

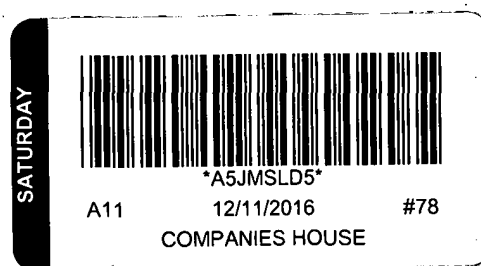
Lendlease Communities Limited

(Formally trading as Lend Lease Communities Limited)

Annual report and financial statements

Registered number 03904306

For the year ended 30 June 2016



Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2016.

Results and Dividends

During the year, the Company reached practical completion on the remaining units of Cobalt Place in Wandsworth. As a result of this performance and investment in long term growth the Company reported a profit of £3.9m (2015: £5.8m profit).

The directors do not recommend the payment of a dividend (2015: £nil).

Directors

The directors who held office during the year were as follows:

R Cook
C Pettett
B O'Rourke
V Quinlan

Political and charitable contributions

The Company made no political or charitable contributions during the

Disclosure of information to 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 he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

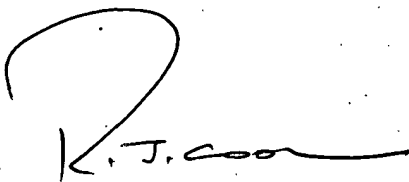
Other information

On the 1 July 2016 the Company changed its name from Lend Lease Communities Limited to Lendlease Communities Limited

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.

By order of the board



Richard Cook

Director

20 Triton Street
Regents Place, London
NW1 3BF

7 November 2016

Statement of directors' responsibilities in respect of the Directors' report and the financial statements

The directors are responsible for preparing 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 they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

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 judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 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 auditor's report to the members of Lendlease Communities Limited

We have audited the financial statements of Lendlease Communities Limited for the year ended 30 June 2016 set out on pages 4 to 11. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors' responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

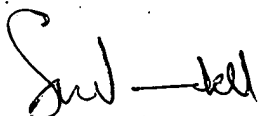
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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
- 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.
- the directors were not entitled to take advantage of the small companies exemption from the requirements to prepare a strategic report.



Stephen Wardell
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL

7 November 2016

Statement of profit or loss and other comprehensive income
 for the year ended 30 June 2016

	Note	2016 £000	2015 £000
Revenue		22,131	34,897
Cost of Sales		<u>(14,366)</u>	<u>(24,008)</u>
Gross profit		7,765	10,889
Administrative expenses		<u>(872)</u>	<u>(2,071)</u>
Operating profit		6,893	8,818
Net finance expense	4	<u>(2,193)</u>	<u>(631)</u>
Profit before taxation		4,700	8,187
Taxation	5	(815)	(2,344)
Profit after taxation		<u>3,885</u>	<u>5,843</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>3,885</u></u>	<u><u>5,843</u></u>

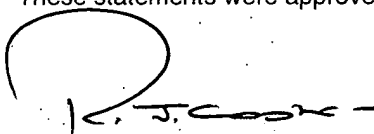
The notes to and forming part of these financial statements are set out on pages 8 to 11.

Statement of financial position
as at 30 June 2016

	Note	2016 £000	2015 £000
Non current assets			
Investment in group companies and associated undertaking	6	606	2,250
Deferred tax asset	7	119	1,218
Inventories	8	27,529	28,008
		<u>28,254</u>	<u>31,476</u>
Current assets			
Cash and cash equivalents		-	825
Trade and other receivables	9	3	31,821
		<u>3</u>	<u>32,646</u>
Total assets		<u>28,257</u>	<u>64,122</u>
Current liabilities			
Cash and cash equivalents		(448)	-
Trade and other payables	10	(43,312)	(83,510)
Total liabilities		<u>(43,760)</u>	<u>(83,510)</u>
Net liabilities		<u>(15,503)</u>	<u>(19,388)</u>
Equity			
Share capital	11	-	-
Retained losses		(15,503)	(19,388)
Total equity		<u>(15,503)</u>	<u>(19,388)</u>

The notes to and forming part of these financial statements are set out on pages 8 to 11.

