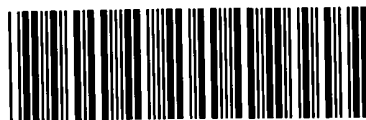


# Lendlease Infrastructure Holdings (Europe) Limited

Annual Report and Financial Statements

for the year ended 30 June 2017

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# **Lendlease Infrastructure Holdings (Europe) Limited**

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# **Lendlease Infrastructure Holdings (Europe) Limited**

## **Company Information**

<b>Directors</b>	M Boor
	S Fraser
	T Mackellar
	M Packer
<b>Registered office</b>	20 Triton Street Regent's Place London England NW1 3BF
<b>Auditors</b>	KPMG LLP Chartered Accountants 15 Canada Square London England E14 5GL

# **Lendlease Infrastructure Holdings (Europe) Limited**

## **Directors' Report for the Year Ended 30 June 2017**

The directors present their report and the financial statements of Lendlease Infrastructure Holdings (Europe) Limited (the "Company") for the year ended 30 June 2017.

### **Principal activities**

The principal activity of the Company is to act as a holding company for Lendlease's Infrastructure Development business in the UK, and to hold investments in Lendlease's UK Public Private Partnership (PPP) activities.

### **Results and dividends**

The Company recorded a profit for the financial year of £1.1m (2016: £5.6m). The results and the position of the Company at the year end are in line with the expectations of the directors.

The directors do not recommend a final dividend for the year (2016: £nil) and an interim dividend of £nil was paid during the year (2016: £nil).

### **Directors' of the company**

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

M Boor (appointed 10 February 2017)

S Fraser

T Mackellar (appointed 10 February 2017)

M Packer (appointed 10 February 2017)

None of the directors who held office at the end of the financial period had any disclosable interest in group undertakings as recorded in the register of directors' interests.

### **Financial instruments**

Details of the Company's financial risk objectives and policies, and the Company's exposure to credit risk, interest rate risk and liquidity risk are included in note 15 of the financial statements.

### **Political contributions**

The Company made no political donations or incurred any political expenditure during the year (2016: £nil).


### **Disclosure of information to the auditor**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

### **Reappointment of auditor**

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 15 September 2017 and signed on its behalf by:



S Fraser  
Director

## **Lendlease Infrastructure Holdings (Europe) Limited**

### **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 International Financial Reporting Standards as adopted by the European Union (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 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 estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- 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 its 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 group and to prevent and detect fraud and other irregularities.

## **Independent Auditor's Report to the Members of Lendlease Infrastructure Holdings (Europe) Limited**

### **Opinion**

We have audited the financial statements of Lendlease Infrastructure Holdings (Europe) Limited ("the Company") for the year ended 30 June 2017 which comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and related notes, including the summary of significant accounting policies and other explanatory information.

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of its profit for the year then ended;
- the Company financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU); and
- the financial statements 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**

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **Directors' report**

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

Our responsibility is to read 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 directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has 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 by the company, 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

## **Independent Auditor's Report to the Members of Lendlease Infrastructure Holdings (Europe) Limited (continued)**

### **Directors' responsibilities**

As explained more fully in their statement set out on page 3, 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 they 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.

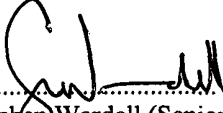
### **Auditor's responsibilities**

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 auditor's 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

  
.....  
Stephen Wardell (Senior Statutory Auditor)  
For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants  
15 Canada Square  
London  
England  
E14 5GL

18 September 2017

# Lendlease Infrastructure Holdings (Europe) Limited

## Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2017

	Note	2017 £ 000	2016 £ 000
Revenue	3	4	4,220
Other operating expenses		-	(5)
<b>Operating profit</b>		<u>4</u>	<u>4,215</u>
Finance income		1,357	284
Finance costs		<u>(20)</u>	<u>(50)</u>
<b>Net finance income</b>	4	<u>1,337</u>	<u>234</u>
<b>Profit before tax</b>		1,341	4,449
Income tax (expense)/credit	8	<u>(270)</u>	<u>1,156</u>
<b>Profit and total comprehensive income for the year</b>		<u><u>1,071</u></u>	<u><u>5,605</u></u>

The above results were derived from continuing operations.

The notes on pages 10 to 17 form an integral part of these financial statements.




