

LEND LEASE FINANCE LIMITED

ACN 008 618 380

SPECIAL PURPOSE FINANCIAL REPORT

30 JUNE 2013

LEND LEASE FINANCE LIMITED

SPECIAL PURPOSE FINANCIAL REPORT

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DIRECTORS' REPORT

The Directors present their report together with the special purpose financial report of Lend Lease Finance Limited ("the Company") for the year ended 30 June 2013.

DIRECTORS

The names of each person who has been a Director of the Company between 1 July 2012 and the date of this report are:

P.J. Hooper	Since 04.02.05
A.P. Lombardo	Since 28.10.08
C.N. Smith	Since 04.02.13
N.H.J. Young	Since 04.02.13
A.J. Muller	Ceased 04.02.13

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.

REVIEW AND RESULT OF OPERATIONS

The Company had a loss after tax of \$17,645,000 for the year ended 30 June 2013 (2012: \$47,598,000).

DIVIDENDS

No dividends were paid by the Company to its parent entity Lend Lease Corporation Limited (LLC) during the period (2012: \$Nil).

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.

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.

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.

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.

INDEMNIFICATION AND INSURANCE OF OFFICERS

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.

DIRECTORS' REPORT continued

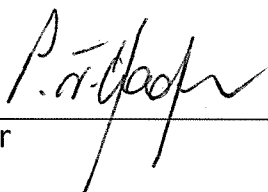
Insurance premiums

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.

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 Special Purpose Financial Statements and this report have been rounded off to the nearest \$1,000, or where the amount is \$500 or less, zero, unless specifically stated to be otherwise.

This Report is made and signed in accordance with a resolution of Directors this **20** day of August 2013.



Director

SPECIAL PURPOSE FINANCIAL STATEMENTS

INCOME STATEMENT

Year ended 30 June 2013

	Notes	June 2013 \$000s	June 2012 \$000s
Finance Income	3	62,042	25,710
Finance Costs	3	(63,076)	(59,859)
Net Finance Costs		(1,034)	(34,149)
Derivative (Loss)/Gain	4	(23,222)	(22,337)
Other Income	5	26,160	18,112
Expenses			
Management fees		(861)	(3,012)
Professional fees		(122)	(532)
Guarantee fees		(25,783)	(24,307)
Other		(188)	(184)
Total Expenses		(26,954)	(28,035)
Loss Before Tax		(25,050)	(66,409)
Income tax benefit	6(a)	7,405	18,811
Loss After Tax		(17,645)	(47,598)
 Net Loss After Tax Attributable to Members of Lend Lease Finance Limited		 (17,645)	 (47,598)

The accompanying notes form part of these financial statements

SPECIAL PURPOSE FINANCIAL STATEMENTS continued

STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2013

	June 2013 \$000s	June 2012 \$000s
Loss After Tax	(17,645)	(47,598)
Other Comprehensive Income (Net of Tax)		
Items that may be reclassified subsequently to profit or loss:		
Movement in Hedging Reserve		
Movements attributable to effective cash flow hedges (net of tax)	2,389	(7,520)
Total Comprehensive Income After Tax	(15,256)	(55,118)
Total Comprehensive Income After Tax Attributable to Members of Lend Lease Finance Limited	(15,256)	(55,118)
Total Comprehensive Income	(15,256)	(55,118)

The accompanying notes form part of these financial statements

SPECIAL PURPOSE FINANCIAL STATEMENTS continued

STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	June 2013 \$000s	June 2012 \$000s
CURRENT ASSETS			
Cash and cash equivalents	15(b)	436,274	237,148
Loans and receivables	7	1,101,467	734,117
Derivatives	9	24,217	4,774
Financial guarantee contracts		3,381	3,470
Other assets	8	30	31
Total Current Assets		1,565,369	979,540
NON CURRENT ASSETS			
Financial guarantee contracts		4,030	7,411
Deferred tax assets	6(c)	17,091	11,356
Other assets	8	5,985	10,814
Total Non Current Assets		27,106	29,581
Total Assets		1,592,475	1,009,121
CURRENT LIABILITIES			
Trade and other payables	10	355,332	346,689
Derivatives	9	14,912	24,379
Total Current Liabilities		370,244	371,068
NON CURRENT LIABILITIES			
Borrowings and financing arrangements	11	1,166,634	571,004
Deferred tax liabilities	6(c)	8,317	4,513
Total Non Current Liabilities		1,174,951	575,517
Total Liabilities		1,545,195	946,585
NET ASSETS		47,280	62,536
EQUITY			
Issued capital	12	100,000	100,000
Reserves	13	9,584	7,195
(Accumulated losses)/retained earnings	14	(62,304)	(44,659)
Total Equity		47,280	62,536