These statements were approved by the board of directors on 7 November 2016 and were signed on its behalf by:



Richard Cook
Director

Registered number 03904306

Statement of changes in equity
for the year ended 30 June 2016

	Attributable to shareholders		
	Share capital	Retained earnings	Total equity
	£000	£000	£000
Balance at 1 July 2014	-	(25,231)	(25,231)
Profit for the year	-	5,843	5,843
Balance at 30 June 2015	-	(19,388)	(19,388)
Balance at 1 July 2015	-	(19,388)	(19,388)
Profit for the year	-	3,885	3,885
Balance at 30 June 2016	-	(15,503)	(15,503)

The notes to and forming part of these financial statements are set out on pages 8 to 11.

Cash Flow Statement
for the year ended 30 June 2016

	2016	2015
	£000	£000
Cash flows from operating activities		
Profit for the year	3,885	5,843
<i>Adjustments for:</i>		
Taxation	815	2,344
Finance expense	2,193	631
	<u>6,893</u>	<u>8,818</u>
Decrease/(increase) in inventories	478	(11,857)
Decrease/(increase) in trade and other receivables	32,103	(32,356)
(Decrease)/increase in trade and other payables	(40,198)	36,601
Net cash (used in)/from operating activities	<u>(724)</u>	<u>1,206</u>
Cash flow from investing activities		
Distribution from Investment in group companies and associated undertakings	1,644	250
Net cash from investing activities	<u>1,644</u>	<u>250</u>
Cash flow from financing activities		
Interest paid	(2,193)	(631)
Net cash from financing activities	<u>(2,193)</u>	<u>(631)</u>
(Decrease)/increase in cash and cash equivalents	(1,273)	825
Cash and cash equivalents brought forward	825	-
Cash and cash equivalents at 30 June	<u>(448)</u>	<u>825</u>

The notes to and forming part of these financial statements are set out on pages 8 to 11.

Notes to the financial statements

1 Accounting policies

Lendlease Communities Limited (the "Company") is a Company domiciled in the UK.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations as adopted by the European Union ("Adopted IFRSs") and with those parts of the Companies Act, 2006 applicable to companies reporting under IFRS.

The Company is exempt by virtue of S401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The Company is dependent for its working capital on funds provided to it by Lendlease Europe Limited. Lendlease Europe Limited has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any Company placing reliance on other group entities for financial support, the directors 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.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result in the basis of preparation being inappropriate.

New standards and interpretations not yet adopted

The following Adopted IFRSs have been issued but have not been applied in these financial statements. The effect of these adopted IFRSs on these financial statements have not yet been determined:

- IFRS 9 Financial Instruments (on or after 1 January 2018).
- IFRS 15 Revenue from Contract with Customers (on or after 1 January 2018).
- Equity Method in Separate Financial Statements – Amendments to IAS 27 (on or after 1 January 2016).
- Annual Improvements to IFRSs - 2012-2014 Cycle (effective date to be confirmed).
- Disclosure Initiative - Amendments to IAS 1 (effective date to be confirmed).

Revenue

Revenue and profits from the sale of development properties is recognised in the Statement of profit or loss and other comprehensive income when:

- the significant risks and rewards have been transferred to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the development properties sold;
- the revenue can be measured reliably and it is probable that the Company will receive the consideration due; and
- the Company can measure reliably the costs incurred or to be incurred.

Investments in group companies and related undertakings

Investments in group companies and related undertakings are carried at cost less impairment. Management conduct impairment reviews annually.

Inventories

Inventory is stated at cost with adjustments made to the carrying value to reflect net realisable amounts, where these are lower than cost. Management conducts impairment reviews annually.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the Cash Flow Statement.

Net finance expense

Net finance costs comprise interest payable, interest receivable on funds invested and guarantee fees. Net finance costs are capitalised to the extent that they relate to a qualifying asset.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Statement of profit or loss and other comprehensive income 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 year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Financial instruments

The Company classifies its financial assets in the following categories; financial assets at fair value through profit and loss, loans and receivables, held to maturity investments and available-for-sale financial assets. Management determines the classification of its assets at initial recognition.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable.

Critical judgments in applying the entity's accounting policies

The preparation of the financial statements under IFRS requires management to make estimates and assumptions that affect amounts recognised for assets and liabilities at the balance sheet date and the amounts of revenue and expenses incurred during the reporting period. Actual outcomes may therefore differ from these estimates and assumptions.

