,028</b>                | <b>21,388</b>              | <b>56,519</b>               | <b>23,947</b>                  |
| Forward foreign exchange contracts – related parties    | 8    |                           |                                  |                              |                            |                             |                                |
| Inflow                                                  |      | 5,552                     | 723,695                          | 674,953                      | 47,420                     | 1,322                       | -                              |
| Outflow                                                 |      | -                         | (718,399)                        | (670,958)                    | (46,240)                   | (1,201)                     | -                              |
| <b>Subtotal</b>                                         |      | <b>5,552</b>              | <b>5,296</b>                     | <b>3,995</b>                 | <b>1,180</b>               | <b>121</b>                  | <b>-</b>                       |
| <b>Total</b>                                            |      | <b>134,657</b>            | <b>134,178</b>                   | <b>31,023</b>                | <b>22,568</b>              | <b>56,640</b>               | <b>23,947</b>                  |

## 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.

|                    |      | June 2023                 |                      | June 2022                 |                      |
|--------------------|------|---------------------------|----------------------|---------------------------|----------------------|
|                    | Note | Carrying Amount<br>\$000s | Fair Value<br>\$000s | Carrying Amount<br>\$000s | Fair Value<br>\$000s |
| <b>Liabilities</b> |      |                           |                      |                           |                      |
| Non Current        |      |                           |                      |                           |                      |
| Commercial notes   | 10a  | 1,095,201                 | 1,074,551            | 1,068,183                 | 1,085,644            |

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 and non financial assets and liabilities that are not measured at cost or amortised cost in the 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 consideration of 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 | Level 1<br>\$000s | Carrying Amount<br>Level 2<br>\$000s | Level 3<br>\$000s | Total<br>\$000s |
|------------------------------|------|-------------------|--------------------------------------|-------------------|-----------------|
| <b>June 2023</b>             |      |                   |                                      |                   |                 |
| <b>Financial assets</b>      |      |                   |                                      |                   |                 |
| Derivatives                  | 8    | -                 | 50,200                               | -                 | <b>50,200</b>   |
| <b>Financial liabilities</b> |      |                   |                                      |                   |                 |
| Derivatives                  | 8    | -                 | 143,732                              | -                 | <b>143,732</b>  |

|                              | Note | Level 1<br>\$000s | Carrying Amount<br>Level 2<br>\$000s | Level 3<br>\$000s | Total<br>\$000s |
|------------------------------|------|-------------------|--------------------------------------|-------------------|-----------------|
| <b>June 2022</b>             |      |                   |                                      |                   |                 |
| <b>Financial assets</b>      |      |                   |                                      |                   |                 |
| Derivatives                  | 8    | -                 | 56,111                               | -                 | <b>56,111</b>   |
| <b>Financial liabilities</b> |      |                   |                                      |                   |                 |
| Derivatives                  | 8    | -                 | 134,657                              | -                 | <b>134,657</b>  |

