

Lend Lease Finance Limited

Half Year Financial Report

31 December 2015

Lend 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	5

Notes to the Financial Statements

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

Directors' Declaration	11
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Lend Lease Finance Limited (the Company) is incorporated and domiciled in Australia. The Company is a for-profit entity. Further information about Lend Lease Finance Limited's primary activities is included in the Directors' Report.

The Company's half year financial report was authorised for issue by the Directors on 15 February 2016.

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 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. Directors

The name of each person who has been a Director of the Company at any time between 1 July 2015 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

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 profit after tax of \$152,000 for the six months ended 31 December 2015 (31 December 2014: \$21,357,000 loss after tax).

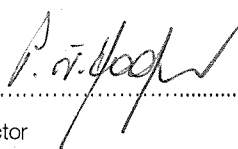
4. Events Subsequent to Balance Date

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

5. 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.


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Director

Financial Statements

Income Statement

Half Year ended 31 December 2015

	Note	6 months December 2015 \$000s	6 months December 2014 \$000s
Finance income	2	48,881	59,036
Finance costs	2	(40,626)	(57,718)
Net finance income		8,255	1,318
Other income			
Guarantee fees – related parties		14,514	13,439
Derivative loss	3	(11,928)	(34,175)
Expenses			
Guarantee fees		(10,182)	(10,307)
Management fees		(371)	(412)
Professional fees		97	(92)
Other expenses		(168)	(239)
Total expenses		(10,624)	(11,050)
Profit/(loss) before tax		217	(30,468)
Income tax (expense)/benefit	4	(65)	9,111
Profit/(loss) after tax attributable to members of Lend Lease Finance Limited		152	(21,357)

Statement of Comprehensive Income

Half Year ended 31 December 2015

	6 months December 2015 \$000s	6 months December 2014 \$000s
Profit/(Loss) After Tax	152	(21,357)
Other Comprehensive Income/(Expense) after tax		
Items that may be reclassified subsequently to profit or loss:		
Movements in Hedging Reserve	-	1,079
Total items that may be reclassified subsequently to profit or loss	152	1,079
Total comprehensive income /(expense) after tax attributable to members of Lend Lease Finance Limited	152	(20,278)

Financial Statements continued

Statement of Financial Position

As at 31 December 2015

	Note	December 2015 \$000s	June 2015 \$000s
Current Assets			
Cash and cash equivalents		47,516	6,988
Loans and receivables	5	2,077,907	2,011,129
Derivatives		7,524	4,764
Financial guarantee contracts		820	820
Total current assets		2,133,767	2,023,701
Non Current Assets			
Financial guarantee contracts		3,236	3,236
Deferred tax assets		20,436	28,450
Other assets		19,903	22,329
Total non current assets		43,575	54,015
Total assets		2,177,342	2,077,716
Current Liabilities			
Trade and other payables	6	428,825	767,030
Derivatives		9,123	4,705
Total current liabilities		437,948	771,735
Non Current Liabilities			
Borrowings and financing arrangements	7	1,720,951	1,288,067
Derivatives		939	-
Deferred tax liabilities		3,735	4,297
Total non current liabilities		1,725,625	1,292,364
Total liabilities		2,163,573	2,064,099
Net assets		13,769	13,617
Equity			
Issued capital	8	100,000	100,000
Reserves		14,941	14,941
Accumulated losses		(101,172)	(101,324)
Total equity		13,769	13,617

Financial Statements continued

Statement of Changes in Equity

Half Year ended 31 December 2015

	6 months December 2015 \$000s	6 months December 2014 \$000s
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)
Comprehensive income for the period:		
Movements attributable to effective cash flow hedges	-	1,079
Closing balance at end of financial period	-	-
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	14,941
Retained Earnings/(Accumulated Losses)		
Opening balance at beginning of financial period	(101,324)	(73,934)
Profit/(loss) attributable to members of Lend Lease Finance Limited	152	(21,357)
Closing balance at end of financial period	(101,172)	(95,291)
Total equity	13,769	19,650
Total Comprehensive Income/(Expense) After Tax for the Period		
Attributable to Members of Lend Lease Finance Limited	152	(20,278)
Total comprehensive income/(expense) after tax	152	(20,278)

Statement of Cash Flows

Half Year ended 31 December 2015

	6 months December 2015 \$000s	6 month December 2014 \$000s
Cash Flows from Operating Activities		
Cash receipts in the course of operations	2,162,096	2,606,795
Cash payments in the course of operations	(2,132,861)	(2,571,215)
Interest received	48,807	60,270
Interest paid	(38,285)	(53,978)
Net cash provided by operating activities	39,757	41,872
Cash Flows from Financing Activities		
Funding provided from Group entities	683,153	366,158
Funding provided to Group entities	(1,107,725)	(1,164,184)
Proceeds from borrowings - external	1,730,000	1,307,000
Repayment of borrowings - external	(1,300,000)	(1,200,000)
Net cash provided by/(used in) financing activities	5,428	(691,026)
Net increase/(decrease) in cash and cash equivalents	45,185	(649,154)
Cash and cash equivalents at beginning of financial period	6,988	783,983
Effect of foreign exchange on cash and cash equivalents	(4,657)	17
Cash and cash equivalents at end of financial period	47,516	134,846

Notes to the Financial Statements

1. Basis of Preparation

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*;
- complies with the recognition and measurement requirements of International Financial Reporting Standards ('IFRS') and Interpretations adopted by the International Accounting Standards Board;
- should be read in conjunction with the 30 June 2015 annual financial report. The half year financial report does not contain all the information required for a full financial report;
- is presented in Australian dollars with all values rounded off to the nearest thousand dollars unless otherwise indicated, in accordance with Class Order 98/100; and
- is prepared under the historical cost basis except for derivative financial instruments which are stated at their fair value.