As at the balance sheet date, there were no assets or liabilities held other than inventories and deferred tax assets for which changes in their underlying assumptions are expected to result in a material change in their carrying values within the next financial year.

2 Directors' remuneration and employees

All directors are employees of Lendlease Development (Europe) Limited. Any qualifying services in respect of the Company are considered to be incidental and part of these directors' overall management responsibilities within Lendlease Development (Europe) Limited. Their remuneration for the current year and prior year was paid by and included in the financial statements of this company.

All staff are employed by Lendlease Development (Europe) Limited (2015: £nil)

3 Auditor's remuneration

Amounts receivable by the auditor and their associates in respect of:

	2016	2015
	£000	£000
Audit of these financial statement	(21)	(20)
Auditor's remuneration in respect of audit and other fees were paid by another group entity.		

4 Net finance expense

Interest expense on financial liabilities measured at amortised cost

	2016	2015
	£000	£000
Payable to group undertakings	(2,803)	(2,405)
Capitalised interest expense	610	1,774
Net finance expense	(2,193)	(631)

5 Taxation

(a) Analysis of tax charge in period

	2016	2015
	£000	£000
Current tax charge		
United Kingdom corporation tax	(598)	-
Prior year adjustment	882	-
Total current tax	284	-

Deferred tax (expense)/benefit

	2016	2015
	£000	£000
Adjustments in respect of previous periods	(845)	85
Origination and reversal of timing differences	(248)	(2,348)
Effect of future change in UK tax rate	(6)	(81)
Tax charge on ordinary activities	(815)	(2,344)

(b) Factors affecting the current charge for the year

The tax assessed differs from the application of the standard rate of corporation tax in the UK 2016: 20% (2015: 20.75%) to the Company's accounting profit before taxation for the following reasons:

	2016	2015
	£000	£000
Profit/(loss) on ordinary activities before tax	4,700	8,187
Tax using the UK corporation tax rate of 20% (2015: 20.75%)	(941)	(1,699)
Share of related undertakings' loss/(profit)	94	(649)
Permanent difference on change in tax rate	(6)	(81)
Adjustments in respect of previous periods	38	85
Total tax charge in statement of comprehensive income	(815)	(2,344)

(c) Factors that may affect future tax charges

The effective rate of taxation will vary as a result of any dividends paid by subsidiaries, overseas tax rates and the utilisation of tax losses brought forward.

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the Company's future current tax charge accordingly. Accordingly, the Company's profit for the accounting period are taxed at an effective rate of 20% (2015: 20.75%)

Based on current capital investment plans, the Company expects to continue to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current year.

Notes to the financial statements (continued)

6 Investment in group companies and associated undertakings

The Company has the following investments in associated undertakings:

Company	Country of Incorporation	Activity	Accounting Reference	Ownership 2016	2015
Related Undertakings					
Victoria Drive Wandsworth LLP (incorporated 12 May 2016)	UK	Property Development	30-Jun	50%	0%
First Base 4 Stratford LLP	UK	Property Development	31-Mar	65%	65%
Cobalt Place Residents Management Company Limited	UK	Property Development	30-Jun	100%	100%

Due to the shareholder agreement between the Company and the other shareholders detailing decision making rights over significant matters related to the financial and operating policies of First Base 4 Stratford LLP, the directors are of the opinion that at the reporting date the Company had significant influence over the entity and it is therefore an associate.

Investment in group companies and related undertakings represent shares in subsidiary undertakings and associates held at cost. A full list of the Company's subsidiaries is included in the Company's annual return. The above information relates to those related undertakings and associates, which, in the opinion of the directors, principally affect the results and net assets of the Company.

7 Deferred tax assets

Deferred tax assets are attributable to the following:

	2016 £000	2015 £000
Property, plant and equipment	119	185
Tax value of loss carry-forwards	-	1,033
Tax assets	<u>119</u>	<u>1,218</u>

Movement in deferred tax during the year

	Property, plant and equipment £000	Tax Losses £000	Total £000
At 1 July 2014	34	2,879	2,913
Recognised during the year	160	(1,774)	(1,614)
Change in UK tax rate	(9)	(72)	(81)
As at 30 June 2015	<u>185</u>	<u>1,033</u>	<u>1,218</u>
Recognised during the year	(60)	(1,033)	(1,093)
Change in UK tax rate	(6)	-	(6)
As at 30 June 2016	<u>119</u>	<u>-</u>	<u>119</u>

8 Inventories

	2016 £000	2015 £000
Work in progress - Non current	<u>27,529</u>	<u>28,008</u>

The directors consider all inventories to be non current in nature. The operational cycle is such that a significant proportion of inventories will not be realised within twelve months. It is not possible to determine with accuracy when specific inventory will be realised as this will be subject to a number of issues such as consumer demand and development programmes.

