

LEND LEASE FINANCE LIMITED

ACN 008 618 380

ANNUAL FINANCIAL REPORT

**For the Year Ended
30 June 2014**

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30 June 2014

Table of Contents	Page
Directors' Report	3
Auditor's Independence Declaration	4
General Purpose Financial Statements	
Income Statement	5
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to General Purpose Financial Statements	9
Directors' Declaration	22

DIRECTORS' REPORT

The Directors present their report together with the financial report of Lend Lease Finance Limited ('the Company') for the year ended 30 June 2014.

1. Directors

The name of each person who has been a Director of the Company at any time between 1 July 2013 and the date of this Report are:

P J Hooper	Since February 2005
A P Lombardo	Since October 2008
C N Smith	Since February 2013

2. Principal Activities

The principal activities of the Company was to manage financial risks undertaken through borrowing, lending, investing and hedging the Lend Lease Group's foreign currency exposures. The Company also holds foreign exchange contracts as part of its role in maintaining the Lend Lease Group's hedged (foreign currency) position. There were no significant changes in the nature of these activities during the year.

3. Review and Results of Operations

The Company had a loss after tax of \$11,630,000 for the year ended 30 June 2014 (June 2013: \$17,645,000).

3. Dividends

No dividends were paid by the Company to its parent entity Lend Lease Corporation Limited (LLC) during the period (June 2013: \$Nil).

4. State of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company that occurred during the year.

5. 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.

6. Likely Developments

The Company will continue to pursue its policy of borrowing, lending and investing funds and hedging Lend Lease 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.

7. 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.

8. Indemnification and Insurance of Officers

a. Indemnification

The Company's constitution provides for indemnification of current or former Officers to the extent outlined in the Company's constitution. Since 1 July 2003, the Company has not entered into a separate deed of indemnity with any Director, Secretary or Executive Officer of the Company.

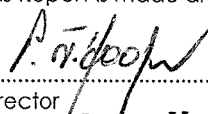
b. Insurance premiums

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.

9. 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. In accordance with that class order, amounts in the Financial Statements and this report have been rounded off to the nearest thousand dollars unless specifically stated to be otherwise.

This Report is made and signed in accordance with a resolution of Directors this 22 day of August 2014.


.....
Director
Paul James Hooper



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

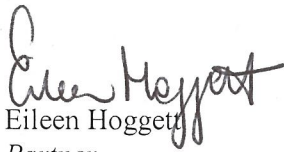
To: the directors of Lend Lease Finance Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 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
Partner

Sydney

22 August 2014

FINANCIAL STATEMENTS

INCOME STATEMENT

Year ended 30 June 2014

		June 2014	June 2013
	Note	\$000s	\$000s
Finance income	3	92,119	62,042
Finance costs	3	(89,698)	(63,076)
Net finance costs		2,421	(1,034)
Derivative (loss)/gain	4	(24,866)	(23,222)
Other income	5	35,512	26,160
Expenses			
Management fees		(1,196)	(861)
Professional fees		(46)	(122)
Guarantee fees		(28,114)	(25,783)
Other expenses		(228)	(188)
Total expenses		(29,584)	(26,954)
Loss before tax		(16,517)	(25,050)
Income tax benefit	6(a)	4,887	7,405
Loss after tax		(11,630)	(17,645)
Net loss attributable to the members of Lend Lease Finance Limited		(11,630)	(17,645)

STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2014

	June 2014	June 2013
	\$000s	\$000s
Loss after tax	(11,630)	(17,645)
Other Comprehensive Income/(Expense) After Tax		
Items that may be reclassified subsequently to profit or loss:		
Movements in Hedging Reserve	4,278	2,389
Total comprehensive expense after tax	(7,352)	(15,256)