The accompanying notes form part of these financial statements

SPECIAL PURPOSE FINANCIAL STATEMENTS continued

STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2013

	Notes	June 2013 \$000s	June 2012 \$000s
Total Equity Reconciliation			
ISSUED CAPITAL			
Opening balance at beginning of financial year		100,000	100,000
Closing balance at end of financial year	12	<u>100,000</u>	<u>100,000</u>
RESERVES			
Hedge Reserve			
Opening balance at beginning of financial year		(7,746)	(226)
Comprehensive income for the year			
Movements attributable to effective cash flow hedges (net of tax)		2,389	(7,520)
Other – opening balance adjustment			-
Closing balance at end of financial year	13	<u>(5,357)</u>	<u>(7,746)</u>
Financial Guarantee Contract Reserve			
Opening balance at beginning of financial period		14,941	14,941
Transfer of other financial liabilities to reserves			-
Closing balance at end of financial period	13	<u>14,941</u>	<u>14,941</u>
Total Reserves		<u>9,584</u>	<u>7,195</u>
(ACCUMULATED LOSSES)/RETAINED EARNINGS			
Opening balance at beginning of financial year		(44,659)	2,939
Loss attributable to members of Lend Lease Finance Limited		(17,645)	(47,598)
Closing Balance at End of Financial Year	14	<u>(62,304)</u>	<u>(44,659)</u>
Total Equity at End of Financial Year		<u>47,280</u>	<u>62,536</u>

The accompanying notes form part of these financial statements

SPECIAL PURPOSE FINANCIAL STATEMENTS continued

STATEMENT OF CASH FLOWS

Year ended 30 June 2013

	Notes	June 2013 \$000s	June 2012 \$000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		2,903,798	3,577,715
Cash payments in the course of operations		(2,892,018)	(3,603,157)
Interest received		63,729	26,388
Interest paid		(48,811)	(54,948)
Income tax paid in respect of operations		16,058	11,166
Net Cash provided by/(used in) Operating Activities	15(a)	<u>42,756</u>	<u>(42,836)</u>
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		<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net Funding (provided to)/from Group Entities		(425,501)	310,334
Net funding from/(repayments to) Other Corporations - External		581,871	(150,000)
Net Cash provided by/(used in) Financing Activities		<u>156,370</u>	<u>160,334</u>
Net increase/(decrease) in Cash and Cash equivalents		199,126	117,498
Cash and cash equivalents at the beginning of the financial year		237,148	119,650
Cash and Cash equivalents at the End of the Financial Year		<u>436,274</u>	<u>237,148</u>

The accompanying notes form part of these financial statements

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Lend Lease Finance Limited (the "Company") is domiciled in Australia. The principal accounting policies adopted in the preparation of the special purpose financial report are set out below.

(a) Statement of Compliance

In the directors' opinion, the Company is not a reporting entity because there are no users dependent on general purpose financial reports. The financial report of the Company has been drawn up as a special purpose financial report for distribution to the members and for the purpose of fulfilling the requirements of the Corporations Act 2001.

The Special Purpose Financial Report has been prepared in accordance with the measurement requirements of Australian Accounting Standards, Urgent Issues Group Interpretations adopted by the AASB and the Corporations Act 2001. The Special Purpose Financial Report also complies with all applicable measurement requirements of International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

(b) Basis of Preparation

The special purpose financial report is prepared in Australian dollars and is prepared under the historical cost basis except that the following assets are stated at their fair value: derivative financial instruments and available for sale financial assets. Recognised assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged.

The Special Purpose Financial report has been prepared in accordance with the disclosure requirements of the following accounting standards and interpretations:

- AASB 101 Presentation of Financial Statements
- AASB 107 Cash Flow Statements
- AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors
- AASB 1031 Materiality
- AASB 1048 Interpretation and Application of Standards
- AASB 1054 Additional Australian Disclosures

No other disclosure requirements of the accounting standards and pronouncements have been considered in the preparation of this financial report.