9 Trade and other receivables

	2016 £000	2015 £000
Taxation and social security	3	212
Trade and other receivables	-	59
Accrued Income	-	31,550
	<u>3</u>	<u>31,821</u>

The Company has a small concentration of credit risk. Given the nature of the business, transactions mainly relate to sale of development properties where full settlement is received at the point when legal title passes to the purchaser on completion. Therefore, there are outstanding settlements for units which have not legally completed. This risk is mitigated, as customers are obliged to provide a non-refundable prepaid deposit.

10 Trade and other payables

	2016 £000	2015 £000
Lendlease Europe Holdings Limited	(36,713)	(46,252)
Lendlease Europe Limited	(149)	(32,634)
Lendlease Residential (CG) PLC	(2,531)	-
Lendlease Residential (CG) PLC (E&C)	(184)	-
Lendlease Development Europe Limited	(473)	-
Group Relief Payable	(365)	-
Other creditors	(1,947)	(1,043)
Accruals and deferred income	(951)	(3,581)
	<u>(43,312)</u>	<u>(83,510)</u>

Notes to the financial statements (continued)

11 Called up share capital

Allotted, called up and fully paid
1 Ordinary shares of £1 each

	2016	2015
	£	£
	1	1

12 Related Party Disclosures

During the year the Company was charged a management charge of £436,614 (2015: £1,916,777) from Lendlease Development (Europe) Limited.

At the year end the Company owed £148,546 (2015: £32,633,926) to Lendlease Europe Limited. During the year the Company was charged interest of £863,058 (2015: £631,472) on this balance. The interest was charged at LIBOR plus 2.45%.

At the year end the Company owed £36,712,509 (2015: £46,252,305) to Lendlease Europe Holdings Limited in respect of borrowings for specific qualifying assets. During the year the Company was charged interest of £1,330,256 (2015: £1,773,697) on this balance at a rate of 9.52%. Interest charged from Lendlease Europe Holdings Limited is capitalised into inventory.

13 Financial Risk Management

Introduction and overview

The Company has exposure to the following risks:

- Credit risk
- Operational risks
- Liquidity risks
- Interest rate risks

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

a) Credit risk

Given the nature of the Company's business, legal title to development properties only passes to the purchaser on completion, and therefore the point at which full settlement is received. The Company does therefore not consider itself to be exposed to significant concentrations of credit risk.

b) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure and from external factors other than credit corporate behaviour.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness.

c) 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's objective is to maintain the efficient use of cash and debt facilities in order to minimise the cost of borrowing to the Company and ensure sufficient availability of credit facilities.

d) 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 the market interest rates. The Company's policy is to manage interest rate risk that impacts directly on the Company's assets and liabilities. The Company's exposure to interest rate risk is limited to movements in intra-group lending rates.

Sensitivity Analysis

In managing interest rate and currency risks the Company aims to reduce the impact of short-term fluctuations on the Company's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates would have an impact on earnings.

At 30 June 2016 and 30 June 2015, the fair values of the company's financial instruments were not materially different to the book value of these instruments.

14 Ultimate parent company and parent undertaking of larger group of which the Company is a member

The immediate holding company throughout the year was Lendlease Europe Retail Investments Limited, which is registered in England and Wales. Its ultimate parent undertaking is Lendlease Corporation Limited, (Level 14 Tower Three, International Towers Sydney, Exchange Place, 300 Barangaroo Avenue, Barangaroo NSW 2000) which is incorporated in Australia. The largest group in which the results of the Company are consolidated is that headed by Lendlease Corporation Limited. The consolidated financial statements of that group may be obtained from the group's website at www.lendlease.com.

The smallest group in which the financial statements of the Company are consolidated is that headed by Lendlease Europe Holdings Limited. The consolidated financial statements of this group may be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff.