

Lend Lease Finance Limited

Annual Financial Report

30 June 2015

Lend Lease Finance Limited ABN 49 008 618 380

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Directors' Report

The Directors of Lend Lease Finance Limited ('the Company') (ABN 49 008 618 380) present their Report together with the Annual Financial Report of the Company, for the year ended 30 June 2015 and the Auditor's Report thereon.

Lend Lease Finance Limited is a wholly owned subsidiary of Lend Lease Corporation Limited and forms part of the consolidated Lend Lease Group ('the Group'). The registered office and principal place of business of the Company is Level 4, 30 The Bond, 30 Hickson Road, Millers Point NSW 2000.

1. Governance

a. Directors

The name of each person who has been a Director of the Company at any time between 1 July 2014 and the date of this Report are:

P J Hooper	Director since February 2005
A P Lombardo	Director since October 2008
C N Smith	Director since February 2013 (resigned July 2015)
S G Benson	Director since July 2015

b. Company Secretary

Ms Susie Ann Westlake was appointed to the position of company secretary in April 2013, and Ms Nancy Hing Juan Young was appointed to the position of company secretary in February 2013 (resigned June 2015).

2. Operations

a. Principal Activities

The principal activities of the Company are to manage financial risks undertaken through borrowing, lending and investing and hedging the Group's foreign currency and interest rate exposures. In relation to these activities, the Company holds foreign exchange and interest rate derivative contracts as part of its role in maintaining the Group's hedged position. There were no significant changes in the nature of this activity during the year.

b. Review and Results of Operations

The Company made a loss after tax of \$27,390,000 for the year ended 30 June 2015 (30 June 2014: \$11,630,000).

c. Dividends

No dividends were paid by the Company to its parent entity, Lend Lease Corporation Limited, during the financial year (June 2014: \$Nil).

d. Significant Changes in State of Affairs

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

e. Events Subsequent to Balance Date

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

f. Likely Developments

The Company will continue to pursue its policy of borrowing, lending and investing funds and hedging the Group's foreign currency position. Information about likely developments in the operations of the Company and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

g. Environmental Regulation

The Company's operations are not of a kind which is likely to give rise to any particular or significant environmental issues under the Australian Commonwealth and/or State legislation.

Directors' Report continued

All Lend Lease businesses continue to operate an integrated Environment, Health and Safety Management System ensuring that non compliance risks and opportunities for environmental improvement are identified, managed and reported accordingly.

3. Other

a. Indemnification and Insurance of Directors and Officers

Indemnification

The Company's constitution provides for indemnification of any former or current Officers to the extent outlined in the Company's constitution. Since 1 July 2014, the Company has not entered into a separate deed of indemnity with any current or former Officers of the Company.

Insurance Premiums

The ultimate holding company has paid or agreed to pay on behalf of the Company, premiums in respect of Directors' and Officers' liability insurance. The premiums are renewable annually. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been Directors or Executive Officers of the Company.

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

The Lead Auditor's Independence Declaration is set out on page 25 and forms part of the Directors' Report for the year ended 30 June 2015.

c. Rounding Off

Lend Lease Finance Limited is a Company of the kind referred to in the Australian Securities and Investments Commission Class Order 98/100 dated 10 July 1998 and, in accordance with that Class Order, amounts in the Annual Financial Report have been rounded off to the nearest thousand dollars unless specifically stated otherwise.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.

A handwritten signature in black ink, appearing to be 'A. L. L.', written over a dotted line.

Director

17 August 2015

Financial Statements

Income Statement

Year ended 30 June 2015

	Note	June 2015 \$000s	June 2014 \$000s
Finance income	3	120,913	92,119
Finance costs	3	(115,799)	(89,698)
Net finance income		5,114	2,421
Other income			
Guarantee fees – related parties		28,387	35,512
Derivative loss	4	(48,775)	(24,866)
Expenses			
Guarantee fees		(22,277)	(28,114)
Management fees		(1,221)	(1,196)
Other expenses		(454)	(274)
Total expenses		(23,952)	(29,584)
Loss before tax		(39,226)	(16,517)
Income tax benefit	5	11,836	4,887
Loss after tax attributable to members of Lend Lease Finance Limited		(27,390)	(11,630)

Statement of Comprehensive Income

Year ended 30 June 2015

	Note	June 2015 \$000s	June 2014 \$000s
Loss After Tax		(27,390)	(11,630)
Other Comprehensive Income/(Expense) After Tax			
Items that may be reclassified subsequently to profit or loss:			
Movements in Hedging Reserve	12	1,079	4,278
Total comprehensive expense after tax		(26,311)	(7,352)

Financial Statements continued

Statement of Financial Position

As at 30 June 2015

	Note	June 2015 \$000s	June 2014 \$000s
Current Assets			
Cash and cash equivalents	6	6,988	783,983
Loans and receivables	7	2,011,129	1,925,707
Derivatives	8	4,764	13,550
Financial guarantee contracts		820	1,162
Total current assets		2,023,701	2,724,402
Non Current Assets			
Financial guarantee contracts		3,236	4,036
Deferred tax assets	5c	28,450	12,941
Other assets		22,329	20,352
Total non current assets		54,015	37,329
Total assets		2,077,716	2,761,731
Current Liabilities			
Trade and other payables	9	767,030	1,129,151
Derivatives	8	4,705	5,923
Total current liabilities		771,735	1,135,074
Non Current Liabilities			
Borrowings and financing arrangements	10	1,288,067	1,582,954
Deferred tax liabilities	5c	4,297	3,775
Total non current liabilities		1,292,364	1,586,729
Total liabilities		2,064,099	2,721,803
Net assets		13,617	39,928
Equity			
Issued capital	11	100,000	100,000
Reserves	12	14,941	13,862
Retained earnings/(accumulated losses)		(101,324)	(73,934)
Total equity		13,617	39,928