FINANCIAL STATEMENTS continued

STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

		June 2014	June 2013	June 2012
	Note	\$000s	\$000s	\$000s
Current Assets				
Cash and cash equivalents	7	783,983	436,274	237,148
Loans and receivables	8	1,925,707	1,101,467	734,117
Derivatives	10	13,550	24,217	4,774
Financial guarantee contracts		1,162	3,381	3,470
Other assets	9	-	30	31
Total Current Assets		2,724,402	1,565,369	979,540
Non Current Assets				
Financial guarantee contracts		4,036	4,030	7,411
Deferred tax assets	6(c)	12,941	17,091	11,356
Other assets	9	20,352	5,985	10,814
Total Non Current Assets		37,329	27,106	29,581
Total Assets		2,761,731	1,592,475	1,009,121
Current Liabilities				
Trade and other payables	11	1,129,151	355,332	346,689
Derivatives	10	5,923	14,912	24,379
Total current liabilities		1,135,074	370,244	371,068
Non Current Liabilities				
Borrowings and financing arrangements	12	1,582,954	1,166,634	571,004
Deferred tax liabilities	6(c)	3,775	8,317	4,513
Total Non Current Liabilities		1,586,729	1,174,951	575,517
Total Liabilities		2,721,803	1,545,195	946,585
Net Assets		39,928	47,280	62,536
Equity				
Issued capital	13	100,000	100,000	100,000
Reserves	14	13,862	9,584	7,195
(Accumulated losses)/retained earnings		(73,934)	(62,304)	(44,659)
Total Equity		39,928	47,280	62,536

FINANCIAL STATEMENTS continued

STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2014

		June 2014	June 2013
	Note	\$000s	\$000s
Issued Capital			
Opening balance at beginning of financial year		100,000	100,000
Closing balance at end of financial year	13	100,000	100,000
Reserves			
Hedging Reserve			
Opening balance at beginning of financial year		(5,357)	(7,746)
Comprehensive income for the year			
Movements attributable to effective cash flow hedges (net of tax)		4,278	2,389
Closing balance at end of financial year	14	(1,079)	(5,357)
Financial Guarantee Contract Reserve			
Opening balance at beginning of financial year		14,941	14,941
Transfer of other financial liabilities to reserves		-	-
Closing balance at end of financial year	14	14,941	14,941
Total reserves		13,862	9,584
(Accumulated Losses)/Retained Earnings			
Opening balance at beginning of financial year		(62,304)	(44,659)
Loss attributable to members of Lend Lease Finance Limited		(11,630)	(17,645)
Closing balance at end of financial year		(73,934)	(62,304)
Total Equity at End of Financial Year		39,928	47,280
Total Comprehensive Income After Tax for the Financial Year			
Attributable to Lend Lease Finance Limited		(7,352)	(15,256)
Total Comprehensive Income After Tax		(7,352)	(15,256)

FINANCIAL STATEMENTS continued

STATEMENT OF CASH FLOWS

Year ended 30 June 2014

		June 2014	June 2013
	Note	\$000s	\$000s
Cash Flows from Operating Activities			
Cash receipts in the course of operations		3,146,532	2,903,798
Cash payments in the course of operations		(3,166,239)	(2,892,018)
Interest received		91,504	63,729
Interest paid		(89,215)	(48,811)
Income tax paid in respect of operations		5,484	16,058
Net Cash provided by/(used in) operating activities	16	(11,934)	42,756
Cash Flows from Investing Activities			
Payments for available for sale investments		-	-
Proceeds from sale of available for sale of investments		-	-
Net Cash provided by/(used in) Investing Activities		-	-
Cash Flows from Financing Activities			
Net Funding (provided to)/from Group Entities		(44,337)	(425,501)
Net funding from/(repayments to) Other Corporations - External		403,980	581,871
Net Cash provided by/(used in) Financing Activities		359,643	156,370
Net increase/(decrease) in Cash and Cash equivalents		347,709	199,126
Cash and cash equivalents at beginning of financial year		436,274	237,148
Cash and Cash equivalents at the End of the Financial Year		783,983	436,274

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Lend Lease Finance Limited (the 'Company') is 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 financial report was authorised for issue by the Directors on 19 August 2014.

a. Statement of Compliance

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

b. Basis of Preparation

The financial report is presented in Australian dollars and is prepared under the historical cost basis except for the following assets and liabilities which are stated at their fair value: derivative financial instruments and available for sale assets. 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 and 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 the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Areas where judgements could be significant include:

- Impairment losses on investments and receivables; and
- Ability to realise deferred tax.

