

Company registration number: 02946679

Lendlease Development (Europe) Limited

Annual Report and Financial Statements

for the year ended 30 June 2020



Lendlease Development (Europe) Limited

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Lendlease Development (Europe) Limited

Strategic Report for the year ended 30 June 2020

The directors of Lendlease Development (Europe) Limited present their report for the financial year ended 30 June 2020.

Principal activity

The principal activity of the Company is to provide development management services for various projects including Silvertown Quays, Euston Station, Thamesmead Waterfront, Deptford Landings, Potato Wharf, High Road West, Elephant Park, International Quarter London and Victoria Drive.

The profitability of the Company has increased in the year primarily due to the prior year including an inventory write off for £2.1m

The Company recorded a profit after tax of £1.3m (2019: £4.0m loss).

The Company finished the year with a net asset position of £5.4m (2019: £4.1m).

Principal risks and uncertainties

The Lendlease risk management approach recognises the nature and level of risk that the Company is willing to accept to achieve its strategic goals and key performance targets. Our approach to risk management is focused on:

- Aligning Board and management to drive informed and consistent decision making;
- Achieving effective and efficient allocation of capital and resources;
- Providing an understanding of risk limits;
- Providing context for the identification, reporting and management of risks; and
- Creating a culture of risk awareness and accountability.

Risk awareness, governance and improvement underpin the Lendlease approach, which has evolved with the business and external market.

Accountability and responsibility for risk governance and management is held at various levels across the Lendlease business including the Board and Board Committees, Group Leadership, Regional Leadership, Business Operations and Specialist Functions such as Corporate Risk and Insurance, Operational Assurance and Performance, and Internal Audit.

Although many of the risk factors influencing the business are macroeconomic, others are particular to our operations. The section following highlights some of the risks and uncertainties that affect the Lendlease Group as whole, although it is not intended to be an extensive analysis of all such risks that exist.

Lendlease Development (Europe) Limited

Strategic Report for the year ended 30 June 2020 (continued)

	Description	Mitigation
Health, Safety and Wellbeing	Failure to provide an environment which promotes health, safety and wellbeing impacting our ability to achieve our corporate and social responsibilities.	We are committed to the health, safety and wellbeing of our people. Through our Global Minimum Requirements (GMRs), which include both physical safety and health and wellbeing, we empower our people to operate in a consistent standard across all our operations.
Disruption	Responsiveness to disruption, including digital disruption as well as other new methods and materials emerging in the investment, development and construction sectors.	With the increasing dependence on technology, our strategic intent aims to turn disruption into an opportunity by creating a culture that fosters innovation and focuses on adopting leading edge technologies, to deliver innovative solutions, and generate a competitive point of difference.
Commercial	Commercial performance fails to meet our corporate objectives.	Our capital deployment guidelines mitigate risk and improve performance. Quarterly business reviews assess business operations against approved strategy to drive consistent, focused and risk assessed investment decisions.
Execution	Failure to execute strategy or projects affects our ability to meet our corporate objectives.	Our risk management approach and use of stage gates across our property and construction operations contributes to the mitigation of execution risk. To inform our investment decisions, we use global internal research to develop a house view of property cycles in every region.
Geopolitical	Global and local events or shifts in government policy occurs in the region in which we operate, adversely impacting our ability to achieve strategic objectives. Failure to adequately understand government's mandate, expectations and performance standards.	We are committed to growing our business in sectors that are supported by positive global trends. We are sensitive to geopolitical shifts and concentration risk and coordinate our approach to government to mitigate against sovereign risk.
Regulatory and Counterparty	Non compliance with regulatory and policy requirements by Lendlease or our clients/suppliers. Client, investor, or supply chain ethics fail to meet Lendlease standards. Failure to adequately select, govern, and drive value from counterparties. Failure to comply with government regulations impacts our ability to access government opportunities.	To further improve our culture of compliance, we focus on aligning business priorities with the necessary compliance and assurance measures. We are focused on maintaining an ethical supply chain to ameliorate the risk of material substitution and modern slavery. We have an appetite for relationships with parties who are aligned with our values.