Financial Statements continued

Statement of Changes in Equity

Year ended 30 June 2015

	Note	June 2015 \$000s	June 2014 \$000s
Issued Capital			
Opening balance at beginning of financial year		100,000	100,000
Closing balance at end of financial year	11	100,000	100,000
Reserves			
Hedging Reserve			
Opening balance at beginning of financial year		(1,079)	(5,357)
Comprehensive income for the year:			
Movements attributable to effective cash flow hedges		1,079	4,278
Closing balance at end of financial year	12	-	(1,079)
Financial Guarantee Contract Reserve			
Opening balance at beginning of financial year		14,941	14,941
Closing balance at end of financial year	12	14,941	14,941
Total reserves		14,941	13,862
Retained Earnings/(Accumulated Losses)			
Opening balance at beginning of financial year		(73,934)	(62,304)
Loss attributable to members of Lend Lease Finance Limited		(27,390)	(11,630)
Closing balance at end of financial year		(101,324)	(73,934)
Total equity		13,617	39,928
Total Comprehensive Income/(Expense) After Tax for the Financial Year			
Attributable to members of Lend Lease Finance Limited:		(26,311)	(7,352)
Total comprehensive income/(expense) after tax		(26,311)	(7,352)

Financial Statements continued

Statement of Cash Flows

Year ended 30 June 2015

	Note	June 2015 \$000s	June 2014 \$000s
Cash Flows from Operating Activities			
Cash receipts in the course of operations		3,930,065	3,146,532
Cash payments in the course of operations		(3,871,329)	(3,166,239)
Interest received		122,284	91,504
Interest paid		(108,435)	(89,215)
Income tax refunded in respect of operations		7,043	5,484
Net cash provided by/(used in) operating activities	15	79,628	(11,934)
Cash Flows from Financing Activities			
Funding provided from Group entities		1,108,821	1,315,394
Funding provided to Group entities		(1,639,722)	(1,359,731)
Proceeds from borrowings - external		1,957,000	1,053,980
Repayment of borrowings - external		(2,282,000)	(650,000)
Net cash (used in)/provided by financing activities		(855,901)	359,643
Other Cash Flow Items			
Effect of foreign exchange rate movements on cash and cash equivalents		(722)	-
Net increase/(decrease) in cash and cash equivalents		(776,995)	347,709
Cash and cash equivalents at beginning of financial year		783,983	436,274
Cash and cash equivalents at end of financial year	6	6,988	783,983

Notes to the Financial Statements

1. Significant Accounting Policies

Lend Lease Finance Limited ('the Company') is incorporated and domiciled in Australia. The Company is a for-profit entity and is primarily involved in providing financial services to the Lend Lease Group ('the Group') through borrowing, lending and investing activities and in hedging foreign currency and interest rate exposures.

The Company's financial report was authorised for issue by the Directors on 17 August 2015.

1.1 Statement of Compliance

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board, and the *Corporations Act 2001*. The financial report also complies with International Financial Reporting Standards ('IFRSs') adopted by the International Accounting Standards Board.

1.2 Basis of Preparation

The financial report is presented in Australian dollars and is prepared under the historical cost basis except for derivative financial instruments which are stated at their fair value. Refer to the specific accounting policies set out in Note 8 'Derivatives' within the notes to the financial statements for the basis of valuation of derivative financial instruments measured at fair value.

The preparation of a financial report that complies with AASBs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Information about critical accounting judgements in applying the Company's accounting policies is set out in Note 1.5 'Accounting Estimates and Judgements'.

In accordance with Class Order 98/100, amounts in the financial report are rounded off to the nearest thousand dollars unless otherwise indicated.

The accounting policies associated with a particular note are described in the note to which they relate.

Accounting policies have been consistently applied to all financial years presented in the financial statements, except as explained in Note 1.3 which addresses the impact of new/revised accounting standards.

1.3 Impact of New/Revised Accounting Standards

New and Revised Accounting Standards Adopted 1 July 2014

The table below represents new and revised accounting standards, together with consequential amendments relevant to the Company's results at 30 June 2015.

Accounting Standard	Requirement	Impacts for the year ended 30 June 2015
AASB 2013-4 <i>Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting</i>	AASB 2013-4 permits the continuation of hedge accounting in circumstances where a derivative that has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This amendment has been applied with retrospective application.	As a result of adopting the amendments, there has been no impact on the Company's financial statements.

New Accounting Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the financial year ended 30 June 2015 but are available for early adoption and have not been applied in preparing this report.

Accounting Standard	Requirement	Impact on Financial Statements
AASB 9 <i>Financial Instruments</i> and consequential amendments	AASB 9 addresses the classification, measurement and derecognition of financial assets, financial liabilities, and hedging. The standard becomes mandatory for the June 2019 financial year, and will be applied prospectively.	Based on the preliminary analysis performed, AASB 9 will impact classification of available for sale financial assets within the Statement of Financial Position, while other amendments are not expected to have a material impact on the Company.
AASB 15 <i>Revenue from Contracts with Customers</i>	AASB 15 provides a new five step model for recognising revenue earned from a contract with a customer and will replace the existing AASB 118 <i>Revenue</i> and AASB 111 <i>Construction Contracts</i> . The standard becomes mandatory for the June 2019 financial year and will be applied retrospectively.	Based on the preliminary analysis performed, AASB 15 is not expected to have a material impact on the Company.

Notes to the Financial Statements continued

1. Significant Accounting Policies continued

1.4 Foreign Currency Translation

Functional and Presentation Currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial report is presented in Australian dollars, which is the Company's functional and presentation currency.

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions, and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the Income Statement.

1.5 Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

1.5.1 Key Sources of Estimation Uncertainty

Valuation of Financial Assets and Liabilities

Where financial assets and liabilities are carried at fair value, the fair value is based on assumptions of future events and involves estimates. The basis of valuation is set out in Note 14e 'Fair Value Measurement'; however, the fair values of derivatives at the end of the reporting period may differ if there is volatility in market prices or foreign exchange rates in future periods.

Estimated Future Taxable Profits

The Company prepares financial budgets and forecasts on a regular basis which are reviewed, covering a five year period. These forecasts and budgets form the basis of future profitability to support the carrying value of the deferred tax assets.

1.5.2 Critical Accounting Judgements in Applying the Company's Accounting Policies

In the process of applying the Company's accounting policies, the Company makes various judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements. These include impairment losses on receivables and the ability to realise deferred tax.

2. Segment Reporting

Business Segment

The Company is involved in providing financial services to the Lend Lease Group through borrowing, lending and investing activities and in hedging foreign currency exposures and interest rate risks.

Geographical Segment

The Company operates solely in Australia in respect of its management and operational activities. Its total assets are held in Australia.

Notes to the Financial Statements continued

3. Finance Income and Finance Costs

Accounting Policies

Finance income is recognised on a time proportion basis using the effective interest method.

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

Financial Disclosure	June 2015 \$000s	June 2014 \$000s
Finance Income		
Related parties	117,241	88,050
Other corporations	3,672	4,069
Total finance income	120,913	92,119
Finance Costs		
Related parties	(15,720)	(7,450)
Other corporations	(100,079)	(82,248)
Total finance costs	(115,799)	(89,698)
Net finance income	5,114	2,421

4. Derivative Loss

Accounting Policies

The Lend Lease Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investing activities. The Company manages currency risk and interest rate risk on behalf of the Group utilising approved instruments such as foreign currency forwards, option contracts and interest rate swap contracts. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivative financial instruments are recognised initially at fair value on the date a derivative contract is entered into and subsequently remeasured at their fair value. Recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of forward exchange and interest rate contracts is their value at the current quoted forward price at the balance sheet date.

The Company is exposed to changes in foreign exchange rates and interest rates and uses forward foreign exchange contracts and interest rate swap contracts to hedge these risks.

Forward foreign exchange and interest rate contracts are entered into to cover the anticipated excess of revenue less expenses within the Group's operations. These foreign exchange and interest rate contracts are converted at the rates at balance date. The resulting foreign exchange and interest rate gains or losses are taken to the Income Statement unless they are hedge accounted.

Financial Disclosure	June 2015 \$000s	June 2014 \$000s
Foreign exchange contracts gain/(loss)	55,676	(8,826)
Foreign exchange (loss)/gain on intercompany loans	(72,734)	1,817
Foreign exchange loss on S\$275 million Singapore bond	(29,380)	(11,465)
Foreign exchange gain on other transactions	3	1
Foreign exchange loss on revaluation of foreign currency bank accounts	(722)	-
Loss on disposal/remeasurement of foreign exchange options	(5,204)	(1,637)
Remeasurement of interest rate swap contracts	3,586	(4,756)
Total derivative loss	(48,775)	(24,866)

Notes to the Financial Statements continued

5. Taxation

Accounting Policies

Income Taxes

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

Current tax is the expected tax payable on the taxable income for the financial year, using tax rates (and tax laws) enacted or substantively enacted at the balance sheet date in each jurisdiction, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates (and tax laws) enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unused tax credits only to the extent that it is probable that future taxable amounts will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax Consolidation

Lend Lease Corporation Limited is the head entity of the Australian Tax Consolidated Group comprising all the Australian wholly owned subsidiaries, which excludes Lend Lease Trust. The Company entered into the Australian Tax Consolidation Regime effective 1 July 2002.

The head entity recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the Australian wholly owned subsidiaries of the Australian Tax Consolidated Group.

Members of the Australian Tax Consolidated Group have entered into a tax sharing/funding arrangement that requires wholly owned Australian subsidiaries to make contributions to the Company for tax liabilities and deferred tax balances arising from external transactions occurring after the implementation of tax consolidation. The contributions are broadly calculated as if each entity paid tax on a modified standalone basis.

The contributions are payable as set out in the agreement and reflect the timing of the head entity's obligations to make payments for tax liabilities to the Australian Taxation Office ('ATO'). The assets and liabilities arising under the Australian tax sharing/funding arrangement are recognised as intercompany assets and liabilities.

Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax ('GST'), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office ('ATO') is included as a current asset or liability in the Statement of Financial Position. Cash flows are included in the Statement of Cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Notes to the Financial Statements continued

5. Taxation continued

Financial Disclosure	June 2015 \$000s	June 2014 \$000s
a. Income Tax Benefit		
Recognised in the Income Statement		
Current Tax Benefit/(Expense)		
Current year	(5,695)	4,499
Adjustments for prior years	-	3
	(5,695)	4,502
Deferred Tax Benefit/(Expense)		
Origination and reversal of temporary differences	17,531	385
	17,531	385
Total income tax benefit	11,836	4,887
Reconciliation of income tax benefit		
Loss before tax	(39,226)	(16,517)
Income tax using the domestic corporation tax rate (30%)	11,768	4,955
Non allowable expenses	(39)	(68)
Foreign tax credits claimable	107	-
Income tax benefit	11,836	4,887

b. Current Tax Liabilities

The current tax payable of \$5.695 million (June 2014: \$4.502 million receivable) which has been transferred to Lend Lease Corporation Limited for tax consolidation, represents the amount of income taxes payable/refundable in respect of current and prior years.

	June 2015		June 2014	
	Assets \$000s	Liabilities \$000s	Assets \$000s	Liabilities \$000s
c. Deferred Tax Assets and Liabilities				
Recognised Deferred Tax Assets and Liabilities				
Deferred tax assets and liabilities are attributable to the following:				
Cash and cash equivalents	216	-	-	-
Derivatives	-	(13)	1,619	(1,649)
Other assets	-	(4,284)	4	(2,046)
Trade and other payables	28,234	-	11,318	(80)
Total deferred tax assets/(liabilities)	28,450	(4,297)	12,941	(3,775)

Notes to the Financial Statements continued

	1 July 2014 \$000s	Recognised in Income \$000s	30 June 2015 \$000s
5. Taxation continued			
c. Deferred Tax Assets and Liabilities continued			
Recognised Deferred Tax Assets and Liabilities continued			
Movement in temporary differences during the financial year:			
June 2015			
Cash and cash equivalents	-	216	216
Derivatives	(30)	17	(13)
Other assets	(2,042)	(2,242)	(4,284)
Trade and other payables	11,238	16,996	28,234
Total deferred tax assets/(liabilities)	9,166	14,987	24,153

	1 July 2013 \$000s	Recognised in Income \$000s	30 June 2014 \$000s
June 2014			
Loans and receivables	786	(786)	-
Derivatives	(4,398)	4,368	(30)
Other assets	(1,051)	(991)	(2,042)
Trade and other payables	13,437	(2,199)	11,238
Total deferred tax assets/(liabilities)	8,774	392	9,166

	June 2015 \$000s	June 2014 \$000s
Unrecognised Deferred Tax Assets		
Deferred tax assets have not been recognised in respect of the following items:		
Out of the money hedges	-	324
Total unrecognised deferred tax assets	-	324

6. Cash and Cash Equivalents

Accounting Policies

Cash and cash equivalents include cash on hand, deposits held at call with banks, bank overdrafts and other short term highly liquid investments that are readily convertible to known amounts of cash within three months and which are subject to an insignificant risk of changes in value.

Bank overdrafts (if applicable) are shown as a current liability on the Statement of Financial Position and are shown as a reduction to the cash balance in the Statement of Cash Flows.

Financial Disclosure	June 2015 \$000s	June 2014 \$000s
Cash		
Short term investments	6,988	783,983
Total cash and cash equivalents	6,988	783,983

Short term investments earned variable rates of interest which averaged 2.73% per annum during the year ended 30 June 2015 (30 June 2014: 2.86%).

Notes to the Financial Statements continued

7. Loans and Receivables

Accounting Policies

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are carried at amortised cost using the effective interest method. Cash flows relating to short term trade and other receivables are not discounted if the effect of discounting is immaterial. The discount, if material, is then recognised as revenue over the remaining term.

A provision for impairment of loans and receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the loans and receivables. The amount of the provision is the difference between the asset's carrying amount and its fair value, which is estimated as the present value of estimated future cash flows, discounted at the effective interest rate where relevant. The amount of the provision is recognised in the Income Statement.

Financial Disclosure	June 2015 \$000s	June 2014 \$000s
Current		
Loans to parent entity (including intercompany tax balance)	1,947,361	1,783,472
Related party loans and receivables	63,768	141,806
Other receivables	-	429
Total loans and receivables	2,011,129	1,925,707

The credit quality of all loans and receivables, including those neither past due nor impaired, is assessed and monitored on an ongoing basis. To determine the impairment provision for the financial year, the Company considers how economic and market conditions will affect the creditworthiness of certain entities. There is no impairment provision for 30 June 2015 (June 2014: A\$Nil).

8. Derivatives

Accounting Policies

Derivatives are financial instruments the Group uses to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. The Company manages currency risk and interest rate risk on behalf of the Group utilising approved instruments such as foreign currency forwards, option contracts and interest rate swap contracts. The Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at fair value on the date a derivative contract is entered into and subsequently remeasured at fair value. Recognition of any resultant gain or loss depends on the nature of the item being hedged. Refer to Note 12 'Reserves' for accounting policies on hedging. The fair value of forward exchange contracts is their value at the current quoted forward price at the balance sheet date.

Financial Disclosure	June 2015 \$000s	June 2014 \$000s
Current Assets		
Forward foreign exchange contracts – other corporations	4,499	5,218
Foreign exchange options – other corporations	-	6,978
Forward foreign exchange contracts – related parties	265	1,354
Total derivative assets	4,764	13,550
Current Liabilities		
Forward foreign exchange contracts – other corporations	(3,699)	(1,084)
Forward foreign exchange contracts – related parties	(1,006)	(174)
Interest rate swaps – other corporations	-	(4,665)
Total derivative liabilities	(4,705)	(5,923)
Net derivative assets/(liabilities)	59	7,627

Notes to the Financial Statements continued

9. Trade and Other Payables

Accounting Policies

Trade Creditors

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 45 days. Trade and other payables are stated at amortised cost or cost when the impact of discounting would be immaterial.

Trade and other payables are presented as current liabilities unless there is an unconditional contractual right for the Company to defer payment for at least 12 months from the reporting date.

Financial Disclosure	June 2015 \$000s	June 2014 \$000s
Current		
Loans from parent entity (including intercompany tax balance)	5,695	-
Related party trade payables and loans	750,124	1,111,501
Accrued expenses	11,211	17,650
Total trade and other payables	767,030	1,129,151

Notes to the Financial Statements continued

10. Borrowings and Financing Arrangements

Accounting Policies

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Financial Disclosure	June 2015 \$000s	June 2014 \$000s
a. Borrowings – Measured at Amortised Cost		
Non Current		
Commercial notes	739,244	709,497
Bank credit facilities	548,823	873,457
Total non current	1,288,067	1,582,954
Total borrowings and financing arrangements	1,288,067	1,582,954

	June 2015 \$000s	June 2014 \$000s
b. Finance Facilities – Gross Value		
The Company has access to the following lines of credit:		
Commercial notes		
Facility available	739,244	709,497
Amount of facility used	(739,244)	(709,497)
Amount of facility unused	-	-
Bank credit facilities		
Facility available	1,500,000	1,500,000
Amount of facility used	(550,000)	(875,000)
Amount of facility unused	950,000	625,000
Bank overdrafts		
Facility available	65,000	65,000
Amount of facility used	-	-
Amount of facility unused	65,000	65,000

Commercial notes include:

- S\$275.0 million of senior unsecured notes issued in July 2012 in the Singapore bond market with a 4.625% p.a. coupon rate maturing in July 2017; and
- A\$475.0 million of unsecured medium term notes issued in May 2013 (A\$375.0 million) and June 2014 (A\$100.0 million) in the Australian bond market comprising A\$250.0 million with a 5.5% p.a. coupon maturing in November 2018 and A\$225.0 million with a 6.0% p.a. coupon maturing in May 2020.

Bank credit facilities include:

- A\$1,500.0 million syndicated multi-option facility maturing in June 2019 (A\$600.0 million) and June 2020 (A\$900.0 million) drawn to A\$550.0 million at 30 June 2015 (30 June 2014: drawn to A\$875.0 million). This is an extension of the existing A\$1,500.0 million syndicated multi-option facility with original maturities of December 2017 (A\$600.0 million) and December 2018 (A\$900.0 million).

The bank overdraft facilities may be drawn at any time and are repayable on demand.

Consistent with prior periods, the Company has not defaulted on any obligations of principal or interest in relation to its borrowings and finance arrangements.

Notes to the Financial Statements continued

10. Borrowings and Financing Arrangements continued

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

	Interest Exposure		Total \$000s	Currency		Total \$000s
	Fixed \$000s	Floating \$000s		A\$ \$000s	S\$ \$000s	
June 2015						
Between one and five years	739,244	548,823	1,288,067	1,024,378	263,689	1,288,067
More than five years	-	-	-	-	-	-
Total	739,244	548,823	1,288,067	1,024,378	263,689	1,288,067
June 2014						
Between one and five years	482,163	873,457	1,355,620	1,121,666	233,954	1,355,620
More than five years	227,334	-	227,334	227,334	-	227,334
Total	709,497	873,457	1,582,954	1,349,000	233,954	1,582,954

11. Issued Capital

Accounting Policies

Issued Capital

Ordinary shares are classified as equity.

Dividends/distributions are recognised as a liability in the financial year in which they are declared.

Financial Disclosure	June 2015		June 2014	
	No. of Shares	\$000s	No. of Shares	\$000s
Ordinary shares of \$1 each fully paid	5,000,000	5,000	5,000,000	5,000
Ordinary shares of \$9,500,000 each fully paid	10	95,000	10	95,000
Issued capital at end of financial year	5,000,010	100,000	5,000,010	100,000

Terms and Conditions

Lend Lease Corporation Limited, as sole shareholder, has the right to receive dividends as declared from the Company from time to time. Ordinary shareholders rank after all creditors in repayment of capital.

12. Reserves

Accounting Policies

Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to interest rate swaps which are hedged transactions that have not occurred.

Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as effective cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Cash flow hedges are in place to hedge against interest rate risk using interest rate derivatives. There were no interest rate derivatives as at 30 June 2015.

Held for Trading Derivatives

Certain derivative instruments do not qualify for hedge accounting or hedge accounting treatment is not sought. These instruments are classed as held for trading and changes in their fair value are recognised immediately in the Income Statement.

Financial Guarantee Contract Reserve is in relation to an asset the Company recognises for the parent company guarantee provided by Lend Lease Corporation in relation to external debt facilities. The Company is not required to make payments to the parent entity in relation to this guarantee, and it is therefore treated as a capital contribution by Lend Lease Corporation and recorded in reserves under equity.

Notes to the Financial Statements continued

13. Contingent Liabilities

In certain circumstances, the Company guarantees the bonding and bank guarantee facilities of particular Group entities in respect of their obligations. This includes bonding and bank guarantee facilities primarily used by the Group's construction business. These guarantees are provided in respect of activities that occur in the ordinary course of business and there are no known losses in respect of the relevant contracts as at the end of the financial year.

The Company does not have any other contingent liabilities as at 30 June 2015.

14. Financial Instruments

The Lend Lease Financial Markets Risk Committee oversees the management of the Company's foreign currency, credit, interest rate and liquidity risk exposures, within the parameters of a Board approved policy. The Lend Lease Risk Management and Audit Committee maintains a Group-wide framework for risk management, within which the Company operates, and reviews issues of material risk exposure.

a. Foreign Currency

Foreign currency risk is the risk in local currency terms that the value of a financial commitment or a recognised asset or liability, will fluctuate due to changes in foreign currency exchange rates.

The Company is exposed to foreign currency risk primarily from foreign currency intercompany loans, foreign currency external borrowings, foreign currency bank accounts and derivative financial instruments (mainly forward foreign exchange contracts used to hedge the Lend Lease Group's foreign currency exposures). Speculative derivative trading is not permitted.

The Company currently applies hedge accounting under AASB 139 *Financial Instruments: Recognition and Measurement* on a very limited basis as the majority of forward foreign exchange contracts relate to foreign currency intercompany loans which mainly net off in the Income Statement. The Company has minimal hedges designated as fair value or cash flow hedges. Refer to Note 12 'Reserves' for the accounting treatment of such hedges.

The net asset exposure by currency is detailed below.

	A\$000s	US\$000s	£000s	S\$000s	€000s	Other 000s	Total
June 2015							
Net asset exposure	876,221	(288,534)	(191,079)	(333,929)	2	(49,064)	13,617
June 2014							
Net asset exposure	1,376,193	(340,533)	(717,124)	(279,089)	360	121	39,928

Notes to the Financial Statements continued

14. Financial Instruments continued

a. Foreign Currency continued

Foreign Currency Derivatives (Not Hedge Accounted)

The Company's foreign exchange derivative contracts held at reporting date to hedge specific foreign currency exposures are as follows.

	Weighted Average Exchange Rate		Gross Receivable/(Payable) Under Contracts	
	June 2015 (A\$1=)	June 2014 (A\$1=)	June 2015 \$000s	June 2014 \$000s
Contracts to (buy)/sell the following currencies at an agreed exchange rate:				
buy GBP	0.49	0.55	(226,867)	(881,426)
sell GBP	0.51	0.55	13,433	115,796
buy USD	0.77	0.93	(339,878)	(458,315)
sell USD	0.79	0.94	60,430	123,757
buy EUR	0.68	0.68	(32,673)	(49,557)
sell EUR	0.71	0.69	36,398	47,590
buy SGD	1.04	1.17	(97,936)	(28,266)
sell SGD	1.03	1.17	23,213	7,962
buy MYR	2.91	-	(41,369)	-
sell MYR	2.90	-	22,489	-
buy JPY	94.08	92.87	(56,583)	(8,310)
sell JPY	95.57	92.52	2,616	54
buy MXN	12.45	12.43	(211)	(5,166)
sell MXN	12.33	-	213	-
Total			(636,725)	(1,135,881)

Sensitivity Analysis

The sensitivity analysis of the Company's Australian dollar denominated Income Statement and Statement of Financial Position to foreign currency movements is based on a 10% fluctuation (June 2014: 10% fluctuation) on the average rates during the financial year and the spot rate at balance date respectively. This analysis assumes that all other variables, in particular interest rates, remain constant, and excludes the effects of the foreign exchange contracts above.

A 10% fluctuation in the average foreign exchange rates would have impacted the Company's profit after tax and net assets as follows.

	10% Weakening		10% Strengthening	
	June 2015 \$000s	June 2014 \$000s	June 2015 \$000s	June 2014 \$000s
Profit after tax increase/(decrease)	(6,124)	(2,798)	5,014	2,278
Net assets increase/(decrease)	(95,816)	(140,034)	78,601	126,494

Notes to the Financial Statements continued

14. Financial Instruments continued

b. Credit Risk

Credit risk represents the risk that a counterparty will not be able to complete its obligations in respect of a financial instrument, resulting in a financial loss to the Company. The maximum credit risk on financial assets has been factored into the carrying amounts which are reflected in the Statement of Financial Position. No provision for doubtful debts has been raised as no impairment has been identified.