## Notes to the Financial Statements continued

|                                                                                                      | June 2023<br>\$000s | June 2022<br>\$000s |
|------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| <b>15. Notes to the Statement of Cash Flows</b>                                                      |                     |                     |
| <b>a. Reconciliation of Loss after Tax to Net Cash Used in Operating Activities</b>                  |                     |                     |
| Loss after Tax                                                                                       | <b>(3,427)</b>      | <b>(6,972)</b>      |
| Net unrealised foreign exchange contracts loss/ (gain)                                               | 16,687              | (1,607)             |
| Unrealised/realised foreign exchange (gain)/ loss on intercompany loans                              | (78,173)            | 1,217               |
| Unrealised/ realised foreign exchange loss on external debt                                          | 20,833              | 15,470              |
| Realised foreign exchange loss on revaluation of cash and cash equivalents                           | 150                 | 73                  |
| Unrealised foreign exchange loss on revaluation of trade and other payables                          | 46                  | 14                  |
| Amortisation of borrowings                                                                           | 1,101               | 1,100               |
| <b>Net cash (used in)/ provided by operating activities before changes in assets and liabilities</b> | <b>(42,783)</b>     | <b>9,295</b>        |
| <b>Adjustments for movements in:</b>                                                                 |                     |                     |
| Loans and receivables                                                                                | (7,818)             | 477                 |
| Other assets                                                                                         | 1,150               | (813)               |
| Net deferred tax liabilities                                                                         | 1,123               | (15,461)            |
| Trade and other payables                                                                             | 4,055               | (761)               |
| Current tax provision                                                                                | (17,734)            | 20,177              |
| <b>Net cash (used in)/ provided by operating activities</b>                                          | <b>(62,007)</b>     | <b>12,914</b>       |
| <b>b. Reconciliation of Liabilities Arising from Financing Activities</b>                            |                     |                     |
| Balance at the beginning of financial year <sup>1</sup>                                              | <b>(17,171)</b>     | <b>290,848</b>      |
| Changes from financing activities                                                                    |                     |                     |
| Net proceeds to Group entities                                                                       | (383,328)           | (247,944)           |
| Net proceeds from borrowings - external                                                              | 320,000             | -                   |
| Effect of foreign exchange rate movements                                                            | (57,340)            | 16,687              |
| Amortisation                                                                                         | 1,101               | 1,100               |
| Derivative instruments valuation movements                                                           | 5,084               | (99,357)            |
| Other changes                                                                                        |                     |                     |
| Interest                                                                                             | (4,671)             | 1,318               |
| Tax                                                                                                  | (17,734)            | 20,177              |
| <b>Balance at the end of financial year<sup>1</sup></b>                                              | <b>(154,059)</b>    | <b>(17,171)</b>     |

1. The balance represents related party loans and receivables (Note 7), loans from parent entity and related party trade payables and loans (Note 9) and external borrowings (Note 10).

**16. Auditor's Remuneration**

|                                                                   | June 2023<br>\$ | June 2022<br>\$ |
|-------------------------------------------------------------------|-----------------|-----------------|
| <b>Amounts payable or paid to the auditor of the Company for:</b> |                 |                 |
| Audit services                                                    | 77,447          | 71,960          |
| Other assurance services                                          | 36,296          | -               |
| <b>Total audit and other assurance services</b>                   | <b>113,743</b>  | <b>71,960</b>   |
| Non audit services                                                | -               | 41,481          |
| <b>Total audit, other assurance and non audit services</b>        | <b>113,743</b>  | <b>113,441</b>  |

## 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 other members of the Lendlease Group. 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 2023 and 30 June 2022.

#### 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 Pty 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 2023 was \$Nil (June 2022: \$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 2023 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: Kaneran Mudeliar

Sydney, 7 August 2023



# Independent Auditor's Report

To the shareholder 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 2023 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 2023;
- 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 (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

## 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 Financial Arrangements (Current: A\$nil and Non-current: A\$1,415m)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | How the matter was addressed in our audit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <p>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 terms and conditions including repayment dates and interest rates.</p> <p>In October 2020 A\$500m of Green Bonds were issued in the Australian bond Market, with a maturity date of October 2027.</p> <p>In March 2021 A\$300m Green Bonds were issued in the Australian bond Market, with a maturity date of March 2031.</p> <p>In November 2021, bank credit facility of A\$800m sustainability linked loan were taken with Tranche A amounting to A\$400 million maturing in November 2025 and Tranche B amounting to \$400 million maturing in November 2026.</p> <p>At 30 June 2023 the following facilities were utilised:</p> <ul style="list-style-type: none"> <li>Commercial Notes (A\$1,095m)</li> <li>Bank credit facilities (A\$320m)</li> </ul> <p>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.</p> | <p>Our procedures included:</p> <ul style="list-style-type: none"> <li>obtaining balance and facility limit confirmations from the Commercial Notes and Bank Credit Facility providers;</li> <li>reading the financing agreements of all loans to understand the key terms and conditions of each arrangement;</li> <li>assessing the classification of debt as a current or non-current liability given our understanding of the financing agreements and the criteria in the accounting standards; and</li> <li>evaluating the debt maturity profile and the related financial instrument and risk management disclosures in light of our understanding of the financing arrangements.</li> </ul> |

## 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.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report.

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/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). This description forms part of our Auditor's Report.

KPMG

Paul Rogers  
Partner

Sydney  
9 August 2023