# Lendlease Infrastructure Holdings (Europe) Limited

## Statement of Financial Position as at 30 June 2017

	Note	2017 £ 000	2016 £ 000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment in group companies and associated undertakings	12	14	14
Deferred tax assets	8	-	1,265
<b>Total non-current assets</b>		<u>14</u>	<u>1,279</u>
<b>Current assets</b>			
Trade and other receivables	9	55,703	51,615
Cash and cash equivalents		-	301
<b>Total current assets</b>		<u>55,703</u>	<u>51,916</u>
<b>Total assets</b>		<u>55,717</u>	<u>53,195</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	11	22,720	21,269
<b>Total current liabilities</b>		<u>22,720</u>	<u>21,269</u>
<b>Net assets</b>		<u>32,997</u>	<u>31,926</u>
<b>Equity</b>			
Share capital	10	10,000	10,000
Retained earnings		22,997	21,926
<b>Total equity</b>		<u>32,997</u>	<u>31,926</u>

Approved by the Board on 15 September 2017 and signed on its behalf by:



S Fraser

Director

Company registration number: 5804271

The notes on pages 10 to 17 form an integral part of these financial statements.

# Lendlease Infrastructure Holdings (Europe) Limited

## Statement of Changes in Equity for the year ended 30 June 2017

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 July 2015	10,000	16,321	26,321
Total comprehensive income for the year	<u>-</u>	<u>5,605</u>	<u>5,605</u>
At 30 June 2016	<u>10,000</u>	<u>21,926</u>	<u>31,926</u>

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 July 2016	10,000	21,926	31,926
Total comprehensive income for the year	<u>-</u>	<u>1,071</u>	<u>1,071</u>
At 30 June 2017	<u>10,000</u>	<u>22,997</u>	<u>32,997</u>

The notes on pages 10 to 17 form an integral part of these financial statements.

# Lendlease Infrastructure Holdings (Europe) Limited

## Statement of Cash Flows for the year ended 30 June 2017

	2017 £ 000	2016 £ 000
<b>Cash flows from operating activities</b>		
Net profit for the year	1,093	5,605
Adjustments for:		
Tax charge	248	(1,156)
Net interest received	(1,337)	(234)
<b>Operating profit (before changes in working capital)</b>	<u>4</u>	<u>4,215</u>
<b>Changes in working capital:</b>		
(Increase) in amounts due from related parties	(2,986)	(4,934)
Increase in amounts due to related parties	1,536	4,457
Decrease in prepayments and accrued income	-	16
(Decrease) in other payables	(105)	(4,384)
Decrease in deferred tax	1,250	-
<b>Net cash used in operating activities</b>	<u>(301)</u>	<u>(630)</u>
<b>Net cash flow from investing activities</b>	<u>-</u>	<u>-</u>
<b>Net cash flow from financing activities</b>	<u>-</u>	<u>-</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(301)</u>	<u>(630)</u>
Cash and cash equivalents at beginning of year	301	931
<b>Cash and cash equivalents at end of year</b>	<u>-</u>	<u>301</u>

The notes on pages 10 to 17 form an integral part of these financial statements.

# **Lendlease Infrastructure Holdings (Europe) Limited**

## **Notes to the Financial Statements for the year ended 30 June 2017**

### **1 General information**

The Company is a private company limited by share capital incorporated and domiciled in England.

The address of its registered office is:

20 Triton Street  
Regent's Place  
London  
England  
NW1 3BF

These financial statements were authorised for issue by the Board on 15 September 2017.

### **2 Accounting policies**

#### **Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRS's").

#### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **Basis of preparation**

The financial statements have been prepared in accordance with adopted IFRSs and under historical cost accounting rules.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

The Company is not required to prepare consolidated financial statements under section 400 of the Companies Act 2006 and IAS 27 - "Presentation of Consolidated Financial Statements" as it is a subsidiary of another entity that prepares consolidated financial statements. As such, the results presented here are for the Company as an individual undertaking and not of its Group.

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable in the ordinary course of business.

Interest income is recognised on a time proportionate basis using the effective interest method.

Other income is recognised when the right to receive payment is established.

#### **Investment in group companies and associated undertakings**

Equity investments in subsidiaries, joint ventures and associated undertakings are stated at cost less impairment. Adjustments are made to the carrying value to reflect the net realisable value of the investment where these are lower than cost. Management conduct impairment reviews annually.

## **Lendlease Infrastructure Holdings (Europe) Limited**

### **Notes to the Financial Statements for the year ended 30 June 2017 (continued)**

#### **2 Accounting policies (continued)**

##### **Financial Assets**

###### **Classification**

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

###### **Recognition and measurement**

Loan stock investments are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

###### **Trade payables**

Trade payables are recognised at fair value and comprise amounts payable to group undertakings.

###### **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and at bank.

###### **Current and deferred income tax**

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date. Temporary differences are differences between the tax base assets and liabilities and their carrying amounts in the financial statements. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

###### **Finance Costs**

Finance expenses comprise interest expense on borrowings. Interest expense is calculated based on the terms of the loan agreements and recognised as incurred.