Lendlease Development (Europe) Limited

Strategic Report for the year ended 30 June 2020 (continued)

	Description	Mitigation
Corporate Culture	Failure to create and maintain culture which supports Lendlease's core behaviours, principles and values to drive disciplined strategy execution.	Our values drive our approach to business and delivery of long term value. We empower our people to make business decisions that are aligned to our core values and behaviours, principles, and pillars of value. To provide a 'voice of risk', we have separate reporting routes outside those who can influence risk issues through optimism bias.
Cyber/Data Governance/Asset Protection	Failure of cyber resilience and defence systems. Leakage, misappropriation or unauthorised storage of data. Unauthorised control of systems and physical asset infrastructure (i.e. lifts, security, air conditioning).	Physical and data security continue to be key focus areas globally. We invest in preventative technology and education of employees to achieve a sustainable security culture.
Customer	Loss of existing client (including government) relationships, or inability to tailor services to future clients' needs, impacting Lendlease's financial objectives.	Bid leadership training of key employees reinforces understanding of customers' requirements. Recurrent client survey feedback informs our business strategy. A single platform assists in customer data security and aligns customer service across all regions.
Non Scalable Growth	People: inability to attract, retain, and upskill key talent necessary to deliver. Process: lack of scalable processes to support predictable growth.	To deliver the desired level of performance, we continue to invest in growing our core capabilities through active talent management and targeted professional employee development to attract, retain and grow the best people. Our processes are designed to be consistent, scalable and effective.
Corporate and Environmental Sustainability	Failure to comply with regulatory, societal and investor expectations of corporate and environmental sustainability such as climate change and social responsibility.	We are committed to creating the best places and optimising our corporate and environmental sustainability performance (including climate change and social responsibility) through our Sustainability Framework and integrating sustainability considerations into our business strategies.
Business Continuity	Failure to properly plan for and/or appropriately respond to events which may disrupt Lendlease's business.	To achieve organisational resilience, we are committed to operating in a way that supports our business being able to respond to threats and disasters without affecting our core business operations. We continue to invest in learning and development of our people to better prepare them in the event of disruption through training programs and various threat scenario simulations to stress test the plan.

Lendlease Development (Europe) Limited

Strategic Report for the year ended 30 June 2020 (continued)

Lendlease continues to monitor potential risks and uncertainties posed from the UK's exit from the EU. In particular, consideration has been given to specific risks relating to the workforce, investors, customers, the security of our supply chain and where possible, mitigating actions are being implemented. We are of the view that the UK, and in particular London, is one of the most resilient economies in the world. Despite the continuing political uncertainty surrounding Brexit, Lendlease believes in the long-term viability of the UK as a place to invest.

Lendlease is closely monitoring the developing situation relating to COVID-19 which has emerged in early 2020. The Directors and management of the wider Lendlease Group have taken immediate and significant actions, all within management's control, to reduce costs and optimise the cash flow and liquidity position, including reduction of non-essential capital and project expenditure and overhead reduction initiatives. The full impact the pandemic will have on the Company is uncertain given the situation is evolving and the wider impact on the economy is unknown, however due to the nature of the Company, to date, there has not been a material impact. Refer to note 2 which provides further details around the directors' assessment of the Company to continue as a going concern.

Companies Act 2006 - s.172 Statement

s172(1) of the Companies Act requires Directors of a company to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as whole. The Directors are aware of their responsibilities to promote the success for the benefit of its members in accordance with the above and have acted in accordance with these responsibilities during the year. Directors of the Companies within the Lendlease Group are provided with regular training and are briefed on their duties under the Companies Act, including their duty under s.172 of the Act.