In accordance with Class Order 98/100, amounts in the financial reported are rounded off to the nearest thousand dollars unless otherwise indicated. Accounting policies have been consistently applied by the Company and are consistent with those applied in the 30 June 2014 annual financial report. Comparative figures are, where appropriate, reclassified so as to be comparable with the figures stated in the current financial period.

c. Impact of New/Revised Accounting Standards

New and Revised Accounting Standards Adopted 1 July 2013

- AASB 13 *Fair Value Measurements* and consequential amendment
AASB 13 introduces new guidance on fair value measurement and disclosure requirements when fair value is permitted by accounting standards. There have been no significant changes to the Company's accounting policies where fair value is used as a measurement basis or disclosures on fair value are required. The new standard has been applied with prospective application. As a result of adopting the new standard, there has been no significant impact on the Company's financial position and performance. Disclosures required under the new standard in relation to the fair value hierarchy have been included in Note 14 'Fair Value Measurement'.

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 2014 but are available for early adoption and have not been applied in preparing this report.

- AASB 9 *Financial Instruments* 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 2016 financial year, and will be applied prospectively. Based on the preliminary analyses 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 2013-4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting*
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. The standard becomes mandatory for the June 2015 financial year, and will be applied retrospectively. Based on preliminary analyses performed, the amendments are not expected to have any impact on the Group.

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES *continued*

d. 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.

e. Impairment

The carrying amounts of the Company's assets and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement unless an asset has been previously revalued through reserves.

f. Revenue

Finance income is brought to account using the effective interest method.

g. Finance Costs

Finance costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and foreign exchange differences net of hedged amounts on borrowings. Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings.

h. Taxation

Income Tax

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 to 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, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is measured 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 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 in the Australian Tax Consolidated Group comprising all the Australian wholly owned subsidiaries. The Company entered into the Australian Tax Consolidation Regime effective 1 July 2002. The head entity recognises all of the current tax assets and liabilities of the Australian Tax Consolidated Group (after elimination of intra-group transactions). The Australian Tax Consolidated Group has entered into a tax funding arrangement that requires wholly owned subsidiaries to make contributions to the head entity of 100 per cent of current tax assets and liabilities. The contribution is recorded as an intercompany receivable/payable.

The company accounts for its own deferred tax amounts. These tax amounts are measured as if the Company continues to be a stand-alone taxpayer in its own right.

Goods and Services Tax

As the Company makes input taxed financial supplies under the GST Act, goods and services tax (GST) is *prima facie* not recoverable from the taxation authority, the Australian Taxation Office (ATO) for related acquisitions. In that case, GST is recognised as part of the cost of acquisition of an asset or as part of an expense and cash flows are included in the statement of cash flows on a gross basis.

NOTES TO THE FINANCIAL STATEMENTS continued

1. SIGNIFICANT ACCOUNTING POLICIES continued

i. Cash and Cash Equivalents

Cash and cash equivalents includes 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.

j. Trade and Other Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

A provision for impairment of trade 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 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.

k. Derivative Financial Instruments and Hedging Activities

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.

l. Investments

The Company classifies its investments in debt and equity securities in the following categories: financial assets at fair value through profit or loss, loans and receivables and available for sale assets. The classification depends on the purpose for which the investments were acquired.

Financial Assets at Fair Value through Profit or Loss

This category has two subcategories: financial assets held for trading, and financial assets designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term (held for trading) or if so designated by management either to eliminate a measurement or recognition inconsistency, or where a group of financial assets is managed, and its performance is evaluated, on a fair value basis (at inception). Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are held for trading or are expected to be realised within 12 months of the balance sheet date.