###### **Impact of new/revised accounting standards**

A number of new accounting standards and interpretations have been issued that are not mandatory for the financial year ended 30 June 2017 and have not been applied in preparing this report. None of these are expected to have a significant effect on the financial statements and its policies.

###### **Critical accounting estimates and judgements**

The preparation of 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.

# Lendlease Infrastructure Holdings (Europe) Limited

## Notes to the Financial Statements for the year ended 30 June 2017 (continued)

### 3 Revenue

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

	2017 £ 000	2016 £ 000
Management recharge	-	4,000
Reversal of accruals	-	219
Other revenue	4	1
	<u>4</u>	<u>4,220</u>

### 4 Finance income and costs

	2017 £ 000	2016 £ 000
<b>Finance income</b>		
Interest receivable from group undertakings	1,357	284
<b>Finance costs</b>		
Interest payable to group undertakings	<u>(20)</u>	<u>(50)</u>
Net finance income	<u>1,337</u>	<u>234</u>

### 5 Staff costs

The Company had no employees throughout the year (2016: nil). Management and administrative staffing resources are provided by secondeed staff that are employed by the related parties for which no charge is made (see note 14 "Related party transactions").

### 6 Directors' remuneration

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

### 7 Auditor's remuneration

	2017 £ 000	2016 £ 000
Audit of the statutory financial statements	<u>5</u>	<u>23</u>

# Lendlease Infrastructure Holdings (Europe) Limited

## Notes to the Financial Statements for the year ended 30 June 2017 (continued)

### 8 Income tax

Tax (charged)/credited in the income statement

	2017 £ 000	2016 £ 000
<b>Current tax</b>		
Current tax expense on profits for the year	(265)	(46)
Adjustments in respect of prior years	<u>10</u>	<u>(63)</u>
	(255)	(109)
<b>Deferred tax</b>		
Adjustments in respect of prior years	<u>(15)</u>	<u>1,265</u>
Tax (charge)/credit in the income statement	<u>(270)</u>	<u>1,156</u>

The tax assessed differs from the application of the standard rate of corporation tax in the UK 2017: 19.75% (2016: 20.00%) to the Company's accounting loss before taxation for the following reasons:

The differences are reconciled below:

	2017 £ 000	2016 £ 000
Profit before tax	<u>1,341</u>	<u>4,449</u>
Corporation tax at standard rate	(265)	(890)
Adjustments in respect of prior years	(5)	(63)
Non-assessable income	-	844
Prior year unrelieved losses recognised in current year	<u>-</u>	<u>1,265</u>
Total tax (charge)/ credit	<u>(270)</u>	<u>1,156</u>

### Deferred tax assets

2017	Asset £ 000
Tax losses carry-forwards	<u>-</u>
2016	Asset £ 000
Tax losses carry-forwards	<u>1,265</u>

# Lendlease Infrastructure Holdings (Europe) Limited

## Notes to the Financial Statements for the year ended 30 June 2017 (continued)

### 8 Income tax (continued)

Deferred tax movement during the year:

	At 1 July 2016 £ 000	Recognised in income £ 000	Cash settled £ 000	At 30 June 2017 £ 000
Tax losses carry-forwards	1,265	(15)	(1,250)	-

Deferred tax movement during the prior year:

	At 1 July 2015 £ 000	Recognised in income £ 000	Cash settled £ 000	At 30 June 2016 £ 000
Tax losses carry-forwards	-	1,265	-	1,265

#### Factors that may affect future tax charges

A reduction in the corporate tax rate to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was enacted on 15 September 2016. This will reduce the Company's future current tax charge accordingly. Accordingly, the Company's profits for the accounting period are taxed at a statutory rate of 19.75% (2016: 20%).

### 9 Trade and other receivables

	2017 £ 000	2016 £ 000
Receivables from related parties	55,703	51,615

### 10 Share capital

#### Allotted, called up and fully paid shares

	2017		2016	
	No. 000	£ 000	No. 000	£ 000
Allotted, called up and fully paid ordinary shares of £1 each	10,000	10,000	10,000	10,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

### 11 Trade and other payables

	2017 £ 000	2016 £ 000
Amounts due to related parties	22,404	20,848
Other payables	316	421
	22,720	21,269



# Lendlease Infrastructure Holdings (Europe) Limited

## Notes to the Financial Statements for the year ended 30 June 2017 (continued)

### 12 Investment in group companies and associated undertakings

	Cash Investment £'000	Shares in joint ventures £'000	Total £'000
<b>Cost</b>			
At beginning of year	21,442	3,739	25,181
At end of the year	21,442	3,739	25,181
<b>Provisions/amortisation</b>			
At beginning of year	(21,442)	(3,725)	(25,167)
At end of the year	(21,442)	(3,725)	(25,167)
<b>Carrying value</b>			
At 30 June 2017	-	14	14
At 30 June 2016	-	14	14

