

Lend Lease Finance Limited

Half Year Financial Report

31 December 2014

Lead Lease Finance Limited ABN 49 008 618 380

Table of Contents

Directors' Report	2
Income Statement	3
Statement of Comprehensive Income	3
Statement of Financial Position	4
Statement of Changes in Equity	5
Statement of Cash Flows	6

Notes to the Financial Statements

1. Significant Accounting Policies	7
2. Finance Income and Finance Costs	8
3. Derivative Loss	8
4. Other Income	8
5. Taxation	9
6. Loans and Receivables	9
7. Trade and Other Payables	9
8. Borrowing and Financing Arrangements	10
9. Issued Capital	10
10. Contingent Liabilities	11
11. Fair Value Measurement	11
12. Segment Reporting	12
13. Events Subsequent to Balance Date	12

Directors' Declaration	13
------------------------	----

Directors' Report

The Directors of Lend Lease Finance Limited ('the Company') (ABN 49 008 618 380) present their Report together with the Half Year Financial Report of the Company, for the six months ended 31 December 2014 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. 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

2. 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 period.

3. Review and Results of Operations

The Company made a loss after tax of \$21,357,000 for the six months ended 31 December 2014 (31 December 2013: \$13,813,000).

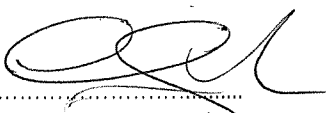
3. Events Subsequent to Balance Date

There has not arisen in the interval between the end of the period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

4. 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 Half Year 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.


.....
Director **Courtenay Naomi Smith**

Financial Statements

Income Statement

Half Year ended 31 December 2014

	Note	6 months December 2014 A\$000s	6 months December 2013 A\$000s
Finance income	2	59,036	39,458
Finance costs	2	(57,718)	(47,471)
Net finance income		1,318	(8,013)
Derivative loss	3	(34,175)	(10,384)
Other income	4	13,439	12,943
Expenses			
Guarantee fees		(10,307)	(13,770)
Management fees		(412)	(521)
Professional fees		(92)	160
Other expenses		(239)	(94)
Total expenses		(11,050)	(14,225)
Loss before tax		(30,468)	(19,679)
Income tax benefit	5	9,111	5,866
Loss after tax attributable to members of Lend Lease Finance Limited		(21,357)	(13,813)

Statement of Comprehensive Income

Half Year ended 31 December 2014

	6 months December 2014 A\$000s	6 months December 2013 A\$000s
Loss after tax	(21,357)	(13,813)
Other Comprehensive Income/(Expense) after tax		
Items that may be reclassified subsequently to profit or loss:		
Movements in Hedging Reserve	1,079	2,006
Total items that may be reclassified subsequently to profit or loss	1,079	2,006
Total comprehensive expense after tax attributable to members of Lend Lease Finance Limited	(20,278)	(11,807)

Financial Statements continued

Statement of Financial Position

As at 31 December 2014

	Note	December 2014 A\$000s	June 2014 A\$000s
Current assets			
Cash and cash equivalents		134,846	783,983
Loans and receivables	6	2,018,997	1,925,707
Derivatives		10,887	13,550
Financial guarantee contracts		1,162	1,162
Total current assets		2,165,892	2,724,402
Non current assets			
Financial guarantee contracts		4,036	4,036
Deferred tax assets		24,346	12,941
Other assets		21,509	20,352
Total non current assets		49,891	37,329
Total assets		2,215,783	2,761,731
Current liabilities			
Trade and other payables	7	479,272	1,129,151
Derivatives		3,261	5,923
Total current liabilities		482,533	1,135,074
Non current liabilities			
Borrowings and financing arrangements	8	1,709,919	1,582,954
Deferred tax liabilities		3,681	3,775
Total non current liabilities		1,713,600	1,586,729
Total liabilities		2,196,133	2,721,803
Net assets		19,650	39,928
Equity			
Issued capital	9	100,000	100,000
Reserves		14,941	13,862
Retained earnings/(accumulated losses)		(95,291)	(73,934)
Total equity attributable to members of Lend Lease Finance Limited		19,650	39,928