The European Lendlease entities operate within the broader Lendlease Group headed by Lendlease Group in Australia. The Lendlease Group operates with a high standard of risk governance and management which is implemented within the Europe region. The Lendlease Group's approach to risk management focuses on aligning its Board and management to drive informed and consistent decisions, achieving effective and efficient allocation of capital and resources, providing an understanding of risk limits, providing a context to identify, report and manage risks, and creating a culture of risk awareness and accountability. This framework supports the Directors of the Company in making the right decisions that will promote the success of the company for the benefits of its members as a whole. Further details of key risks the Group may face and the ways we aim to mitigate these can be found in the Group's Annual Report (www.lendlease.com).

Lendlease Development (Europe) Limited

Strategic Report for the year ended 30 June 2020 (continued)

Business relationships

The Directors of the Company acknowledge the importance of the need to foster the company's business relationships with suppliers, customers and others. The Lendlease Group has five areas through which we focus our endeavours to create long-term value. These underpin our ability as a Group to create economic, safe and sustainable outcomes for our customers, partners, security holders and the community. While we approach our focus areas with an innovative mindset, our decisions are supported by disciplined governance and risk management. Further details can be found within the Group's annual report (www.lendlease.com).

The below sets out the Company's key stakeholders and explains how we engage with them

- **Customers** - the Company strives to understand our customers and respond to changes in the market. We aim to design and deliver innovative, customer driven solutions to win the projects we want to win and ultimately deliver the best places. We have embedding a process of continuous improvement based on customer insights and actions identified through market research.
- **Employees** - the Lendlease Group aims to attract, develop and retain diverse talent by building a culture of collaboration and continuous learning, where successes are recognised and people are rewarded. We invest in developing leaders and capabilities to drive our success. We embarked on an enterprise-wide program of communication and employee engagement so that our people can participate in designing more collaborative, consistent and open ways of working.
- **Suppliers** - the Company has strong relationships with its established suppliers. We are focused on maintaining an ethical supply chain and to have supplier relationships with parties who are aligned with our values.
- **Local Authorities** - we aim to have a collaborative relationship when we partner with local authorities.

Outlook

The Company will continue to provide development management services for various projects including Silvertown Quays, Euston Station, Thamesmead Waterfront, Deptford Landings, Potato Wharf, High Road West, Elephant Park, International Quarter London and Victoria Drive.

Approved by the Board on 21 September 2020 and signed on its behalf by:



.....
J Clark
Director

Lendlease Development (Europe) Limited

Directors' Report for the Year Ended 30 June 2020

The directors of Lendlease Development (Europe) Limited present their report for the financial year ended 30 June 2020.

Directors of the company

The following persons held office as directors of the Company during the financial year and up to the date of this report:

J Clark

R Seeley

J Davies

Results

The Company's profit after tax for the year was £1.3m (2019: £4.0m loss).

Dividends

The directors do not recommend the payment of a dividend (2019: £nil).

Political donations

The Company made no political donations or incurred any political expenditure during the year (2019: £nil).

Research and development

Innovation is part of the Lendlease Group's heritage and is embedded in the approach to business.

Outlook

An indication of likely future developments in the business has been included in the Strategic Report on page 5.

Lendlease continues to monitor potential risks and uncertainties posed from the UK's exit from the EU. In particular, consideration has been given to specific risks relating to the workforce, investors, customers, the security of our supply chain and where possible, mitigating actions are being implemented. We are of the view that the UK, and in particular London, is one of the most resilient economies in the world. Despite the continuing political uncertainty surrounding Brexit, Lendlease believes in the long-term viability of the UK as a place to invest.

Lendlease is closely monitoring the developing situation relating to COVID-19 which has emerged in early 2020. The Directors and management of the wider Lendlease Group have taken immediate and significant actions, all within management's control, to reduce costs and optimise the cash flow and liquidity position, including reduction of non-essential capital and project expenditure and overhead reduction initiatives. The full impact the pandemic will have on the Company is uncertain given the situation is evolving and the wider impact on the economy is unknown, however due to the nature of the Company, to date, there has not been a material impact. Refer to note 2 of the financial statements which provides further details around the director's assessment of the Company to continue as a going concern.

Events after the balance sheet date

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

Disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Lendlease Development (Europe) Limited

Directors' Report for the Year Ended 30 June 2020 (continued)

Reappointment of auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board on 21 September 2020 and signed on its behalf by:



.....
J Clark
Director

Lendlease Development (Europe) Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditors' Report to the Members of Lendlease Development (Europe) Limited

Opinion

We have audited the financial statements of Lendlease Development (Europe) Limited (the "Company") for the year ended 30 June 2020, which comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and Notes to the Financial Statements, including a summary of significant accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Independent Auditors' Report to the Members of Lendlease Development (Europe) Limited (continued)

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, 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.

Auditors' responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditors' report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 these financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Independent Auditors' Report to the Members of Lendlease Development (Europe)
Limited (continued)**



.....
Ian Griffiths
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
United Kingdom
E14 5GL

Date:.....22 September 2020.....

Lendlease Development (Europe) Limited

**Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2020**

	Note	2020 £ 000	2019 £ 000
Revenue	4	43,120	44,405
Cost of sales		<u>(38,165)</u>	<u>(34,460)</u>
Gross profit		4,955	9,945
Administrative expenses		<u>(4,013)</u>	<u>(14,223)</u>
Results from operating activities	5	942	(4,278)
Finance income	6	14	11
Finance costs	6	<u>(486)</u>	<u>(191)</u>
Net finance cost		(472)	(180)
Profit/(loss) before tax		470	(4,458)
Income tax credit	10	<u>852</u>	<u>494</u>
Profit/(loss) after tax		1,322	(3,964)
Total comprehensive income/(loss) after tax		1,322	(3,964)

The above results were derived from continuing operations.

The notes to and forming part of these financial statements are set out on pages 15 to 28.

Lendlease Development (Europe) Limited

Statement of Financial Position as at 30 June 2020

	Note	2020 £ 000	2019 £ 000
Non current assets			
Deferred tax assets	10	5,933	6,038
Property, plant and equipment	11	47	104
Intangible assets	12	404	696
Total non current assets		6,384	6,838
Current assets			
Trade and other receivables	13	34,099	26,811
Total current assets		34,099	26,811
Total assets		40,483	33,649
Current liabilities			
Trade and other payables	15	(12,994)	(18,989)
Current tax payable		(61)	-
Bank overdraft	14	(22,005)	(10,559)
Total current liabilities		(35,060)	(29,548)
Net assets		5,423	4,101
Equity			
Issued capital	16	53,189	53,189
Retained earnings		(47,766)	(49,088)
Total equity		5,423	4,101

The notes to and forming part of these financial statements are set out on pages 15 to 28.

These statements were approved by the Board on 21 September 2020 and were signed on its behalf by:



J Clark

Director

Company Registration Number: 02946679

Lendlease Development (Europe) Limited

Statement of Changes in Equity for the year ended 30 June 2020

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 July 2018	45,189	(45,124)	65
Total comprehensive income			
Loss for the year	-	(3,964)	(3,964)
Total comprehensive income	-	(3,964)	(3,964)
New share capital subscribed	8,000	-	8,000
At 30 June 2019	53,189	(49,088)	4,101

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 July 2019	53,189	(49,088)	4,101
Total comprehensive income			
Profit for the year	-	1,322	1,322
Total comprehensive income	-	1,322	1,322
At 30 June 2020	53,189	(47,766)	5,423

The notes to and forming part of these financial statements are set out on pages 15 to 28.

Lendlease Development (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2020

1 General information

Lendlease Development (Europe) Limited (the Company) is a private company limited by share capital incorporated and domiciled in United Kingdom. The registered number is 02946679 .

The address of its registered office is:

20 Triton Street
Regent's Place
London
NW1 3BF
United Kingdom

The principal activity is to provide development management services for various projects including Silvertown Quays, Euston Station, Thamesmead Waterfront, Deptford Landings, Potato Wharf, High Road West, Elephant Park, International Quarter London and Victoria Drive.

