

Lendlease Finance Limited

Annual Financial Report

30 June 2016

Lendlease Finance Limited ABN 49 008 618 380

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

The Company's annual financial report was authorised for issue by the Directors on 9 August 2016.

Directors' Report

The Directors of Lendlease Finance Limited (the Company) (ABN 49 008 618 380) present their Report together with the Annual Financial Report of the Company, for the year ended 30 June 2016 and the Auditor's Report thereon.

Lendlease Finance Limited is a wholly owned subsidiary of Lendlease Corporation Limited and forms part of the consolidated Lendlease Group (the Group). The registered office and principal place of business of the Company is Level 14, Tower Three, International Towers Sydney Exchange Place, 300 Barangaroo Avenue, Barangaroo NSW 2000.

1. Governance

a. Directors

The name of each person who has been a Director of the Company at any time between 1 July 2015 and the date of this Report are:

P J Hooper	Director since February 2005
A P Lombardo	Director since October 2008 (resigned June 2016)
C N Smith	Director since February 2013 (resigned July 2015)
S G Benson	Director since July 2015
T D Gupta	Director since June 2016

b. Company Secretary

Ms Susie Ann Westlake was appointed to the position of company secretary in April 2013 and Ms Katrina Beth Smith was appointed to the position of company secretary in July 2015.

2. Operations

a. Principal Activities

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

b. Review and Results of Operations

The Company made a loss after tax of \$906,000 for the year ended 30 June 2016 (30 June 2015: \$27,390,000).

c. Dividends

No dividends were paid by the Company to its parent entity, Lendlease Corporation Limited, during the financial year (June 2015: \$Nil).

d. Significant Changes in State of Affairs

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

e. Events Subsequent to Balance Date

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

f. Likely Developments

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

g. Environmental Regulation

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

Directors' Report continued

2. Operations continued

g. Environmental Regulation continued

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

3. Other

a. Indemnification and Insurance of Directors and Officers

Indemnification

The Company's constitution provides for indemnification of any former or current Officers to the extent outlined in the Company's constitution. Since 1 July 2015, the Company has not entered into a separate deed of indemnity with any current or former Officers of the Company.

Insurance Premiums

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

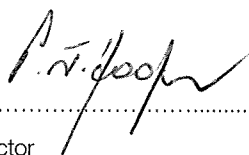
b. Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The Lead Auditor's Independence Declaration is set out on page 3 and forms part of the Directors' Report for the year ended 30 June 2016.

c. Rounding Off

Lendlease Finance Limited is a Company of the kind referred to in the Australian Securities and Investments Commission (ASIC) (Rounding in Financial/Directors' Reports) Instrument 2016/191, and in accordance with the Instrument, amounts in the financial statements and directors' report have been rounded off to the nearest thousand dollars, or, where the amount is A\$500 or less, zero, unless specifically stated otherwise.

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



Director

09 AUGUST 2016



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

To: the directors of Lendlease 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 2016 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

Eileen Hoggett
Partner

Sydney

9 August 2016

Financial Statements

Income Statement

Year ended 30 June 2016

	Note	June 2016 \$000s	June 2015 \$000s
Finance revenue	3	115,184	120,913
Finance costs	3	(94,749)	(115,799)
Net finance revenue		20,435	5,114
Other income			
Guarantee fees – related parties		27,753	28,387
Derivative and foreign exchange loss	4	(28,755)	(48,775)
Expenses			
Guarantee fees		(19,977)	(22,277)
Management fees		(559)	(1,221)
Other expenses		(199)	(454)
Total expenses		(20,735)	(23,952)
Loss before tax		(1,302)	(39,226)
Income tax benefit	5	396	11,836
Loss after tax attributable to members of Lendlease Finance Limited		(906)	(27,390)

Statement of Comprehensive Income

Year ended 30 June 2016

	Note	June 2016 \$000s	June 2015 \$000s
Loss after Tax		(906)	(27,390)
Other Comprehensive Income/(Expense) after Tax			
Items that may be reclassified subsequently to profit or loss:			
Movements in Hedging Reserve	12	-	1,079
Total comprehensive income/(expense) after tax		(906)	(26,311)

The accompanying notes form part of these financial statements.

