

Company registration number: 7196467

# Lendlease (Elephant & Castle) Limited

Annual Report and Financial Statements

for the year ended 30 June 2021

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COMPANIES HOUSE

# **Lendlease (Elephant & Castle) Limited**

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## **Lendlease (Elephant & Castle) Limited**

### **Strategic Report for the year ended 30 June 2021**

The directors of Lendlease (Elephant & Castle) Limited present their report for the financial year ended 30 June 2021.

#### **Principal activity**

The principal activity of the Company is the development of property in the Elephant & Castle area of London. The address of its registered office is 20 Triton Street, Regent's Place, NW1 3BF.

The Company recorded a loss after tax of (£16.0)m. (2020: (£18.6)m loss). Revenue relates to the Company achieving practical completion of the 166 affordable units at its Park Central East and Park Central West developments and development management services following the forward sale of these buildings plus two further buildings at the Elephant Park development in previous financial years. The loss after tax in the year is due to the increase of a provision for guarantee cost.

The Company finished the year with a net liability position of (£14.0)m (2020: net asset position of £1.9m).

#### **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 (Elephant & Castle) Limited

### Strategic Report for the year ended 30 June 2021 (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. |
| 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.       |

## Lendlease (Elephant & Castle) Limited

### Strategic Report for the year ended 30 June 2021 (continued)

|  |   |   |
|--|---|---|
| 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 is closely monitoring the situation relating to COVID-19 which emerged in early 2020 and continues into 2021. With the roll out of the vaccine there is optimism that the UK's economy will start to bounce back although the speed of recovery is unknown. 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 directors' assessment of the Company to continue as a going concern.

## **Lendlease (Elephant & Castle) Limited**

### **Strategic Report for the year ended 30 June 2021 (continued)**

#### **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](http://www.lendlease.com)).

#### **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](http://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 embedded 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.

## **Lendlease (Elephant & Castle) Limited**

### **Strategic Report for the year ended 30 June 2021 (continued)**

#### **Outlook**

With the continuing support of the Lendlease group, the Company will continue to develop property in the Elephant & Castle area of London.

Approved by the Board on 13/09/2021 ..... and signed on its behalf by:



.....  
L J Brown  
Director

## **Lendlease (Elephant & Castle) Limited**

### **Directors' Report for the Year Ended 30 June 2021**

The directors of Lendlease (Elephant & Castle) Limited present their report for the financial year ended 30 June 2021.

#### **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 D Clark

J Davies (resigned 18 February 2021)

K S Lansdown

L J Brown (appointed 12 March 2021)

P D Leonard (appointed 18 February 2021)

K L White (resigned 12 March 2021)

#### **Results**

The Company's loss after tax for the year was £16.0m (2020: loss of (£18.6)m).

#### **Dividends**

The directors do not recommend the payment of a dividend (2020: £nil).

#### **Political donations**

The Company made no political donations or incurred any political expenditure during the year (2020: £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 is closely monitoring the situation relating to COVID-19 which emerged in early 2020 and continues into 2021. With the roll out of the vaccine there is optimism that the UK's economy will start to bounce back although the speed of recovery is unknown. 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.



**Lendlease (Elephant & Castle) Limited**

**Directors' Report for the Year Ended 30 June 2021 (continued)**

**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.

**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 13/09/2021 ..... and signed on its behalf by:



.....  
L J Brown  
Director  
20 Triton Street  
Regent's Place  
NW1 3BF

## **Lendlease (Elephant & Castle) 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 they 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 Auditor's Report to the Members of Lendlease (Elephant & Castle) Limited**

### **Opinion**

We have audited the financial statements of Lendlease (Elephant & Castle) Limited (the "Company") for the year ended 30 June 2021, which comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and related notes, including the 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 2021 and of its loss 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").

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.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

## **Independent Auditor's Report to the Members of Lendlease (Elephant & Castle) Limited (continued)**

### **Fraud and breaches of laws and regulations - ability to detect**

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, internal audit and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as profit recognition of units sold and construction contract accounting. On this audit we do not believe there is a fraud risk related to revenue recognition as revenue is transactional in nature.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation.
- Assessing significant accounting estimates for bias

#### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

## **Independent Auditor's Report to the Members of Lendlease (Elephant & Castle) Limited (continued)**

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law and certain aspects of company legislation recognising the nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### **Context of the ability of the audit to detect fraud or breaches of law or regulation**

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### **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.

## **Independent Auditor's Report to the Members of Lendlease (Elephant & Castle) Limited (continued)**

### **Directors' responsibilities**

As explained more fully in their statement 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.

### **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 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](http://www.frc.org.uk/auditorsresponsibilities).

**Independent Auditor's Report to the Members of Lendlease (Elephant & Castle)  
Limited (continued)**

**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.



.....  
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: 13 September 2021

**Lendlease (Elephant & Castle) Limited**

**Statement of Profit or Loss and Other Comprehensive Income  
For the year ended 30 June 2021**

|   |      | (As restated) <sup>1</sup>    |                               |
|---|------|-------------------------------|-------------------------------|
|   | Note | 2021<br>£ 000                 | 2020<br>£ 000                 |
| Revenue                                   | 4    | 221,883                       | 197,176                       |
| Cost of sales - Inventory impairment      |      | -                             | (23,571)                      |
| Cost of sales - Provision                 |      | (32,205)                      | (6,604)                       |
| Cost of sales - Other                     |      | <u>(203,421)</u>              | <u>(180,407)</u>              |
| <b>Gross loss</b>                         |      | <b>(13,743)</b>               | <b>(13,406)</b>               |
| Administrative expenses                   |      | <u>(1,674)</u>                | <u>(1,577)</u>                |
| <b>Results from operating activities</b>  |      | <b><u>(15,417)</u></b>        | <b><u>(14,983)</u></b>        |
| Finance income                            | 5    | 376                           | 710                           |
| Finance costs                             | 5    | <u>(6,551)</u>                | <u>(8,839)</u>                |
| <b>Net finance cost</b>                   |      | <b><u>(6,175)</u></b>         | <b><u>(8,129)</u></b>         |
| <b>Loss before tax</b>                    |      | <b>(21,592)</b>               | <b>(23,112)</b>               |
| Income tax credit/(expense)               | 9    | <u>5,637</u>                  | <u>4,518</u>                  |
| <b>Loss after tax</b>                     |      | <b><u>(15,955)</u></b>        | <b><u>(18,594)</u></b>        |
| <b>Total comprehensive loss after tax</b> |      | <b><u><u>(15,955)</u></u></b> | <b><u><u>(18,594)</u></u></b> |

The above results were derived from continuing operations.

<sup>1</sup> During the year management identified that a provision for a guarantee relating to a sale and impairment of inventory of £6.6m and £24.0m respectively had been recognised in Administrative expenses when it should have been recognised in Cost of Sales. The comparatives have been adjusted. This has no effect on either the loss for the year or net assets.

The notes to and forming part of these financial statements are set out on pages 17 to 38.




# Lendlease (Elephant & Castle) Limited

## Statement of Financial Position as at 30 June 2021

|                                      | Note | 2021<br>£ 000    | 2020<br>£ 000    |
|--------------------------------------|------|------------------|------------------|
| <b>Non current assets</b>            |      |                  |                  |
| Trade and other receivables          | 13   | 8,196            | 12,411           |
| Inventories                          | 12   | 42,325           | 36,984           |
| Investments                          | 11   | -                | -                |
| Deferred tax assets                  | 9    | 6,937            | 6,472            |
| Property, plant and equipment        | 10   | 1,846            | 2,015            |
| <b>Total non current assets</b>      |      | <b>59,304</b>    | <b>57,882</b>    |
| <b>Current assets</b>                |      |                  |                  |
| Cash and cash equivalents            |      | 413              | -                |
| Trade and other receivables          | 13   | 6,332            | 11,121           |
| Inventories                          | 12   | 62,362           | 264,239          |
| Current tax assets                   |      | 5,506            | 334              |
| <b>Total current assets</b>          |      | <b>74,613</b>    | <b>275,694</b>   |
| <b>Total assets</b>                  |      | <b>133,917</b>   | <b>333,576</b>   |
| <b>Non current liabilities</b>       |      |                  |                  |
| Trade and other payables             | 17   | (1,789)          | (19,303)         |
| Provisions                           | 16   | (17,594)         | (6,604)          |
| <b>Total non current liabilities</b> |      | <b>(19,383)</b>  | <b>(25,907)</b>  |
| <b>Current liabilities</b>           |      |                  |                  |
| Trade and other payables             | 17   | (107,349)        | (300,670)        |
| Provisions                           | 16   | (21,215)         | -                |
| Bank overdraft                       |      | -                | (5,074)          |
| <b>Total current liabilities</b>     |      | <b>(128,564)</b> | <b>(305,744)</b> |
| <b>Total liabilities</b>             |      | <b>(147,947)</b> | <b>(331,651)</b> |
| <b>Net assets</b>                    |      | <b>(14,030)</b>  | <b>1,925</b>     |
| <b>Equity</b>                        |      |                  |                  |
| Issued capital                       | 14   | -                | -                |
| Retained earnings                    |      | (14,030)         | 1,925            |
| <b>Total equity</b>                  |      | <b>(14,030)</b>  | <b>1,925</b>     |

These statements were approved by the Board on 13/09/2021 and were signed on its behalf by:

.....  .....

L J Brown

Director

Company Registration Number: 7196467

# Lendlease (Elephant & Castle) Limited

## Statement of Changes in Equity for the year ended 30 June 2021

|                                   | Share capital<br>£ 000 | Retained<br>earnings<br>£ 000 | Total<br>£ 000 |
|-----------------------------------|------------------------|-------------------------------|----------------|
| At 1 July 2020                    | -                      | 1,925                         | 1,925          |
| <b>Total comprehensive income</b> |                        |                               |                |
| Loss for the year                 | -                      | (15,955)                      | (15,955)       |
| <b>Total comprehensive income</b> | -                      | (15,955)                      | (15,955)       |
| At 30 June 2021                   | -                      | (14,030)                      | (14,030)       |

|                                   | Share capital<br>£ 000 | Retained<br>earnings<br>£ 000 | Total<br>£ 000 |
|-----------------------------------|------------------------|-------------------------------|----------------|
| At 1 July 2019                    | -                      | 20,519                        | 20,519         |
| <b>Total comprehensive income</b> |                        |                               |                |
| Loss for the year                 | -                      | (18,594)                      | (18,594)       |
| <b>Total comprehensive income</b> | -                      | (18,594)                      | (18,594)       |
| At 30 June 2020                   | -                      | 1,925                         | 1,925          |

The notes to and forming part of these financial statements are set out on pages 17 to 38.

# **Lendlease (Elephant & Castle) Limited**

## **Notes to the Financial Statements for the year ended 30 June 2021**

### **1 General information**

Lendlease (Elephant & Castle) Limited (the "Company") is a private company limited by share capital incorporated and domiciled in United Kingdom. The company registration number is 7196467.

The principal activity of the Company is the development of property in the Elephant & Castle area of London. The address of its registered office is 20 Triton Street, Regent's Place, NW1 3BF.

### **2 Basis of preparation**

#### **Basis of preparation**

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.

These financial statements are the separate financial statements of Lendlease (Elephant & Castle) Limited. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the IFRS compliant consolidated financial statements of the parent, Lendlease Corporation Limited. Refer to note 19.

## **Lendlease (Elephant & Castle) Limited**

### **Notes to the Financial Statements for the year ended 30 June 2021 (continued)**

#### **2 Basis of preparation (continued)**

##### **Significant accounting policies**

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**

##### **New and Revised Accounting Standards Adopted 1 July 2020**

The following accounting standards, interpretations and amendments have been adopted by the Company in the year ended 30 June 21:

Amendments to the following standards:

- IAS 1 and IAS 8 Definition of Material
- IFRS 3 Business Combinations
- IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform
- Amendments to References to the Conceptual Framework in IFRS Standards

These amended standards did not have a material effect on the Company.

##### **Going concern**

Notwithstanding net current liabilities of £54.0m as at 30 June 2021 and a loss for the year then ended of £16.0m, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate.

The directors have considered the cash requirements of the Company for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, that 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 at least 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 the Company, as and when it is required, to enable the Company 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 letter 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.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

## **Lendlease (Elephant & Castle) Limited**

### **Notes to the Financial Statements for the year ended 30 June 2021 (continued)**

#### **2 Basis of preparation (continued)**

##### **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.

Certain critical accounting judgements in applying the Company's accounting policies are described below:

- Accounting for the rental guarantee requires estimation of market rents and leasing activity.

## **Lendlease (Elephant & Castle) Limited**

### **Notes to the Financial Statements for the year ended 30 June 2021 (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.

The transaction price for each contract may include variable consideration in the form of contract variations or modifications, performance or other incentive fees and contract claims. Variable consideration is only included in the transaction price for a contract to the extent it is highly probable that a significant reversal of that revenue will not occur. The Company assesses the probability of receiving variable consideration using a combination of commercial and market factors, historical experience and independent third party advice. This assessment is reviewed each reporting period or when facts and circumstances change during the reporting period.

Revenue is recognised over time, typically based on an input method using an estimate of costs incurred to date as a percentage of total estimated costs. These contracts are typically executed on the customer's land so they control the assets as it is being built or the customer benefits from the service as the work is performed. Differences between amounts recognised as revenue and amounts billed to customers are recognised as contract assets or liabilities in the Statement of Financial Position. The measurement of revenue is an area of accounting judgement. Management use judgement to estimate:

- i. Progress in satisfying the performance obligations within the contract which includes estimating contract costs expected to be incurred to satisfy performance obligations; and
- ii. The probability of the amount to be recognised as variable consideration for approved variations and claims where the final price has not been agreed with the customer.

Revenue is invoiced based on the terms of each individual contract which may include a periodic billing schedule or achievement of specific milestones. Invoices are issued under commercial payment terms which is typically 30 days from when an invoice is issued.

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.

## **Lendlease (Elephant & Castle) Limited**

### **Notes to the Financial Statements for the year ended 30 June 2021 (continued)**

#### **3 Accounting policies (continued)**

##### *Revenue from the sale of development properties*

The Company develops and sells residential land lots and built form products, including residential apartments, commercial and retail buildings. Sale of residential land lots and apartments typically contain one component and are recognised at a point in time with each contract treated as a single performance obligation to transfer control of an asset to a customer. Residential land lots and apartments are recognised on settlement with the customer.

The sale of retail, commercial and mixed use assets may include land, construction, development management and investment service components. Where there are multiple components within one contract, the transaction price is allocated based on the stand-alone selling prices of each component, typically using the residual approach, and revenue is recognised based on the policies noted above. Sales of commercial and retail buildings are recognised when the customer obtains control of the asset based on the specific terms and conditions of the sales contract.

The Company discounts deferred proceeds to reflect the time value of money where the period between the transfer of control of a development property and receipt of payment from the customer exceeds one year. Deferred proceeds from customers are recognised in trade and other receivables where the right to receive payment is unconditional. Deposits received in advance from customers are recognised as a contract liability until the performance obligation has been met.

The measurement and recognition of revenue from the sale of development properties is an area of accounting judgement as it requires management to exercise judgement in valuing the individual components of a development property sale, given the due consideration to cost inputs, market conditions and commercial factors.

Proceeds from the sale of residential land lots and apartments are received upon settlement, which will typically occur between 6-12 weeks following practical completion on the asset. Proceeds from the sale of retail, commercial and mixed use assets are received in accordance with the specific terms of each contract.

##### *Other revenue*

Other revenue primarily includes dividends, distributions and miscellaneous items. Dividend and distribution revenue is recognised when the right to receive payment is established, usually on declaration of the dividend or distribution.

##### **Depreciation and amortisation**

Depreciation is charged to administrative expenses within the Statement of Profit or Loss on a straight line basis over the estimated useful lives of items of property, plant and equipment, and major components that are accounted for separately. Depreciation is provided on land and buildings over the remaining useful life. Most plant is depreciated over a period not exceeding 20 years, furniture and fittings over 3 to 15 years, and computer equipment over 3 years.

## **Lendlease (Elephant & Castle) Limited**

### **Notes to the Financial Statements for the year ended 30 June 2021 (continued)**

#### **3 Accounting policies (continued)**

##### **Leases**

As a lessee, the Company assesses whether a contract is or contains a lease at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether:

- The contract involved the use of an identified asset;
- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

For the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease component as a single lease component.

The Company's primary leasing activities are for office space in the regions and cities in which it operates. There are no material future cash outflows to which the Company is potentially exposed that are not reflected in the measurement of lease liabilities, and there are no material restrictions or covenants imposed by the Company's leases.

##### *Measurement*

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises:

- The initial amount of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Initial direct costs; and
- Restoration cost.

##### *Right-of-Use Assets*

Right-of-use assets which meet the definition of property, plant and equipment form part of the property, plant and equipment balance and are measured at cost less accumulated depreciation in accordance with IAS16 Property, Plant and Equipment.

Right-of-use assets which meet the definition of investment property form part of the investment property balance and are measured at fair value in accordance with IFRS 40 Investment Property.



## **Lendlease (Elephant & Castle) Limited**

### **Notes to the Financial Statements for the year ended 30 June 2021 (continued)**

#### **3 Accounting policies (continued)**

##### *Lease Liabilities*

Lease liabilities are initially measured at the present value of the lease payments discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Company's incremental borrowing rate is used. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of lease liability comprise the following:

- Fixed payments offset by any lease incentives;
- Variable lease payments, for lease liabilities which are tied to a floating index;
- Amounts expected to be payable under a residual value guarantee;
- The exercise price of purchase options (if it is reasonably certain that the option will be exercised); and
- Payments of penalties for terminating leases, if the lease term reflects the lease terminating early.

##### *Lease liabilities are subsequently measured by:*

Increasing the carrying amount to reflect interest on the lease liability;

- Reducing the carrying amount to reflect the lease payments made; and
- Remeasuring the carrying amount upon the occurrence of certain events (such as a change in the lease term or lease payments).
- When a lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset and is recorded in the profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

##### *Presentation*

Items relating to leases are presented as follows:

- Right-of-use assets are recognised in the Statement of Financial Position within the same line item as that within which the corresponding underlying assets would be presented if they were owned by the Company, within either Property, plant and equipment or Investment property;
- Lease liabilities are recognised within Trade and other payables in the Statement of Financial Position and split between current and non-current liabilities;
- Depreciation charge for right-of-use assets is recognised within Other expenses; and
- Interest expense on lease liabilities is recognised within Finance costs.

##### **Finance income and costs**

Finance income is recognised as it is earned using the effective interest method, which applies the interest rate that discounts estimated future cash receipts over the expected life of the financial instrument. The discount is then recognised as finance revenue over the remaining life of the financial instrument.

Finance costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of costs incurred in connection with the arrangement of new borrowings facilities. Costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings. 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.

## **Lendlease (Elephant & Castle) Limited**

### **Notes to the Financial Statements for the year ended 30 June 2021 (continued)**

#### **3 Accounting policies (continued)**

##### **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.

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 (Elephant & Castle) Limited**

### **Notes to the Financial Statements for the year ended 30 June 2021 (continued)**

#### **3 Accounting policies (continued)**

##### **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 inventories 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.

Construction contract assets are presented as part of inventories for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings and recognised losses exceed costs incurred plus recognised profits, then the difference is presented in trade and other payables as a construction contract liability.

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:

- 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.

## **Lendlease (Elephant & Castle) Limited**

### **Notes to the Financial Statements for the year ended 30 June 2021 (continued)**

#### **3 Accounting policies (continued)**

##### **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 'Sale of development properties' accounting policy in note 3.

##### **Provisions**

Provisions are recognised in the Statement of Financial Position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. Management considers the determination of the likelihood and magnitude of an outflow of resources an area of estimation uncertainty.

#### **4 Revenue**

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

|                                | <b>2021</b>    | <b>2020</b>    |
|--------------------------------|----------------|----------------|
|                                | <b>£ 000</b>   | <b>£ 000</b>   |
| Sale of development properties | 133,685        | 21,978         |
| Provision of services          | 87,820         | 175,198        |
| Other revenue                  | 378            | -              |
| <b>Total revenue</b>           | <b>221,883</b> | <b>197,176</b> |

## Lendlease (Elephant & Castle) Limited

### Notes to the Financial Statements for the year ended 30 June 2021 (continued)

#### 5 Finance income and costs

|  | 2021<br>£ 000  | 2020<br>£ 000  |
|--|----------------|----------------|
| <b>Finance income</b>                                |                |                |
| Other finance income                                 | 376            | 710            |
| <b>Finance costs</b>                                 |                |                |
| Borrowing costs included in cost of qualifying asset | 3,659          | 6,559          |
| Interest payable to related parties                  | (10,209)       | (15,397)       |
| Other finance costs                                  | (1)            | (1)            |
| <b>Total finance costs</b>                           | <b>(6,551)</b> | <b>(8,839)</b> |
| <b>Net finance costs</b>                             | <b>(6,175)</b> | <b>(8,129)</b> |

The weighted average interest rate used to determine the amount of interest finance costs eligible for capitalisation was 4.55% for the 6 months to 31 December 2020 and 4.21% for the 6 months to 30 June 2021 (2020: 5.02% for the 6 months to 31 December 2019 and 4.68% for the 6 months to 30 June 2020), which is the effective interest rate.

#### 6 Employees

The Company did not employ any staff during the year (2020: nil).

#### 7 Directors' remuneration

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

J Clark: Lendlease 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.

#### 8 Auditor's remuneration

|                               | 2021<br>£ 000 | 2020<br>£ 000 |
|-------------------------------|---------------|---------------|
| Audit of financial statements | (82)          | (55)          |

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

## Lendlease (Elephant & Castle) Limited

### Notes to the Financial Statements for the year ended 30 June 2021 (continued)

#### 9 Taxation

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

|   | 2021<br>£ 000 | 2020<br>£ 000 |
|---|---------------|---------------|
| <b>Current tax</b>                                |               |               |
| Current year                                      | 2,720         | 683           |
| Adjustment in respect of prior years              | 2,452         | (1,532)       |
| <b>Total current tax</b>                          | <b>5,172</b>  | <b>(849)</b>  |
| <b>Deferred tax</b>                               |               |               |
| Origination and reversal of temporary differences | 1,819         | 3,705         |
| Change in tax rate                                | 1,229         | 291           |
| Adjustment in respect of prior years              | (2,583)       | 1,371         |
| <b>Total deferred tax</b>                         | <b>465</b>    | <b>5,367</b>  |
| <b>Total income tax credit</b>                    | <b>5,637</b>  | <b>4,518</b>  |

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2020 - lower than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

|  | 2021<br>£ 000 | 2020<br>£ 000 |
|--|---------------|---------------|
|  |               | (As restated) |
| Loss before tax  | (21,592)      | (23,112)      |
| Income tax using the domestic corporation tax rate 19% (2020: 19%) | 4,102         | 4,391         |
| Adjustments for prior year tax claim                               | (130)         | (161)         |
| Non allowable expenses   | -             | (3)           |
| Deferred tax relating to changes in tax rates                      | 1,665         | 291           |
| <b>Total income tax credit</b>                                     | <b>5,637</b>  | <b>4,518</b>  |

Budget 2021 announced an increase to the main rate of UK corporation tax from 19% to 25%. This was substantively enacted on 24 May 2021 and will be effective from 1 April 2023.

# Lendlease (Elephant & Castle) Limited

## Notes to the Financial Statements for the year ended 30 June 2021 (continued)

### 9 Taxation (continued)

#### Deferred tax

Deferred tax assets and liabilities are attributable to the following:

|                               | Asset<br>£ 000 | Liability<br>£ 000 | Net deferred<br>tax<br>£ 000 |
|-------------------------------|----------------|--------------------|------------------------------|
| <b>2021</b>                   |                |                    |                              |
| Inventories                   | -              | (1,882)            | (1,882)                      |
| Unused tax losses recognised  | 2,517          | -                  | 2,517                        |
| Property, plant and equipment | 1,226          | -                  | 1,226                        |
| Loan relationships            | 5,076          | -                  | 5,076                        |
|                               | <u>8,819</u>   | <u>(1,882)</u>     | <u>6,937</u>                 |
| <b>2020</b>                   |                |                    |                              |
| Inventories                   | -              | (983)              | (983)                        |
| Unused tax losses recognised  | -              | -                  | -                            |
| Property, plant and equipment | 615            | -                  | 615                          |
| Loan relationships            | 6,840          | -                  | 6,840                        |
|                               | <u>7,455</u>   | <u>(983)</u>       | <u>6,472</u>                 |

## Lendlease (Elephant & Castle) Limited

### Notes to the Financial Statements for the year ended 30 June 2021 (continued)

#### 9 Taxation (continued)

Deferred tax movement during the year:

|                                     | At 1 July 2020<br>£ 000 | Recognised in<br>income<br>£ 000 | At<br>30 June 2021<br>£ 000 |
|-------------------------------------|-------------------------|----------------------------------|-----------------------------|
| Inventories                         | (983)                   | (899)                            | (1,882)                     |
| Unused tax losses recognised        | -                       | 2,517                            | 2,517                       |
| Property, plant and equipment       | 615                     | 611                              | 1,226                       |
| Loan relationships                  | 6,840                   | (1,764)                          | 5,076                       |
| <b>Net tax assets/(liabilities)</b> | <b>6,472</b>            | <b>465</b>                       | <b>6,937</b>                |

Deferred tax movement during the prior year:

|                                     | At 1 July 2019<br>£ 000 | Recognised in<br>income<br>£ 000 | At<br>30 June 2020<br>£ 000 |
|-------------------------------------|-------------------------|----------------------------------|-----------------------------|
| Inventories                         | (657)                   | (326)                            | (983)                       |
| Unused tax losses recognised        | -                       | -                                | -                           |
| Property, plant and equipment       | 328                     | 287                              | 615                         |
| Loan relationships                  | 1,434                   | 5,406                            | 6,840                       |
| <b>Net tax assets/(liabilities)</b> | <b>1,105</b>            | <b>5,367</b>                     | <b>6,472</b>                |

Budget 2021 announced an increase to the main rate of UK corporation tax from 19% to 25%. This was substantively enacted on 24 May 2021 and will be effective from 1 April 2023. This future change to the rate of UK corporation tax has been incorporated into the valuation of deferred tax balances recognised in the statement of financial position.

#### 10 Property, plant and equipment

|                                      | 2021<br>£ 000 | 2020<br>£ 000 |
|--------------------------------------|---------------|---------------|
| Land and buildings                   | 1,846         | 1,309         |
| Right of use asset                   | -             | 706           |
| <b>Property, plant and equipment</b> | <b>1,846</b>  | <b>2,015</b>  |



# **Lendlease (Elephant & Castle) Limited**

## **Notes to the Financial Statements for the year ended 30 June 2021 (continued)**

### **10 Property, plant and equipment (continued)**

#### **Reconciliation of land and buildings**

|                                       | <b>2021</b><br><b>£ 000</b> |
|---------------------------------------|-----------------------------|
| Carrying amount at beginning of year  | 1,309                       |
| Additions                             | 2,205                       |
| Depreciation                          | (1,668)                     |
| <b>Carrying amount at end of year</b> | <b>1,846</b>                |
| Freehold land and buildings cost      | 8,749                       |
| Accumulated depreciation              | (6,903)                     |
| <b>Carrying amount at end of year</b> | <b>1,846</b>                |

#### **Reconciliation of right of use asset**

|                                       | <b>2021</b><br><b>£ 000</b> |
|---------------------------------------|-----------------------------|
| Carrying amount at beginning of year  | 706                         |
| Disposals                             | (563)                       |
| Depreciation                          | (143)                       |
| <b>Carrying amount at end of year</b> | <b>-</b>                    |
| Right of use asset cost               | 827                         |
| Accumulated depreciation              | (827)                       |
| <b>Carrying amount at end of year</b> | <b>-</b>                    |