2 Basis of preparation

Basis of preparation FRS 101

The financial statements have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework*.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the financial statements, the Company has taken advantage of the following disclosure exemptions available under FRS 101:

- IAS 7: Preparing a cash flow statement and related notes;
- IAS 8: The listing of new or revised standards that have not been adopted (and information about the likely impact);
- IFRS 7: Financial instruments and financial risk disclosures;
- IAS 1: Disclosures in respect of capital management;
- IFRS 13: Fair value measurement disclosures;
- IAS 24: Disclosure of related party transactions entered into between members of the group, providing that any subsidiaries party to the transaction are wholly owned;
- IAS 24: Disclosure of compensation for key management personnel and amounts incurred by an entity for the provision of key management personnel services that are provided by a separate management entity.

As the consolidated financial statements of Lendlease Europe Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

Amounts are presented in pounds sterling, with all values rounded to the nearest thousand pounds unless otherwise indicated.

Lendlease Development (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

2 Basis of preparation (continued)

Summary of significant accounting policies and key accounting estimates

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Changes in accounting policy

None of the standards applied for the first time from 1 July 2019 have a material effect on the financial statements.

Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate. The Company is dependent for its working capital on funds provided to it by Lendlease Europe Holdings Limited ("LLEH"), the Company's ultimate UK parent entity. LLEH has indicated its intention to continue to make available financial support for twelve months from the signing date of these financial statements, or earlier, to such period when either LLEH or the Company ceases to be part of the group headed by LLEH, to enable the Company to trade, and not to call for settlement of amounts owing to LLEH where to do so would place the Company in an insolvent position. LLEH itself has been provided with a letter of support from Lendlease International Pty Limited which accepts responsibility of providing and undertakes to provide, sufficient financial assistance to LLEH, as and when it is required, to enable LLEH to continue its operations and fulfil all of its financial obligations. This support covers a period of at least 12 months from the date of approval of these financial statements. As with any company placing reliance on other group entities for financial support, the directors of the Company acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The Directors have considered the liquidity of the Company going forward, in particular adverse effects that could arise due to the ongoing COVID-19 pandemic and have deemed that due to the letters of support, they believe that the Company is well placed to manage its financing and future commitments over a period of at least 12 months from the date of the financial statements.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements that comply with IFRS requires management to make judgements, estimates and assumptions which can affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. These estimates and underlying assumptions are reviewed on an ongoing basis and revisions are recognised prospectively. Accounting judgements that have the most significant effects on reported amounts and further information about estimated uncertainties are highlighted in the relevant accounting policy in note 3.

Lendlease Development (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

3 Accounting policies

Revenue recognition

Provision of services

Development services include development fees earned on development of inner city mixed use developments, retirement, retail, commercial assets and social and economic infrastructure.

Contracts with customers to provide Development services can include either one performance obligation or multiple integrated performance obligations within each contract. The Company assesses each of its contracts individually and where there are separate performance obligations identified, the transaction price is allocated based on the relative stand-alone selling prices of the services provided.

A provision for loss making contracts is recorded for the difference between the expected costs of fulfilling a contract and the expected remaining economic benefits to be received where the forecast remaining costs exceed the forecast remaining benefits.

Employee benefits

Employee benefits are expensed as the related service by the employee is provided and includes both equity and cash based payment transactions. Employee benefits are recognised in the Statement of Profit or Loss net of recoveries.

Depreciation

Depreciation on owned assets is charged to the Income Statement on a straight line basis over the estimated useful lives of items of property, plant and equipment. Amortisation is provided on leasehold improvements over the remaining term of the lease. Most plant is depreciated over a period not exceeding 20 years, furniture and fittings over three to 15 years, motor vehicles over four to eight years and computer equipment over three years.

Right-of-use assets are depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Finance income and costs

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. Finance costs are expensed immediately as incurred unless they relate to acquisition and development of qualifying assets. Qualifying assets are assets that take more than six months to prepare for their intended use or sale. Finance costs related to qualifying assets are capitalised.