The preparation of a financial report that complies with Australian Accounting Standards 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 loans; and
- ability to realise deferred tax.

The accounting policies have been consistently applied by the Company and are consistent with those applied in the 30 June 2013 annual financial report.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS continued

1. SIGNIFICANT ACCOUNTING POLICIES continued

(c) Impact of New/Revised Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for the financial year ended 30 June 2013 but are available for early adoption and have not been applied in preparing this report. None of these are expected to have a significant effect on the Company and its policies, other than the following standards where the potential effect is yet to be determined:

- AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010). These standards address the classification, measurement and derecognition of financial assets and financial liabilities.
- AASB 13 Fair Value Measurements and AASB 2012-8 Amendments to Australian Accounting Standards arising from AASB 13 introduce new guidance on fair value measurement and disclosure requirements when fair value is permitted by accounting standards.

The standards above become mandatory for the June 2014 financial year. With the exception of AASB 13 that applies prospectively, the standards are to be applied retrospectively.

(d) Comparative Figures

Comparative figures are, where appropriate, reclassified so as to be comparable with the figures stated in the current financial period.

(e) Foreign Currency Translation

Functional and Presentation Currency

Items included in the Special Purpose Financial Statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Special Purpose Financial statements are 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.

(f) Impairment

The carrying amounts of the Company's assets and deferred tax assets (see accounting policy Note 1(i)), 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.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS continued

1. SIGNIFICANT ACCOUNTING POLICIES continued

(g) **Revenue**

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

(h) **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.

(i) **Income Taxes**

Income tax on the profit or loss for the financial period 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 period, using tax rates 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. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits 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.

Lend Lease Corporation Limited is the head entity in the Australian Tax Consolidated Group comprising all the Australian resident wholly-owned subsidiaries. The Company entered 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 agreement 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.

(j) **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 with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown as a current liability on the balance sheet.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS continued

1. SIGNIFICANT ACCOUNTING POLICIES continued

(k) 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. Receivables with a short duration are not discounted.

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 the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(l) 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 forward, 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.

(m) Investments

The Company classifies its investments in debt and equity securities in the following categories: loans and receivables and available for sale assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

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).

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS continued

1. SIGNIFICANT ACCOUNTING POLICIES continued

(m) Investments continued

Financial Assets at Fair Value through Profit or Loss

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.

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.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS continued

1. SIGNIFICANT ACCOUNTING POLICIES continued

(n) **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.

(o) **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; 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.

(p) **Share Capital**

Ordinary shares are classified as equity.

(q) **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.

The Company issued an AUD\$375 million Medium Term Note (MTN) during the current period. In accordance with the GST Act section 11-15(5), the Representative Member of the GST Group (of which The Company is a member) may claim an input tax credit for acquisitions relating to the issue of the MTN, where the proceeds received from the MTN do not relate to the GST group making supplies that are input taxed. As the proceeds from the MTN are used for the general corporate purposes of the Lend Lease Management Services GST Group, an overhead GST recovery rate of 90% has been applied in recovering GST on fees paid in relation to the issue of the MTN.

2. CONTINGENT LIABILITIES

In certain circumstances, the Company guarantees the bonding and bank guarantee facilities of particular Group entities in respect of their obligations. 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.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS continued

	June 2013 \$000s	June 2012 \$000s
3. NET FINANCE INCOME/(COST)		
Interest income		
Related parties	53,354	11,406
Other corporations	8,688	14,304
Interest costs		
Related parties	(5,606)	(6,071)
Other corporations	(57,470)	(53,788)
Total Net Finance Costs	(1,034)	(34,149)
4. DERIVATIVE (LOSS)/GAIN		
Foreign Exchange Contracts	40,768	1,018
Foreign Exchange Loss on Intercompany Loans	(47,328)	(14,754)
Interest Rate Swap Contracts	(4,697)	(8,776)
Foreign Exchange Gain/(Loss) on Other Transactions	6	175
Foreign Exchange Gain/(Loss) on SGD Bond	(11,971)	-
Total Derivative (Loss)/Gain	(23,222)	(22,337)
5. OTHER INCOME		
Related Parties – Guarantee Fees	26,160	18,112
6. TAXATION		
(a) INCOME TAX EXPENSE		
Recognised in the Income Statement		
Current Tax Expense		
Current period	5,486	16,139
(Over)/Under Provided in Prior Period	-	450
	5,486	16,589
Deferred Tax Expense		
Origination and Reversal of Temporary Differences	1,919	2,222
	1,919	2,222
Total Income Tax Benefit in Income Statement	7,405	18,811
Reconciliation of Tax Benefit		
Loss Before Tax	(25,050)	(66,409)
Income Tax Benefit using Corporation Tax Rate (30%)	7,515	19,923
Non Allowable Expenses	(110)	(1,510)
(Over)/Under provided in Prior Period	-	450
Write off Deferred Taxes to Income Tax Expense	-	(52)
Total Income Tax Benefit	7,405	18,811