Loans and Receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are included in non current assets.

NOTES TO THE FINANCIAL STATEMENTS continued

1. SIGNIFICANT ACCOUNTING POLICIES continued

l. Investments continued

Available for Sale Financial Assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition and Measurement Criteria

Purchases and sales of investments are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Available for sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the Income Statement in the financial year in which they arise.

Unrealised gains or losses arising from changes in the fair value of non monetary securities classified as available for sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

At each balance sheet date the Company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the Income Statement but are recognised through other comprehensive income.

m. Trade and Other Payables

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 60 days. Trade and other payables are stated at cost or amortised cost or cost when the impact of discounting would be immaterial.

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

n. Borrowings

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.

o. Issued Capital

Ordinary shares are classified as equity.

2. 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 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 end of the financial year.

The Company does not have any other contingent liabilities at 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS continued

	June 2014 \$000s	June 2013 \$000s
3. FINANCE REVENUE AND FINANCE COSTS		
Finance Revenue		
Related parties	88,050	53,354
Other corporations	4,069	8,688
Total finance revenue	92,119	62,042
Finance Costs		
Related parties	(7,450)	(5,606)
Other corporations	(82,248)	(57,470)
Total finance costs	(89,698)	(63,076)
Net finance costs	2,421	(1,034)
4. DERIVATIVE (LOSS)/GAIN		
Foreign exchange contracts	(8,826)	40,768
Foreign exchange gain/(loss) on intercompany loans	1,817	(47,328)
Fair value loss on remeasurement of FX options	(1,637)	-
Interest rate swap contracts	(4,756)	(4,697)
Foreign exchange gain/(loss) on other transactions	1	6
Foreign exchange gain/(loss) on SGD Bond	(11,465)	(11,971)
Total derivative (loss)/gain	(24,866)	(23,222)
5. OTHER INCOME		
Related parties – guarantee fees	35,512	26,160
6. TAXATION		
(a) INCOME TAX BENEFIT		
Recognised in the Income Statement		
Current Tax Benefit/(Expense)		
Current year	4,499	5,486
Adjustments for prior years	3	-
	4,502	5,486
Deferred Tax Benefit/(Expense)		
Origination and reversal of temporary differences	385	1,919
	385	1,919
Total income tax benefit	4,887	7,405
Reconciliation of Tax Benefit		
Loss before tax	(16,517)	(25,050)
Income tax using the corporation tax rate 30%	4,955	7,515
Non allowable expenses	(68)	(110)
Total income tax benefit	4,887	7,405

(b) CURRENT TAX LIABILITIES

The current tax receivable of A\$4.502 million (June 2013: A\$5.486 million) which has been transferred to Lend Lease Corporation Limited for tax consolidation, represents the amount of income taxes refundable in respect of current and prior years where payments to date exceed income taxes payable.

NOTES TO THE FINANCIAL STATEMENTS continued

6. TAXATION CONTINUED

(c) RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

JUNE 2014

Deferred tax assets and liabilities are attributable to the following:

Receivables

Other Assets

Derivatives

Creditors

Total Deferred Assets/(Liabilities)

Assets June 2014	Liabilities June 2014
\$000s	\$000s
-	-
4	(2,046)
1,619	(1,649)
11,318	(80)
12,941	(3,775)

Movement in temporary differences during the period:

Receivables

Other Assets

Derivatives

Creditors

Net Deferred Assets/(Liabilities)

Balance June 2013	Recognised in Income	Balance June 2014
\$000s	\$000s	\$000s
786	(786)	-
(1,051)	(991)	(2,042)
(4,398)	4,368	(30)
13,437	(2,199)	11,238
8,774	392	9,166

JUNE 2013

Deferred tax assets and liabilities are attributable to the following:

Receivables

Other Assets

Derivatives

Creditors

Tax base no carrying value

Total Deferred Assets/(Liabilities)