Interest receivable and interest payable is recognised in the Statement of Profit or Loss as it accrues, using the effective interest method.

Taxation

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

Lendlease Development (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

3 Accounting policies (continued)

Current tax is the expected tax payable or receivable on the taxable income for the financial year, using applicable tax rates (and tax laws) at the Statement of Financial Position date, and any adjustment to tax payable in respect of previous financial years. The current tax payable or receivable includes amounts awaiting settlement of group relief with other Lendlease Europe Holdings Limited subsidiary entities.

Deferred tax is the expected tax payable or receivable 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 assets and liabilities between the accounting and tax balance sheets. Temporary differences are not provided for on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they are not likely to reverse in the foreseeable future.

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 laws at the reporting 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 deductible temporary differences, unused tax losses and unused tax credits.

Management considers the estimation of future taxable profits to be an area of estimation uncertainty as a change in any of the assumptions used in budgeting and forecasting would have an impact on the future profitability of the Company. Forecasts and budgets form the basis of future profitability to support the carrying value of deferred tax assets.

Presentation of deferred tax assets and liabilities can be offset if there is a legally enforceable right to offset current tax liabilities and assets, they relate to income taxes levied by the same tax authority, and they are intended to be settled on a net basis or realised simultaneously.

Property, plant and equipment

Property, plant and equipment are stated in the Statement of Financial Position at cost, less any subsequent accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation. The residual value and useful life applied to an asset are reassessed at least annually.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the Statement of Profit or Loss during the financial year in which they are incurred.

Lendlease Development (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

3 Accounting policies (continued)

Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3 to 5 years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs directly associated with producing identifiable and unique software products that will generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Direct costs include software development, employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives (3 to 5 years).

Cash and cash equivalents

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.

Trade and other receivables

Trade and other receivables are non derivative financial assets with fixed or determinable payments that are not equity securities. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable.

Trade and other receivables are carried at amortised cost using the effective interest method, which applies the interest rate that discounts estimated future cash receipts over the term of the receivables. 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 finance income over the remaining term.

The Company assesses provision for impairment of the receivables based on irrecoverable amounts and expected credit losses, if material. The Company considers reasonable and supportable information that is relevant and reliable. 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 provision is recognised in the Statement of Profit or Loss.

Inventories

The gross amount of work in progress consists of costs attributable to work performed, including recoverable pre contract and project bidding costs and emerging profit after providing for any foreseeable losses. In applying the accounting policies on providing for these losses accounting judgement is required.

Work in progress is presented as part of inventories for all contracts in which costs incurred exceeds cost of sales. If cost of sales exceed costs incurred, then the difference is presented in trade and other payables as an other payable.

The recoverable amount of each property is assessed at each Statement of Financial Position date and accounting judgement is required to assess whether a provision is raised where cost (including costs to complete) exceeds net realisable value.

Inventories are expensed as a cost of sales in the Statement of Profit or Loss. Management uses accounting judgement in determining:

Lendlease Development (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

3 Accounting policies (continued)

- The apportionment of cost of sales through either land area or sales revenue;
- The amount of cost of sales, which includes costs incurred to date and final forecast costs; and
- The nature of the expenditure, which may include acquisition costs, development costs, borrowing costs and those costs incurred in preparing the property for sale.

Trade and other payables

Trade and other 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 and other payables are settled in the normal course of business. 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 a finance cost over the remaining term.

Retentions

Retentions are amounts payable for the purpose of security and for the provision of defects in accordance with contract terms. Release of retention amounts are in accordance with contractual terms.