Financial Statements continued

Statement of Changes in Equity

Half Year ended 31 December 2014

	6 months December 2014 AS000s	6 months December 2013 AS000s
Issued Capital		
Opening balance at beginning of financial period	100,000	100,000
Closing balance at end of financial period	100,000	100,000
Hedging Reserve		
Opening balance at beginning of financial period	(1,079)	(5,357)
Comprehensive income for the period:		
Movements attributable to effective cash flow hedges	1,079	2,006
Closing balance at end of financial period	-	(3,351)
Financial Guarantee Contract Reserve		
Opening balance at beginning of financial period	14,941	14,941
Closing balance at end of financial period	14,941	14,941
Total reserves	14,941	11,590
Retained Earnings/(Accumulated Losses)		
Opening balance at beginning of financial period	(73,934)	(62,304)
Loss attributable to members of Lend Lease Finance Limited	(21,357)	(13,813)
Closing balance at end of financial period	(95,291)	(76,117)
Total equity	19,650	35,473
Total Comprehensive Income/(Expense) after tax for the period		
Attributable to:		
Members of Lend Lease Finance Limited	(20,278)	(11,807)
Total comprehensive expense after tax	(20,278)	(11,807)

Financial Statements continued

Statement of Cash Flows

Half Year ended 31 December 2014

	6 months December 2014 A\$000s	6 months December 2013 A\$000s
Cash Flows from Operating Activities		
Cash receipts in the course of operations	2,606,795	1,229,694
Cash payments in the course of operations	(2,571,215)	(1,213,092)
Interest received	60,270	39,530
Interest paid	(53,978)	(43,481)
Net cash provided by operating activities	41,872	12,651
Cash Flows from Financing Activities		
Funding provided from Group entities	366,158	298,525
Funding provided to Group entities	(1,164,184)	(740,503)
Proceeds from borrowings - external	1,307,000	324,979
Repayment of borrowings - external	(1,200,000)	-
Net cash used in financing activities	(691,026)	(116,999)
Net decrease in cash and cash equivalents	(649,154)	(104,348)
Cash and cash equivalents at beginning of financial period	783,983	436,274
Effect of foreign exchange on cash and cash equivalents	17	-
Cash and cash equivalents at end of financial period	134,846	331,926

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. The principal accounting policies adopted in the preparation of the financial report are set out below.

The Company's half year financial report was authorised for issue by the Directors on 20 February 2015.

1.1 Statement of Compliance

The half year financial report is a general purpose financial report which has been prepared in accordance with *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*. The half year financial report also complies with the recognition and measurement requirements of International Financial Reporting Standards ('IFRS') and Interpretations adopted by the International Accounting Standards Board.

The half year financial report should be read in conjunction with the 30 June 2014 annual financial report. The half year financial report does not include all of the information required for a full financial report.

1.2 Basis of Preparation

The half year 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.

The preparation of a financial report that complies with *AASB 134* 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 of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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 have been consistently applied by the Company and are consistent with those applied and disclosed in the 30 June 2014 financial report.

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 31 December 2014.

Accounting Standard	Requirement	Impacts for the period ended 31 December 2014
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.

Notes to the Financial Statements continued

New Accounting Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the half year ended 31 December 2014 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 and consequential amendments 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.
IFRS 15 <i>Revenue from Contracts with Customers</i>	IFRS 15 provides a new five step model for recognising revenue earned from a contract with a customer and will replace the existing AASB 118 Revenue and AASB 111 Construction Contracts. The standard becomes mandatory for the June 2018 financial year and will be applied retrospectively.	Based on the preliminary analysis performed, IFRS 15 is not expected to have a material impact on the Company.
		6 months December 2014 A\$000s
		6 months December 2013 A\$000s

2. Finance income and finance costs

Finance revenue

Related parties	55,848	36,727
Other corporations	3,188	2,731
Total finance revenue	59,036	39,458

Finance costs

Related parties	(9,631)	(4,079)
Other corporations	(48,087)	(43,392)
Total finance costs	(57,718)	(47,471)
Net finance income/(costs)	1,318	(8,013)

3. Derivative loss

Foreign exchange contracts	32,717	1,696
Foreign exchange (loss)/gain on intercompany loans	(44,477)	(4,739)
Foreign exchange (loss)/gain on S\$275 million Singapore bond	(19,587)	(9,474)
Foreign exchange (loss)/gain on other transactions	(45)	1
Loss on disposal/remeasurement of foreign exchange options	(5,204)	-
Remeasurement of interest rate swap contracts	2,421	2,132
Total derivative loss	(34,175)	(10,384)