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS continued

6. TAXATION continued

(b) CURRENT TAX LIABILITIES

The current tax receivable of A\$5,486K (June 2012: A\$16,070K) 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.

(c) RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

June 2013

	Assets June 2013 \$000s	Liabilities June 2013 \$000s
Deferred tax assets and liabilities are attributable to the following:		
Receivables	786	-
Other Assets	1	(1,052)
Derivatives	2,867	(7,265)
Creditors	13,437	-
Tax base no carrying value	-	-
Total Deferred Assets/(Liabilities)	17,091	(8,317)

	Balance June 2012	Recognised in Income	Balance June 2013
Movement in temporary differences during the period:			
Receivables	(2,213)	2,999	786
Other Assets	(2,006)	955	(1,051)
Derivatives	3,557	(7,955)	(4,398)
Creditors	4,810	8,627	13,437
Tax base no carrying value	2,707	(2,707)	-
Net Deferred Assets/(Liabilities)	6,855	1,919	8,774

June 2012

	Assets June 2012 \$000s	Liabilities June 2012 \$000s
Deferred tax assets and liabilities are attributable to the following:		
Receivables	-	(2,213)
Other assets	-	(2,018)
Derivatives	3,840	(282)
Creditors	4,810	-
Tax base no carrying value	2,706	-
Total Deferred Assets/(Liabilities)	11,356	(4,513)

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS continued

6. TAXATION continued

(c) RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES continued

June 2012 continued

	Balance June 2011	Recognised in Income	Other – OB Adjustment	Balance June 2012
Movement in temporary differences during the period:				
Receivables	1,344	(3,557)	-	(2,213)
Other Assets	(8)	(2,010)	12	(2,006)
Derivatives	2,586	971	-	3,557
Creditors	(4,714)	9,524	-	4,810
Tax Base No Carrying Value	5,413	(2,706)	-	2,707
Net Deferred Assets/(Liabilities)	4,621	2,222	12	6,855

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
2013
\$000s

June
2012
\$000s

- 2,324

- 2,324

7. LOANS AND RECEIVABLES

CURRENT

Loans to parent entity and related parties

Intercompany Tax (Current Tax Liability)

Other receivables

Total Receivables

1,095,393	717,584
5,486	16,070
588	463
1,101,467	734,117

8. OTHER ASSETS

CURRENT

Prepayment – Agency Fees

30 31

NON CURRENT

Prepayment – Upfront Fees

5,985 10,814

Total Prepayments

6,015 10,845

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS continued

	June 2013 \$000s	June 2012 \$000s
9. DERIVATIVES		
CURRENT ASSETS		
Forward foreign exchange contracts – other corporations	24,147	4,511
Forward foreign exchange contracts – related parties	70	263
Total Derivatives Assets	24,217	4,774
CURRENT LIABILITIES		
Forward foreign exchange contracts – other corporations	-	(3,833)
Forward foreign exchange contracts – related parties	(1,487)	(1,642)
Interest rate swaps – other corporations	(13,425)	(18,904)
Total Derivatives Liabilities	(14,912)	(24,379)
Net Derivatives Assets/(Liabilities)	9,305	(19,605)
10. CREDITORS		
CURRENT		
Loans from parent entity and related parties	342,151	341,281
Accrued expenses	13,181	5,408
Total creditors	355,332	346,689
11. BORROWING AND FINANCING ARRANGEMENTS		
NON CURRENT		
Syndicate Facility - External	348,594	347,689
Morgan Stanley Facility - External	223,799	223,315
Other facility – SGD Bond & AUD MTN - External	594,241	-
Total non-current borrowing and financing arrangements	1,166,634	571,004
12. ISSUED CAPITAL		
Issued and paid up share capital		
5,000,000 ordinary shares of A\$1 each fully paid	5,000	5,000
10 ordinary shares of A\$9,500,000 each fully paid	95,000	95,000
Ordinary shares issued at the end of the financial year	100,000	100,000
Lend Lease Corporation Limited as the sole shareholder is entitled to dividends as declared from time to time.		