The Company has interests in the following companies and associated undertakings:

	Country of registration or incorporation	Registered address	Principal activity	Percentage of ordinary shares held
<b>Subsidiaries</b>				
Lendlease Infrastructure (Europe) Limited	England and Wales	20 Triton Street, Regent's Place, London, NW1 3BF	PFI holding company	100%
Birmingham Schools PSP LEP Limited	England and Wales	20 Triton Street, Regent's Place, London, England, NW1 3BF	PFI holding company	100%
EP3 Holdings Limited	England and Wales	20 Triton Street, Regent's Place, London, England, NW1 3BF	PFI holding company	100%
<b>Joint ventures</b>				
Global Renewables Lancashire Holdings Limited	England and Wales	20 Triton Street, London, England, NW1 3BF	PFI holding company	50%
Catalyst Healthcare (UK) Limited	England and Wales	20 Triton Street, Regent's Place, London, England, NW1 3BF	Dormant	33%
Catalyst Healthcare Limited	England and Wales	20 Triton Street, Regent's Place, London, England, NW1 3BF	Dormant	33%
Waste 2 Resources LLP	England and Wales	20 Triton Street, Regent's Place, London, NW1 3BF	Construction joint venture	50%

In the opinion of the Directors the investments in and amounts due from the Company's subsidiaries and joint ventures are worth at least the amounts at which they are stated in the balance sheet.

# Lendlease Infrastructure Holdings (Europe) Limited

## Notes to the Financial Statements for the year ended 30 June 2017 (continued)

### 13 Related party transactions

#### a) Transactions with related parties

The following represents the transactions that occurred during the financial year between the Company and its related parties

	Note	2017 £ 000	2016 £ 000
Management recharge from Lendlease Europe Limited	3	-	4,000

#### Finance income

Lendlease Europe Finance PLC		1,357	258
Lendlease Europe Limited		-	26
Total interest receivable from group undertakings	4	<u>1,357</u>	<u>284</u>

#### Finance expense

Lendlease Europe Holdings Limited		(20)	(50)
Total interest payable to group undertakings	4	<u>(20)</u>	<u>(50)</u>

#### b) Year-end balances with related parties

		2017 £ 000	2016 £ 000
<b>Intercompany receivables</b>			
Lendlease Europe Finance PLC		48,126	41,373
Lendlease Construction (Europe) Limited		5	4,013
Tax receivable for intercompany Group relief		7,572	6,229
Amount receivable from related parties	9	<u>55,703</u>	<u>51,615</u>

#### Intercompany payables

Lendlease Real Estate Investment (Europe) Limited		(11)	(11)
Lendlease Europe Holdings Limited		(1,633)	(29)
Lendlease Europe Finance PLC		-	(48)
Waste 2 Resources LLP		(20,760)	(20,760)
Amount payable to related parties	11	<u>(22,404)</u>	<u>(20,848)</u>

Included in amount receivable from and payable to related parties are:

- loan receivables of £48.1m (2016: £41.4m) and loan payables of £1.6m (2016: £nil) both which bear interest at LIBOR plus margin of 1.5% per annum; and
- loan payable of £20.8m (2016: £20.8m) which is non-interest bearing.

The remaining amounts receivable balance relates to working capital owing from/to associated group companies.

#### c) Key management/directors compensation

Refer to note 6.

## **Lendlease Infrastructure Holdings (Europe) Limited**

### **Notes to the Financial Statements for the year ended 30 June 2017 (continued)**

#### **14 Financial Risk Management**

The Company's activities expose it to financial risks in the form of market risk including credit risk, interest rate risk and liquidity risk. The Company's risk management programme seeks to minimise potential adverse effects on the Company's financial performance.

##### **Credit risk**

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations, and arises principally from the Company's trade receivables.

Credit risk is managed by limiting the aggregate exposure to any one individual counterparty, taking into account its credit rating. Such counterparty exposures are regularly reviewed and adjusted as necessary. Accordingly, the possibility of material loss arising in the event of non-performance by counterparties is considered to be unlikely.

##### **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.

##### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations 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. The Company has a loan facility with Lendlease Europe Holdings Limited to meet short term financing needs.

#### **15 Ultimate parent undertaking and parent undertaking of larger group of which the Company is a member**

The Company is a subsidiary undertaking of Lendlease Construction Holdings (Europe) 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, a company 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 this group may be obtained from its website at [www.lendlease.com](http://www.lendlease.com).

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