Credit risk on financial instruments is managed under a Board approved credit policy that determines acceptable counterparties. Derivative counterparties and cash deposits are limited to recognised financial intermediaries with a minimum investment-grade credit rating as determined by a recognised rating agency. The policy sets out credit limits for each counterparty based on these ratings.

c. Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument or cash flow associated with the instrument will fluctuate due to changes in market interest rates. The Company uses physical and derivative financial instruments to assist in managing its interest rate risk. Speculative trading is not permitted.

The Company's exposure to interest rate risk on its financial assets and liabilities is set out as follows.

	Carrying Amount	
	June 2015 \$000s	June 2014 \$000s
Fixed rate		
Financial assets	-	186,983
Financial liabilities	(739,244)	(709,497)
	(739,244)	(522,514)
Variable rate		
Financial assets	6,988	597,000
Financial liabilities	(548,823)	(878,122)
	(541,835)	(281,122)

Sensitivity Analysis

At 30 June 2015 it is estimated that an increase of one percentage point in interest rates would have decreased the Company's profit after tax and retained earnings by A\$8.9 million (June 2014: one percentage point increase would have caused a A\$0.26 million decrease in the Company's profit after tax and retained earnings). A one percentage point decrease in interest rates would have increased the Company's profit after tax and retained earnings by A\$8.9 million (June 2014: one percentage point decrease would have caused a A\$0.26 million increase in the Company's profit after tax and retained earnings). The increase or decrease in interest income/expense is proportional to the increase or decrease in interest rates. Interest rate derivatives have been included in this calculation.

	1% pt Weakening		1% pt Strengthening	
	June 2015 \$000s	June 2014 \$000s	June 2015 \$000s	June 2014 \$000s
Profit after tax increase/(decrease)	6,229	262	(6,229)	(262)

Notes to the Financial Statements continued

14. Financial Instruments continued

d. Liquidity Risk

Liquidity risk is the risk of having insufficient funds to settle financial liabilities as and when they fall due. This includes having insufficient levels of committed credit facilities.

The Company aims to manage its liquidity risk exposure by maintaining sufficient levels of cash and committed credit facilities to meet financial commitments as and when they fall due.

Liquidity risk is reduced through prudent cash management, which ensures sufficient levels of cash are maintained to meet working capital requirements. It also allows flexibility of liquidity by matching the maturity profiles of short term investments with cash flow requirements, and timely review and renewal of credit facilities.

As disclosed in note 13 'Contingent Liabilities', in certain circumstances the Company guarantees the performance of particular Group entities in respect of their obligations including bonding and bank guarantees. Issued bank guarantees have cash collateralisation requirements if the bank guarantee facility is not renewed by the provider. At 30 June 2015, the Company does not anticipate a significant liquidity risk in relation to these facilities in the next 12 months.

The following are the contractual cash flow maturities of financial liabilities including estimated interest payments.

	Note	Carrying Amount \$000s	Contractual Cash Flows \$000s	Less than One Year \$000s	One to Two Years \$000s	Two to Five Years \$000s	More than Five Years \$000s
June 2015							
Non derivative financial liabilities							
Trade and other payables	9	767,030	767,030	767,030	-	-	-
Borrowings and financing arrangements	10	1,288,067	1,548,757	56,436	66,044	1,426,277	-
Total		2,055,097	2,315,787	823,466	66,044	1,426,277	-
Derivative financial liabilities							
Forward foreign exchange contracts – other corporations	8	3,699	3,699	3,650	49	-	-
Forward foreign exchange contracts – related parties	8	1,006	1,006	1,006	-	-	-
Total		4,705	4,705	4,656	49	-	-
June 2014							
Non derivative financial liabilities							
Trade and other payables	9	1,129,151	1,129,151	1,129,151	-	-	-
Borrowings and financing arrangements	10	1,582,954	2,004,519	88,063	93,019	1,336,675	486,762
Total		2,712,105	3,133,670	1,217,214	93,019	1,336,675	486,762
Derivative financial liabilities							
Forward foreign exchange contracts – related parties	8	174	174	174	-	-	-
Forward foreign exchange contracts – other corporations	8	1,084	1,084	1,084	-	-	-
Interest rate swaps – other corporations	8	4,665	4,715	3,512	1,203	-	-
Total		5,923	5,973	4,770	1,203	-	-

Notes to the Financial Statements continued

14. Financial Instruments continued

e. Fair Value Measurement

All financial instruments recognised in the Statement of Financial Position, including those instruments carried at amortised cost, are recognised at amounts that represent a reasonable approximation of fair value, with the exception of the following borrowings.

	Note	June 2015		June 2014	
		Carrying Amount \$000s	Fair Value \$000s	Carrying Amount \$000s	Fair Value \$000s
Liabilities					
Non Current					
Commercial notes	10a	739,244	811,928	709,497	831,030

The fair value of commercial notes has been calculated by discounting the expected future cash flows by the appropriate government bond rates and credit margins applicable to the relevant term of the commercial notes.

Basis of Determining Fair Value

The determination of fair values of financial assets and liabilities that are not measured at cost or amortised cost in the financial report are the fair value of derivative instruments comprising forward foreign exchange contracts, which are valued using forward rates at balance date, and interest rate swap contracts, which are measured at the present value of future cash flows estimated and discounted based on applicable yield curves derived from quoted interest rates and include counterparty risk adjustments.