4. Other income

Guarantee fees – related parties	13,439	12,943
----------------------------------	--------	--------

Notes to the Financial Statements continued

	6 months December 2014 A\$000s	6 months December 2013 A\$000s
5. Taxation		
Income tax benefit/(expense)		
Recognised in the Income Statement		
Current tax benefit/(expense)		
Current period	(2,392)	(3,818)
Adjustments for prior periods	-	-
	(2,392)	(3,818)
Deferred tax benefit/(expense)		
Origination and reversal of temporary differences	11,503	9,684
Adjustments for prior periods	-	-
	11,503	9,684
Total income tax expense	9,111	5,866

Reconciliation of income tax benefit/(expense)

Loss before tax	(30,468)	(19,679)
Income tax using the domestic corporation tax rate (30%)	9,140	5,904
Non allowable expenses	(29)	(38)
Income tax benefit/(expense)	9,111	5,866

	December 2014 A\$000s	June 2014 A\$000s
6. Loans and receivables		
Loans to parent entity (including intercompany tax balance)	1,952,744	1,783,472
Related party loans and receivables	66,205	141,806
Other receivables	48	429
Total loans and receivables	2,018,997	1,925,707

7. Trade and other payables

Loans from related parties	461,029	1,111,501
Accrued expenses	18,243	17,650
Total trade and other payables	479,272	1,129,151

Notes to the Financial Statements continued

	December 2014 A\$000s	June 2014 A\$000s
8. Borrowing and financing arrangements		
a. Borrowings – measured at amortised cost		
Non current		
Commercial notes	729,268	709,497
Bank credit facilities	980,651	873,457
Total non current	1,709,919	1,582,954
Total borrowings	1,709,919	1,582,954

b. Finance facilities – gross value

The Company has access to the following lines of credit:

Commercial notes

Facility available	729,630	710,043
Amount of facility used	(729,630)	(710,043)
Amount of facility unused	-	-

Bank credit facilities

Facility available	1,500,000	1,500,000
Amount of facility used	(982,000)	(875,000)
Amount of facility unused	518,000	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 December 2017 (A\$600.0 million) and December 2018 (A\$900.0 million) drawn to A\$982.0 million as at 31 December 2014.

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.

9. Issued Capital

	Lend Lease Finance Limited			
	December 2014		June 2014	
	No. of Shares	A\$000s	No. of Shares	A\$000s
Issued Capital				
Ordinary shares of A\$1 each – fully paid	5,000,000	5,000	5,000,000	5,000
Ordinary shares of A\$9,500,000 each – fully paid	10	95,000	10	95,000
Issued capital at beginning and end of financial period	5,000,010	100,000	5,000,100	100,000

Lend Lease Corporation Limited, as sole shareholder, is entitled to dividends as declared from time to time.

Notes to the Financial Statements continued

10. 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 period.

The Company does not have any other contingent liabilities as at 31 December 2014.

11. 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	December 2014		June 2014	
		Carrying Amount A\$000s	Fair Value A\$000s	Carrying Amount A\$000s	Fair Value A\$000s
Liabilities					
Non Current					
Commercial notes	8	729,268	811,263	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 margin applicable to the relevant term of the commercial note.

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 below.

Basis of Determining Fair Value

The determination of fair values of financial and non financial assets and liabilities that are not measured at cost or amortised cost in the half year financial report are summarised as follows:

- The fair value of derivative instruments comprises 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 and non 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.

	Level 1 A\$000s	Carrying Amount		Total A\$000s
		Level 2 A\$000s	Level 3 A\$000s	
December 2014				
Financial Assets				
Derivatives	-	10,887	-	10,887
Financial Liabilities				
Derivatives	-	3,261	-	3,261
June 2014				
Financial Assets				
Derivatives	-	13,550	-	13,550
Financial Liabilities				
Derivatives	-	5,923	-	5,923

Notes to the Financial Statements continued

12. 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.

13. Events Subsequent to Balance Date

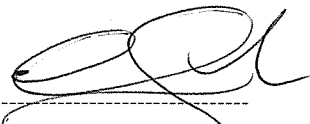
There were no material events subsequent to the end of the financial period.

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 31 December 2014 and of its performance for the half year ended on that date; and
 - b. Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
2. 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 **Courtenay Naomi Smith**