Unearned income

Primarily relates to unearned income and deposits received in advance on presold apartments. These amounts will be recognised as income in line with the 'Provision of services' accounting policy in note 3.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

4 Revenue

The analysis of the Company's revenue for the year from continuing operations is as follows:

	2020 £ 000	2019 £ 000
Management fees	37,192	35,867
Other revenue	5,928	8,538
Total revenue	43,120	44,405

Lendlease Development (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

5 Results from operating activities

Results from operating activities includes the following items:

	2020 £ 000	2019 £ 000
Depreciation expense on owned assets	(57)	(57)
Amortisation expense	(420)	(336)
Inventory write-off	-	(2,058)
Foreign exchange gains	-	7

6 Finance income and costs

	2020 £ 000	2019 £ 000
Finance income		
Interest receivable from related parties	14	11
Finance costs		
Interest payable to related parties	(485)	(188)
Other finance costs	(1)	(3)
Total finance costs	(486)	(191)
Net finance costs	(472)	(180)

7 Staff costs

Payroll costs of £24,957k were recharged from Lendlease Construction (Europe) Limited during the year.

In the prior year, £26,979k of payroll costs were incurred by the entity.

Of the total staff costs disclosed above, £24,957k has been recovered to cost of sales (2019: £24,703k).

The Company did not employ any staff during the year (2019: nil).

Lendlease Development (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £ 000	2019 £ 000
Remuneration	<u>(803)</u>	<u>(1,079)</u>
Total directors' remuneration	<u>(803)</u>	<u>(1,079)</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2020 No.	2019 No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>3</u>

In respect of the highest paid director:

	2020 £ 000	2019 £ 000
Remuneration	<u>(435)</u>	<u>(469)</u>

The directors of the Company were all directly employed by Lendlease Construction (Europe) Limited during the financial year however, their remuneration costs was recharged to Lendlease Development (Europe) Limited. There is one exception to this as follows:

J Clark: Lendlease Europe Limited (2019: Lendlease Development (Europe) Limited)

Any qualifying services in respect of the Company are considered to be incidental and part of the directors' overall management services for the above entity. The directors' remuneration for the current year and prior year is included in the financial statements of the above entity.

9 Auditors' remuneration

	2020 £ 000	2019 £ 000
Audit of financial statements	<u>(38)</u>	<u>(38)</u>

The auditors' remuneration has been borne by a fellow group undertaking.

Lendlease Development (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

10 Taxation

Tax credited/(charged) in the Statement of Profit or Loss

	2020 £ 000	2019 £ 000
Current tax		
Current year	(61)	-
Adjustments in respect of prior years	1,018	33
Total current tax	957	33
Deferred tax		
Current year	(66)	485
Adjustments in respect of prior years	(671)	(22)
Effect of changes in tax rate	632	(2)
Total deferred tax	(105)	461
Total income tax credit/(charge)	852	494

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2019 - higher than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Profit/(loss) before tax	470	(4,458)
Income tax using the domestic corporation tax rate 19% (2019: 19%)	(89)	847
Adjustments in respect of prior years	347	11
Income not taxable	-	63
Expenses not deductible	(38)	(425)
Effect of changes in tax rate	632	(2)
Total income tax credit/(charge)	852	494

The effective rate of taxation will vary as a result of any dividends paid by shareholdings, overseas tax rates, prior year tax claims and the utilisation of tax losses brought forward. The Company's profits for the accounting period are taxed at a statutory rate of 19% (2019: 19%).

Lendlease Development (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

10 Taxation (continued)

Deferred tax

Deferred tax assets and liabilities are attributable to the following:

2020	Asset £ 000
Property, plant and equipment	592
Provisions	-
Unused tax losses recognised	5,341
	<u>5,933</u>
	<u>5,933</u>
	Asset £ 000
2019	
Property, plant and equipment	406
Provisions	145
Unused tax losses recognised	5,487
	<u>6,038</u>
	<u>6,038</u>

Deferred tax movement during the year:

	At 1 July 2019 £ 000	Recognised in income £ 000	At 30 June 2020 £ 000
Property, plant and equipment	406	186	592
Provisions	145	(145)	-
Unused tax losses recognised	5,487	(146)	5,341
Net tax assets	<u>6,038</u>	<u>(105)</u>	<u>5,933</u>

Deferred tax movement during the prior year:

	At 1 July 2018 £ 000	Recognised in income £ 000	At 30 June 2019 £ 000
Property, plant and equipment	313	93	406
Provisions	151	(6)	145
Unused tax losses recognised	5,113	374	5,487
Net tax assets	<u>5,577</u>	<u>461</u>	<u>6,038</u>

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the Group's future current tax charge accordingly. The deferred tax asset at 30 June 2020 has been calculated at 19% (2019: 17%).