Fair Value Measurements

The table below analyses financial assets and liabilities carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: The fair value is determined using the unadjusted quoted price for an identical asset or liability in an active market for identical assets or liabilities;
- Level 2: The fair value is calculated using predominantly observable market data other than unadjusted quoted prices for an identical asset or liability; and
- Level 3: The fair value is calculated using inputs that are not based on observable market data.

During the period there were no transfers between Level 1, Level 2 and Level 3 fair value hierarchies.

	Note	Level 1 \$000s	Carrying Amount		Total \$000s
			Level 2 \$000s	Level 3 \$000s	
June 2015					
Financial assets					
Derivatives	8	-	4,764	-	4,764
Financial liabilities					
Derivatives	8	-	4,705	-	4,705

	Note	Level 1 \$000s	Carrying Amount		Total \$000s
			Level 2 \$000s	Level 3 \$000s	
June 2014					
Financial assets					
Derivatives	8	-	13,550	-	13,550
Financial liabilities					
Derivatives	8	-	5,923	-	5,923

Notes to the Financial Statements continued

	June 2015 \$000s	June 2014 \$000s
15. Notes to the Statement of Cash Flows		
Reconciliation of Loss After Tax to Net Cash Provided by Operating Activities		
Loss After Tax	(27,390)	(11,630)
Remeasurement of interest rate swap contracts	(3,586)	(4,482)
Loss on disposal/remeasurement of foreign exchange options	5,204	-
Net unrealised foreign exchange contracts (gain)/loss	5,280	(5,682)
Unrealised/realised foreign exchange (gain)/loss on intercompany loans	72,734	(1,817)
Unrealised foreign exchange loss on SGD bond	29,380	11,466
Unrealised foreign exchange loss on revaluation of trade and other payables	41	-
Realised foreign exchange loss on revaluation of cash and cash equivalents	722	-
Financial guarantee contracts expense	1,142	-
Amortisation of borrowings	733	874
Net cash used in operating activities before changes in assets and liabilities	84,260	(11,271)
Changes in Assets and Liabilities		
Decrease/(increase) in loans and receivables	6,468	(23,322)
Decrease in derivatives	1,749	16,119
(Increase) in other assets	(1,978)	-
(Increase)/decrease in deferred tax assets	(15,509)	3,730
(Decrease)/increase in trade and other payables	(6,081)	5,943
Increase/(decrease) in deferred tax liabilities	522	(4,093)
Increase in current tax provision	10,197	960
Net cash (used in)/provided by operating activities	79,628	(11,934)

16. Auditors' Remuneration

	June 2015 A\$	June 2014 A\$
Amounts received or due and receivable by the auditors of the Company for:		
Audit services	46,200	46,200
Other assurance services	-	-
Total audit and other assurance services	46,200	46,200

Notes to the Financial Statements continued

17. Related Party Information

Key Management Personnel Disclosures

The Company does not employ personnel in its own right. Key management personnel compensation is paid by Lend Lease Corporation Limited. A number of key management persons of the Company hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. There have been no transactions with key management personnel and other related parties for the years ending 30 June 2015 and 30 June 2014.

Other Related Party Transactions

All transactions with related parties are made on normal commercial terms and conditions. These transactions include the provision of the following services to Lend Lease Corporation Limited and/or its wholly owned controlled entities: finance and treasury services, which includes working capital facilities and long term financing. Interest is earned or incurred on loans provided to or drawn with subsidiaries based on specific risks and returns. Outstanding balances arising from such loans are typically unsecured and repayable on demand.

In addition, guarantees are provided to particular Group entities in respect of their obligations, including bonding and bank guarantee facilities used primarily by the Construction business as well as performance guarantees for certain Development business commercial built-form developments. Guarantee fees are charged under normal terms and conditions.

Lend Lease Corporation Limited provides a range of corporate services for which fees, based on the cost of providing those services, are charged. The corporate service charge for the financial year ending 30 June 2015 was \$1,220,995 (2014: \$1,196,120).

Details of amounts receivable and received from or payable and paid to related entities are set out in Note 3 'Finance Income and Finance Costs'; Note 7 'Loans and Receivables'; and Note 9 'Trade and Other Payables'.

18. Events Subsequent to Balance Date

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

Directors' Declaration

In the opinion of the Directors of Lend Lease Finance Limited ('the Company'):

1. The financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - a. Giving a true and fair view of the financial position of the Company as at 30 June 2015 and of its performance for the financial year ended on that date; and
 - b. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.1.
3. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Director

Sydney, 17 August 2015

Independent auditor's report to the members of Lend Lease Finance Limited

Report on the financial report

We have audited the accompanying financial report of Lend Lease Finance Limited (the Company), which comprises the statement of financial position as at 30 June 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 18 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In the Basis of Preparation note, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of Lend Lease Finance Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in the Basis of Preparation note.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Eileen Hoggett', with a long horizontal stroke extending to the right.

Eileen Hoggett
Partner

Sydney

17 August 2015



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

To: the directors of Lend Lease Finance Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Eileen Hoggett

Eileen Hoggett
Partner

Sydney

17 August 2015