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS continued

13. 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.

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.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS continued

	June 2013 \$000s	June 2012 \$000s
14. (ACCUMULATED LOSSES)/RETAINED EARNINGS		
Opening balance at the beginning of the financial year	(44,659)	2,939
Loss attributable to the members of Lend Lease Finance Limited	(17,645)	(47,598)
(Accumulated Losses)/Retained Earnings at the end of the Financial Period	(62,304)	(44,659)

15. NOTES TO THE STATEMENT OF CASH FLOWS

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

Net Loss After Tax	(17,645)	(47,598)
<i>Adjustments for :</i>		
Change in Fair Value of Liabilities	(3,091)	4,710
Unrealised FX Loss/(Gain)	3,388	18,763
Unrealised FX Loss/(Gain) SGD Bond	11,971	
FX Loss on Intercompany Loans	47,329	14,754
<i>Changes in assets and liabilities:</i>		
(Increase)/decrease in loans and receivables	9,460	(1,312)
(Increase)/decrease in derivatives	(26,730)	(19,713)
(Increase)/decrease in deferred tax assets	(5,734)	(747)
(Decrease)/increase in trade and other payables	9,424	(4,796)
(Decrease)/increase in deferred tax liabilities	3,800	(1,475)
(Decrease)/increase in current tax provision	10,584	(5,422)
Net Cash (used in)/provided by Operating Activities	42,756	(42,836)

(b) CASH AND CASH EQUIVALENTS

Disclosed in the Statement of Financial Position as:

Cash and cash equivalents	436,274	237,148
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Reconciliation of Cash:

Short term deposits	436,274	237,148
	436,274	237,148

16. AUDIT FEES

Auditors' Remuneration

Audit and Assurance Fees	51	48
Other Assurance Services	-	-
Total Audit and Other Assurance Services	51	48

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS continued

17. 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.

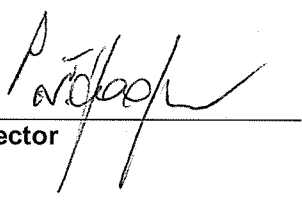
DIRECTORS' DECLARATION

Year ended 30 June 2013

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

- (i) The special purpose financial statements and notes set out on pages 5 to 22 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 2013 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
 - (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (ii) 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 20 day of August 2013.



Director



Independent audit report to the members of Lend Lease Finance Limited

Report on the financial report

We have audited the accompanying financial report, being a special purpose financial report, of Lend Lease Finance Limited (the company), which comprises the statement of financial position as at 30 June 2013, 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 17 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 and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine necessary to enable the preparation of a financial report that gives a true and fair view and 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.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the basis of accounting described in Note 1 to the financial statements so as to present 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 the financial report of Lend Lease Finance Limited is in accordance with the *Corporations Act 2001*, including:

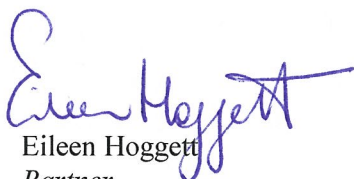
- (a) giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date;
- (b) complying with Australian Accounting Standards to the extent described in Note 1 and the Corporations Regulations 2001; and

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.

KPMG

KPMG


Eileen Hoggett
Partner

Sydney

20 August 2013



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

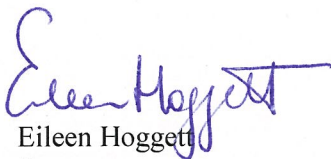
To: the directors of Lend Lease Finance Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 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

A handwritten signature in blue ink, appearing to read 'Eileen Hoggett'.

Eileen Hoggett
Partner

Sydney

20 August 2013