The preparation of an interim financial report that complies with *AASB 134* requires management to make judgements, estimates and assumptions that can affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The accounting policies have been consistently applied by the Company and are consistent with those applied and disclosed in the 30 June 2015 financial report.

1.1 Impact of New/Revised Accounting Standards

New and Revised Accounting Standards Adopted 1 July 2015

There were no new accounting standards or amendments adopted by the Company for the half year ended 31 December 2015.

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 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 and consequential amendments are not expected to have a material impact on the Company.
AASB 15 <i>Revenue from Contracts with Customers</i> and consequential amendments	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 Revenue. The standard becomes mandatory for the June 2019 financial year and will be applied retrospectively.	Based on the preliminary analysis performed, AASB 15 and consequential amendments are not expected to have a material impact on the Company.

Notes to the Financial Statements continued

	6 months December 2015 \$000s	6 months December 2014 \$000s
2. Finance Income and Finance Costs		
Finance revenue		
Related parties	47,979	55,848
Other corporations	902	3,188
Total finance revenue	48,881	59,036
Finance costs		
Related parties	(3,906)	(9,631)
Other corporations	(36,720)	(48,087)
Total finance costs	(40,626)	(57,718)
Net finance income	8,255	1,318
3. Derivative Loss		
Foreign exchange contracts gain	19,649	32,717
Foreign exchange loss on intercompany loans	(24,105)	(44,477)
Foreign exchange loss on S\$275 million Singapore bond	(2,567)	(19,587)
Foreign exchange loss on other transactions	(69)	(62)
Foreign exchange (loss)/gain on revaluation of foreign currency bank accounts	(4,657)	17
Loss on remeasurement/disposal of foreign exchange options	(179)	(5,204)
Remeasurement of interest rate swap contracts	-	2,421
Total derivative loss	(11,928)	(34,175)
4. Taxation		
Income Tax (Expense)/Benefit		
Recognised in the Income Statement		
Current Tax (Expense)/Benefit		
Current period	7,387	(2,392)
Adjustments for prior periods	-	-
	7,387	(2,392)
Deferred Tax (Expense)/Benefit		
Origination and reversal of temporary differences	(7,452)	11,503
Adjustments for prior periods	-	-
	(7,452)	11,503
Total income tax expense	(65)	9,111
Reconciliation of income tax (expense)/benefit		
Profit/(loss) before tax	217	(30,468)
Income tax using the domestic corporation tax rate (30%)	(65)	9,140
Foreign tax credits claimable	-	(29)
Income tax (expense)/benefit	(65)	9,111

Notes to the Financial Statements continued

	December 2015 \$000s	June 2015 \$000s
5. Loans and Receivables		
Current		
Loans to parent entity (including intercompany tax balance)	2,014,353	1,947,361
Related party loans and receivables	63,218	63,768
Other receivables	336	-
Total loans and receivables	2,077,907	2,011,129

6. Trade and Other Payables		
Current		
Loans from parent entity	-	5,695
Related party trade payables and loans	414,311	750,124
Accrued expenses	14,514	11,211
Total trade and other payables	428,825	767,030

7. Borrowing and Financing Arrangements

a. Borrowings – Measured at Amortised Cost

Non Current

Commercial notes	741,996	739,244
Bank credit facilities	978,955	548,823
Total borrowings and financing arrangements	1,720,951	1,288,067

b. Finance Facilities – Gross Value

The Company has access to the following lines of credit:

Commercial notes

Facility available	741,996	739,244
Amount of facility used	(741,996)	(739,244)
Amount of facility unused	-	-

Bank credit facilities

Facility available	1,500,000	1,500,000
Amount of facility used	(980,000)	(550,000)
Amount of facility unused	520,000	950,000

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\$980.0 million as at 31 December 2015.

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.

8. Issued Capital

	December 2015		June 2015	
	No. of Shares	\$000s	No. of Shares	\$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	5,000,010	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.

Notes to the Financial Statements continued

9. 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 2015.

10. 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 2015		June 2015	
		Carrying Amount \$000s	Fair Value \$000s	Carrying Amount \$000s	Fair Value \$000s
Liabilities					
Non Current					
Commercial notes	7	741,996	807,120	739,244	811,928

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 and foreign exchange options, 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 \$000s	Carrying Amount		Total \$000s
		Level 2 \$000s	Level 3 \$000s	
December 2015				
Financial Assets				
Derivatives	-	7,524	-	7,524
Financial Liabilities				
Derivatives	-	10,062	-	10,062
June 2015				
Financial Assets				
Derivatives	-	4,764	-	4,764
Financial Liabilities				
Derivatives	-	4,705	-	4,705

Notes to the Financial Statements continued

11. 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.

12. Events Subsequent to Balance Date

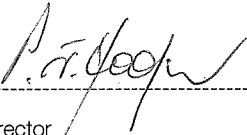
There were no material events subsequent to the end of the financial period.

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 2015 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



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

Report on the financial report

We have reviewed the accompanying interim financial report of Lend Lease Finance Limited (the Company), which comprises the statement of financial position as at 31 December 2015, statement of comprehensive income, statement of changes in equity and the statement of cash flows for the interim period ended on that date, notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the interim financial report

The directors of the Company are responsible for the preparation of the interim 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 interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2015 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Lend Lease Finance Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Lend Lease Finance Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the interim period ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Eileen Hoggett

Eileen Hoggett
Partner

Sydney

15 February 2016