Assets June 2013	Liabilities June 2013
\$000's	\$000's
786	-
1	(1,052)
2,867	(7,265)
13,437	-
-	-
17,091	(8,317)

Movement in temporary differences during the period:

Receivables

Other Assets

Derivatives

Creditors

Tax base no carrying value

Net Deferred Assets/(Liabilities)

Balance June 2012	Recognised in Income	Balance June 2013
\$000's	\$000's	\$000's
(2,213)	2,999	786
(2,006)	955	(1,051)
3,557	(7,955)	(4,398)
4,810	8,627	13,437
2,707	(2,707)	-
6,855	1,919	8,774

(d) Unrecognised Deferred Tax Assets

Deferred tax assets have not been recognised in respect of the following items:

Out of the money hedges

Total Unrecognised Deferred Tax Assets

June 2014 \$000's	June 2013 \$000's
324	-
324	-

NOTES TO THE FINANCIAL STATEMENTS continued

	June 2014 \$000's	June 2013 \$000's
7. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	783,983	436,274
Total cash and cash equivalents	783,983	436,274
Short term investments earned variable rates of interest which averaged 2.86% per annum during the year ended 30 June 2014 (30 June 2013: 3.89%).		
8. LOANS AND RECEIVABLES		
CURRENT		
Loans to parent entity and related parties	1,920,779	1,095,393
Intercompany tax (current tax liability)	4,499	5,486
Other receivables	429	588
Total Receivables	1,925,707	1,101,467
9. OTHER ASSETS		
CURRENT		
Prepayments – agency fees	-	30
NON CURRENT		
Prepayments – upfront Fees	20,352	5,985
Total other assets	20,352	6,015
10. DERIVATIVES		
CURRENT ASSETS		
Forward foreign exchange contracts – other corporations	5,218	24,147
Foreign Exchange Options – other corporations	6,978	-
Forward foreign exchange contracts – related parties	1,354	70
Total Derivatives Assets	13,550	24,217
CURRENT LIABILITIES		
Forward foreign exchange contracts – other corporations	(1,084)	-
Forward foreign exchange contracts – related parties	(174)	(1,487)
Interest rate swaps – other corporations	(4,665)	(13,425)
Total derivatives liabilities	(5,923)	(14,912)
Net derivatives assets/(liabilities)	7,627	9,305
11. TRADE AND OTHER PAYABLES		
CURRENT		
Loans from related parties	1,111,501	342,151
Other - accrued expenses	17,650	13,181
Total creditors	1,129,151	355,332
12. BORROWING AND FINANCING ARRANGEMENTS		
NON CURRENT		
Syndicated multi-option facility	873,457	-
Syndicated credit facility	-	348,594
Bilateral credit facility	-	223,799
Singapore bond	233,954	222,133
Australian medium term notes	475,543	372,108
Total non current borrowing and financing arrangements	1,582,954	1,166,634

NOTES TO THE FINANCIAL STATEMENTS continued

13. ISSUED CAPITAL

Issued and paid up share capital

5,000,000 ordinary shares of A\$1 each fully paid

10 ordinary shares of A\$9,500,000 each fully paid

Ordinary shares issued at the beginning and end of the financial year

June 2014 \$000's	June 2013 \$000's
5,000	5,000
95,000	95,000
100,000	100,000

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

14. RESERVES

Hedge Reserve

The 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

Cash flow hedges are in place to hedge against interest rate risk using interest rate derivatives. The fair value of interest rate derivatives at 30 June 2014 was \$4.665 million liability (June 2013: \$13.425 million liability) (refer Note 10 Derivatives). 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

Financial Guarantee Contract Reserve

The Company recognises an asset 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, it is therefore treated as an capital contribution by Lend Lease Corporation and recorded in reserves under equity.

15. 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) 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 Lend Lease Group 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.

The Company has no significant concentrations of credit risk on either a geographic or industry specific basis and has policies in place so that sales of products and services are made to customers with an appropriate credit history.

(b) 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.

NOTES TO THE FINANCIAL STATEMENTS continued

15. FINANCIAL INSTRUMENTS (continued)

(b) Liquidity Risk (continued)

The Company refinanced the bank credit facilities of A\$1,200.0 million with a 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\$875.0 million at 30 June 2014. In June 2014 the Company issued A\$100.0 million of unsecured medium term notes maturing in May 2020.

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

	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 2014						
Non Derivative Financial Liabilities						
Trade and other payables	1,129,151	1,129,151	1,129,151			
Borrowings and financing arrangements	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						
Interest rate derivatives:	4,665	4,715	3,512	1,203	-	-
Forward foreign exchange contracts – related parties	174	174	174	-	-	-
Forward foreign exchange contracts – other corporations	1,084	1,084	1,084	-	-	-
Total	5,923	5,973	4,770	1,203	-	-
JUNE 2013						
Non Derivative Financial Liabilities						
Trade and other payables	355,332	355,332	355,332			
Borrowings and financing arrangements	1,166,634	1,414,808	69,807	279,220	671,623	394,158
Total	1,521,966	1,770,140	425,139	279,220	671,623	394,158
Derivative Financial Liabilities						
Interest rate derivatives	13,425	13,735	9,249	4,486	-	-
Forward foreign exchange contracts – related parties	1,487	1,487	1,487	-	-	-
Total	14,912	15,222	10,736	4,486	-	-

(c) 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 cross border intercompany loans and transactions, foreign currency borrowings and derivative financial instruments (mainly forward foreign exchange contracts) to hedge the Lend Lease Group's foreign currency exposures. Speculative 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 cross border intercompany loans and transactions which mainly net off in the Income Statement. The Group has minimal hedges designated as fair value or cash flow hedges.

NOTES TO THE FINANCIAL STATEMENTS continued

15. FINANCIAL INSTRUMENTS (continued)

(c) Foreign Currency continued

The net asset exposure by currency is detailed below.

	A\$ '000s	US\$ '000s	£ '000s	S\$ '000s	Euro '000s	NZ\$ '000s	JPY '000s	Other '000s
June 2014								
Net asset exposure (local currency)	1,376,193	(340,533)	(717,124)	(279,089)	360	-	(14)	135
June 2013								
Net asset exposure (local currency)	500,313	(272,608)	88,760	(268,478)	(805)	98	-	-

The Company's foreign exchange derivative contracts held at reporting date to hedge specific currency exposures of the Lend Lease Group are as follows:

Contracts to (buy)/sell the following currencies at an agreed exchange rate:

	Average June 2014 (A\$1=)	June 2013 (A\$1=)	Receivable/(Payable) June 2014 A\$'000s	June 2013 A\$'000s
buy GBP	0.55	0.64	(881,426)	(91,817)
sell GBP	0.55	0.63	115,796	237,173
buy USD	0.93	1	(458,315)	(379,989)
sell USD	0.94	0.97	123,757	23,476
buy EUR	0.68	0.74	(49,557)	(33,218)
sell EUR	0.69	0.74	47,590	65,542
buy SGD	1.17	1.27	(28,266)	(48,870)
sell SGD	1.17	1.23	7,962	4,080
buy NZD		1.19		(14,411)
sell New Zealand dollars		1.19		11,133
buy JPY	92.87		(8,310)	
sell JPY	92.52		54	
buy MXN	12.43		(5,166)	
Total			(1,135,881)	(226,901)

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 2013: 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

	10% Weakening June 2014 \$000s	June 2013 \$000s	10% Strengthening June 2014 \$000s	June 2013 \$000s
Profit after tax increase/(decrease)	(2,798)	(2,784)	2,278	2,269
Net assets increase/(decrease)	(140,034)	(48,465)	126,494	39,900