Lendlease Development (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

10 Taxation (continued)

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit is probable. There are £30,185 of unused tax losses (2019 - £30,185) for which no deferred tax asset is recognised in the statement of financial position.

11 Property, plant and equipment

Reconciliation of plant and equipment

	2020 £ 000
Carrying amount at beginning of year	104
Depreciation	(57)
Carrying amount at end of year	47
Plant and equipment cost	171
Accumulated depreciation	(124)
Carrying amount at end of year	47

12 Intangible assets

Reconciliation of other intangibles

	Software 2020 £ 000
Carrying amount at beginning of year	696
Additions	128
Amortisation	(420)
Carrying amount at end of year	404
Other intangibles cost	1,400
Accumulated amortisation	(996)
Carrying amount at end of year	404

Lendlease Development (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

13 Trade and other receivables

	Note	30 June 2020 £ 000	30 June 2019 £ 000
Current			
Trade receivables		167	-
Amounts owing from related parties		29,899	20,655
Accrued income		1,554	3,929
Other receivables		2,479	2,227
Total current		34,099	26,811
Total trade and other receivables		34,099	26,811

In the current reporting period, additional reviews were undertaken to assess recoverability in light of the COVID-19 pandemic. As the majority of the Company's customers are Lendlease Group entities, no additional risk has been identified.

There is no impairment recognised on any receivables and no receivables past due.

14 Cash and cash equivalents

	30 June 2020 £ 000	30 June 2019 £ 000
Bank overdrafts	(22,005)	(10,559)

15 Trade and other payables

	30 June 2020 £ 000	30 June 2019 £ 000
Current		
Trade payables	(343)	(328)
Amounts due to related parties	(11,667)	(13,377)
Accrued expenses	(429)	(4,633)
Other payables	(555)	(651)
Current trade and other payables	(12,994)	(18,989)
Total trade and other payables	(12,994)	(18,989)

Lendlease Development (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

16 Issued capital

Allotted, called up and fully paid shares

	2020		2019	
	No. 000	£ 000	No. 000	£ 000
Ordinary Share of £1 each	<u>53,189</u>	<u>53,189</u>	<u>53,189</u>	<u>53,189</u>

New shares allotted

No new shares were issued during the financial year ended 30 June 2020 (2019: £8,000k capital injection from Lendlease Europe Limited).

Rights, preferences and restrictions

Ordinary shares have the following rights, preferences and restrictions:

The holder of ordinary shares have the right to receive declared dividends from the Company and are entitled to one vote per share at meetings of the Company.

17 Parent and ultimate parent undertaking

The Company's immediate parent is Lendlease Europe Limited.

The ultimate parent is Lendlease Corporation Limited.

Lendlease Development (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

17 Parent and ultimate parent undertaking (continued)

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is Lendlease Corporation Limited, incorporated in Australia.

The address of Lendlease Corporation Limited is:

Level 14 Tower Three
International Towers Sydney
Exchange Place
300 Barangaroo Avenue
Barangaroo NSW 2000

The consolidated financial statements of that group may be obtained from www.lendlease.com.

The parent of the smallest group in which these financial statements are consolidated is Lendlease Europe Holdings Limited, incorporated in England and Wales.

The address of Lendlease Europe Holdings Limited is:

20 Triton Street
Regent's Place
London NW1 3BF

The consolidated financial statements of that group may be obtained from:

The Registrar of Companies
Companies House
Crown Way
Maindy, Cardiff.

18 Subsequent events

There has been no event or circumstance since the balance sheet date that would significantly affect the Company.