## Lendlease (Elephant & Castle) Limited

### Notes to the Financial Statements for the year ended 30 June 2021 (continued)

#### 11 Investments

Details of the subsidiaries as at 30 June 2021 are as follows:

| Name of subsidiary  | Principal activity | Country of Incorporation | Note | Ownership and voting right % |      |
|---|--------------------|--------------------------|------|------------------------------|------|
|   |                    |                          |      | 2021                         | 2020 |
| Lendlease (E&C) Overriding Lease Company Limited                | Dormant Company    | United Kingdom           | 1    | 100%                         | 100% |
| Lendlease (E&C) Estates and Property Management Company Limited | Dormant Company    | United Kingdom           | 1    | 100%                         | 100% |
| H4 Residents Management Company Limited                         | Dormant Company    | United Kingdom           | 1    | 100%                         | 100% |
| H5 Residents Management Company Limited                         | Dormant Company    | United Kingdom           | 1    | 100%                         | 100% |
| H7 Residents Management Company Limited                         | Dormant Company    | United Kingdom           | 1    | 100%                         | 100% |
| H11a Residents Management Company Limited                       | Dormant Company    | United Kingdom           | 1    | 100%                         | 100% |

**Notes - registered addresses:**

1. 20 Triton Street, Regent's Place, London, NW1 3BF

## Lendlease (Elephant & Castle) Limited

### Notes to the Financial Statements for the year ended 30 June 2021 (continued)

#### 12 Inventories

|                                      | 2021<br>£ 000  | 2020<br>£ 000  |
|--------------------------------------|----------------|----------------|
| <b>Current</b>                       |                |                |
| Construction contract assets         | 10,370         | 167,402        |
| Work in progress                     | 51,992         | 120,408        |
| Provision for impairment             | -              | (23,571)       |
| <b>Total current inventories</b>     | <b>62,362</b>  | <b>264,239</b> |
| <b>Non current</b>                   |                |                |
| Work in progress                     | 42,325         | 36,984         |
| <b>Total non current inventories</b> | <b>42,325</b>  | <b>36,984</b>  |
| <b>Total inventories</b>             | <b>104,687</b> | <b>301,223</b> |

Included within work in progress is £41.8m (2020: £89.0m) related to sitewide works on the Elephant Park project which is to be allocated out to the specific plots as they are developed in the future

The Company has also considered the impacts of COVID-19 on its recoverability assessment of inventories at 30 June 2021. As part of its semi-annual review of development property projects, the Company has considered slow down in sales volumes in the short-term, longer production timeframes, and increased costs for its projects. The company has deemed all inventory balances recoverable as at 30 June 2021 and therefore have not recognised an impairment in the current year (2020: £23.6m impairment).

## Lendlease (Elephant & Castle) Limited

### Notes to the Financial Statements for the year ended 30 June 2021 (continued)

#### 13 Trade and other receivables

|  | 2021<br>£ 000 | 2020<br>£ 000 |
|--|---------------|---------------|
| <b>Current</b>                           |               |               |
| Trade receivables                        | 28            | 2,721         |
| Amounts owing from related parties       | 5,985         | 8,127         |
| Other receivables                        | 319           | 273           |
| <b>Total current</b>                     | <b>6,332</b>  | <b>11,121</b> |
| <b>Non current</b>                       |               |               |
| Amounts owing from related parties       | 7,422         | 11,825        |
| Retentions                               | 774           | 586           |
| <b>Total non current</b>                 | <b>8,196</b>  | <b>12,411</b> |
| <b>Total trade and other receivables</b> | <b>14,528</b> | <b>23,532</b> |

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

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 institutional investors, no additional risk has been identified.

#### 14 Issued capital

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

|                              | 2021     |          | 2020     |          |
|------------------------------|----------|----------|----------|----------|
|                              | No.      | £        | No.      | £        |
| Ordinary A Shares of £1 each | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> |

## **Lendlease (Elephant & Castle) Limited**

### **Notes to the Financial Statements for the year ended 30 June 2021 (continued)**

#### **14 Issued capital (continued)**

##### **Rights, preferences and restrictions**

Ordinary shares have the following rights, preferences and restrictions:

The holders 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.