NOTES TO THE FINANCIAL STATEMENTS continued

15. FINANCIAL INSTRUMENTS Continued

(d) 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 Group 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 2014	June 2013
	A\$'000s	A\$'000s
Fixed Rate		
Finance assets	186,983	125,000
Financial liabilities	(709,497)	(594,241)
	(522,514)	(469,241)
Variable Rate		
Finance assets	597,000	311,274
Financial liabilities	(878,122)	(585,818)
	(281,122)	(274,544)

Sensitivity analysis

At 30 June 2014 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\$0.26 million (June 2013: A\$1.0 million increase 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\$0.26 million (June 2013: A\$1.0 million decrease 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.

(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.

	June 2014		June 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	A\$'000s	A\$'000s	A\$'000s	A\$'000s
Liabilities - Non-current				
Commercial notes	709,497	831,030	-	602,200

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.

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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS continued

15. FINANCIAL INSTRUMENTS Continued

(e) Fair Value Measurement continued

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

	Carrying Amount			Total
	Level 1 A\$'000s	Level 2 A\$'000s	Level 3 A\$'000s	A\$'000s
June 2014				
Financial Assets				
Derivatives	-	13,550	-	13,550
Financial liabilities				
Derivatives	-	5,923	-	5,923
	Carrying Amount			Total
	Level 1 A\$'000s	Level 2 A\$'000s	Level 3 A\$'000s	A\$'000s
June 2013				
Financial Assets				
Derivatives	-	4,774	-	4,774
Financial liabilities				
Derivatives	-	24,379	-	24,379

16. NOTES TO THE STATEMENT OF CASH FLOWS

RECONCILIATION OF PROFIT AFTER TAX TO NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES

	June 2014 \$'000s	June 2013 \$'000s
Net Loss After Tax	(11,630)	(17,645)
<i>Adjustments for :</i>		
Change in fair value of liabilities	(4,482)	(3,091)
Unrealised FX (gain)	(5,682)	3,388
Amortisation of borrowings	874	-
FX gain on intercompany loans	(1,817)	47,329
FX (Gains)/Losses on unrealised FX SGD Bond	11,466	11,971
<i>Changes in assets and liabilities:</i>		
(Increase) in receivables	(23,322)	9,460
Decrease in derivatives	16,119	(26,730)
(Increase)/decrease in deferred tax assets	3,730	(5,734)
(Decrease) in creditors	5,943	9,424
Decrease in deferred tax liabilities	(4,093)	3,800
Decrease in current tax provision	960	10,584
Net Cash (used in)/provided by Operating Activities	(11,934)	42,756
17. AUDIT FEES		
Auditors' Remuneration		
Audit and assurance Fees	46	51
Other assurance services	-	-
Total audit and other assurance services	46	51

NOTES TO THE FINANCIAL STATEMENTS continued

18. 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.

19. 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 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 2014 and 30 June 2013.

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, is charged. The corporate service charge for the financial year ending 30 June 2014 was \$1,196,000 for the Company (2013: \$861,000).

Details of amounts receivable from or payable to controlled entities are set out at Notes 3 'Finance Revenue and Finance Costs'; Note 8 'Loans and Receivables'; and Note 11 'Trade and Other Payables' respectively.

20. EVENTS SUBSEQUENT TO BALANCE DATE

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

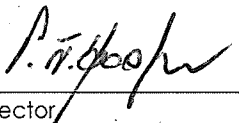
DIRECTORS' DECLARATION

Year ended 30 June 2014

In the opinion of the Directors of Lend Lease Finance Limited:

1. The financial statements and notes set out on pages 5 to 21 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 2014 and of its performance, for the 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 the International Financial Reporting Standards as disclosed in Note 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.

This declaration is made in accordance with a resolution of the Directors this 22 day of August 2014.



Director
Paul James Hooper



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 2014, and the income statement and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 20 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.

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 2014 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 Note 1.

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink that reads 'Eileen Hoggett'.

Eileen Hoggett
Partner

Sydney

22 August 2014