#### **15 Leases**

##### **Lease liabilities maturity analysis**

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

|  | <b>2021</b>  | <b>2020</b>  |
|--|--------------|--------------|
|  | <b>£ 000</b> | <b>£ 000</b> |
| Less than one year                     | -            | (174)        |
| 2 years                                | -            | (174)        |
| 3 years                                | -            | (174)        |
| 4 years                                | -            | (174)        |
| 5 years                                | -            | (174)        |
| 6 years                                | -            | (162)        |
| Total lease liabilities (undiscounted) | -            | (1,032)      |

##### **Total cash outflows related to leases**

Total cash outflows related to leases are presented in the table below:

|                     | <b>2021</b>  | <b>2020</b>  |
|---------------------|--------------|--------------|
|                     | <b>£ 000</b> | <b>£ 000</b> |
| <b>Payment</b>      |              |              |
| Right of use assets | -            | 174          |
| Total cash outflow  | -            | 174          |

There is only one class of leases, all of which relate to marketing suite space in the city which it operates.

## Lendlease (Elephant & Castle) Limited

### Notes to the Financial Statements for the year ended 30 June 2021 (continued)

#### 16 Provisions

|                                 | Other<br>provisions<br>£ 000 | Total<br>£ 000  |
|---------------------------------|------------------------------|-----------------|
| Balance at beginning of year    | (6,604)                      | (6,604)         |
| Provisions made during the year | (32,205)                     | (32,205)        |
| <b>Balance at end of year</b>   | <b>(38,809)</b>              | <b>(38,809)</b> |
| Non current provisions          | (17,594)                     | (17,594)        |
| Current provisions              | (21,215)                     | (21,215)        |
| <b>Balance at end of year</b>   | <b>(38,809)</b>              | <b>(38,809)</b> |

The other provisions relate to estimated guarantee cost associated with the Company's previous forward funding contracts. Expected cost have been determined by consideration of the guarantee levels in place and future obligations as they fall due over period of 1 to 5 years from balance sheet date, and are most impacted by assumptions over market rents and when properties will be leased. These estimates are based upon current marketing activity at the sites and assessments of market based transactions for similar properties. The cost of the provision for the year ended 30 June 2021 has been included within cost of sales in the statement of profit or loss and other comprehensive income.

#### 17 Trade and other payables

|   | 2021<br>£ 000    | 2020<br>£ 000    |
|---|------------------|------------------|
| <b>Current</b>                              |                  |                  |
| Trade payables                              | (1,336)          | (465)            |
| Amounts due to related parties              | (42,758)         | (297,202)        |
| Retentions                                  | (489)            | (401)            |
| Unearned income                             | (397)            | -                |
| Accrued expenses                            | (2,511)          | (2,180)          |
| Other payables                              | (59,858)         | (291)            |
| Lease liabilities                           | -                | (131)            |
| <b>Current trade and other payables</b>     | <b>(107,349)</b> | <b>(300,670)</b> |
| <b>Non current</b>                          |                  |                  |
| Unearned income                             | (1,789)          | (2,146)          |
| Other payables                              | -                | (16,411)         |
| Lease liabilities                           | -                | (746)            |
| <b>Non current trade and other payables</b> | <b>(1,789)</b>   | <b>(19,303)</b>  |
| <b>Total trade and other payables</b>       | <b>(109,138)</b> | <b>(319,973)</b> |

## **Lendlease (Elephant & Castle) Limited**

### **Notes to the Financial Statements for the year ended 30 June 2021 (continued)**

#### **17 Trade and other payables (continued)**

The total transaction price relating to the Company's unearned income on the Company's development contracts at 30 June 2021 is £23.6 million, relating primarily to pre-sold affordable apartments at Elephant and Castle. The difference between the Unearned income amount noted in the table above and this amount primarily relates to the remaining value of apartments versus the deposit amount received. Revenue from these contracts is expected to be realised as control over each asset is transferred to the customer.

#### **18 Related party transactions**

##### **18.1 Summary of transactions with related parties**

|                                    | <b>2021</b><br><b>£ 000</b> | <b>2020</b><br><b>£ 000</b> |
|------------------------------------|-----------------------------|-----------------------------|
| <b>Sale of goods and services:</b> |                             |                             |
| Other related parties              | <u>83,906</u>               | <u>162,607</u>              |

##### **18.2 Related party receivables**

|  | <b>2021</b><br><b>£ 000</b> | <b>2020</b><br><b>£ 000</b> |
|--|-----------------------------|-----------------------------|
| Other related parties                    | <u>13,407</u>               | <u>19,741</u>               |
| <b>Total related parties receivables</b> | <u>13,407</u>               | <u>19,741</u>               |

#### **19 Parent and ultimate parent undertaking**

The Company's immediate parent is Lendlease Europe Limited.

The ultimate parent is Lendlease Corporation Limited. The most senior parent entity producing publicly available financial statements is Lendlease Corporation Limited.

## **Lendlease (Elephant & Castle) Limited**

### **Notes to the Financial Statements for the year ended 30 June 2021 (continued)**

#### **19 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](http://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.

#### **20 Subsequent events**

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