Financial Statements continued

Statement of Financial Position

As at 30 June 2016

	Note	June 2016 \$000s	June 2015 \$000s
Current Assets			
Cash and cash equivalents	6	272,147	6,988
Loans and receivables	7	1,442,274	2,011,129
Derivatives	8	15,520	4,764
Financial guarantee contracts		820	820
Other assets		602	-
Total current assets		1,731,363	2,023,701
Non Current Assets			
Derivatives	8	1,213	-
Financial guarantee contracts		2,416	3,236
Deferred tax assets	5c	29,542	28,450
Other assets		17,290	22,329
Total non current assets		50,461	54,015
Total assets		1,781,824	2,077,716
Current Liabilities			
Trade and other payables	9	411,753	767,030
Derivatives	8	65,952	4,705
Total current liabilities		477,705	771,735
Non Current Liabilities			
Trade and other payables	9	536,805	-
Derivatives	8	1,221	-
Borrowings and financing arrangements	10	750,189	1,288,067
Deferred tax liabilities	5c	3,193	4,297
Total non current liabilities		1,291,408	1,292,364
Total liabilities		1,769,113	2,064,099
Net assets		12,711	13,617
Equity			
Issued capital	11	100,000	100,000
Reserves	12	14,941	14,941
Accumulated losses		(102,230)	(101,324)
Total equity		12,711	13,617

Financial Statements continued

Statement of Changes in Equity

Year ended 30 June 2016

	Note	June 2016 \$000s	June 2015 \$000s
Issued Capital			
Opening balance at beginning of financial year		100,000	100,000
Closing balance at end of financial year	11	100,000	100,000
Reserves			
Hedging Reserve			
Opening balance at beginning of financial year		-	(1,079)
Comprehensive income for the year:			
Movements attributable to effective cash flow hedges		-	1,079
Closing balance at end of financial year	12	-	-
Financial Guarantee Contract Reserve			
Opening balance at beginning of financial year		14,941	14,941
Closing balance at end of financial year	12	14,941	14,941
Total reserves		14,941	14,941
Retained Earnings/(Accumulated Losses)			
Opening balance at beginning of financial year		(101,324)	(73,934)
Loss attributable to members of Lendlease Finance Limited		(906)	(27,390)
Closing balance at end of financial year		(102,230)	(101,324)
Total equity		12,711	13,617
Total Comprehensive Income/(Expense) after Tax for the Financial Year			
Attributable to members of Lendlease Finance Limited		(906)	(26,311)
Total comprehensive income/(expense) after tax		(906)	(26,311)

The accompanying notes form part of these financial statements.

Financial Statements continued

Statement of Cash Flows

Year ended 30 June 2016

	Note	June 2016 \$000s	June 2015 \$000s
Cash Flows from Operating Activities			
Cash receipts in the course of operations		3,877,358	3,930,065
Cash payments in the course of operations		(3,834,201)	(3,871,329)
Interest received		114,873	122,284
Interest paid		(85,963)	(108,435)
Income tax (paid)/refunded in respect of operations		(5,695)	7,043
Net cash provided by operating activities	15	66,372	79,628
Cash Flows from Financing Activities			
Funding provided from Group entities		2,396,743	1,108,821
Funding provided to Group entities		(1,635,584)	(1,639,722)
Proceeds from borrowings - external		3,550,000	1,957,000
Repayment of borrowings - external		(4,100,000)	(2,282,000)
Net cash provided by/(used in) financing activities		211,159	(855,901)
Other Cash Flow Items			
Effect of foreign exchange rate movements on cash and cash equivalents		(12,372)	(722)
Net increase/(decrease) in cash and cash equivalents		265,159	(776,995)
Cash and cash equivalents at beginning of financial year		6,988	783,983
Cash and cash equivalents at end of financial year	6	272,147	6,988

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1. Basis of Preparation

The financial report is a general purpose financial report which:

- has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board, and the *Corporations Act 2007*;
- complies with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board;
- is presented in Australian dollars with all values rounded off to the nearest thousand dollars unless otherwise indicated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191; and
- and is prepared under the historical cost basis except for derivative financial instruments which are stated at their fair value. Refer to the specific accounting policies set out in Note 4 'Derivative Loss' within the notes to the financial statements for the basis of valuation of derivative financial instruments measured at fair value.

Significant accounting policies have been:

- included in the relevant notes to which the policies relate, and other significant accounting policies are discussed in Note 1.2; and
- consistently applied to all financial years presented in the financial statements, except as explained in Note 1.1.

The preparation of a financial report that complies with AASBs requires management to make judgements, estimates and assumptions.

- This can affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
- Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.
- The significant accounting policies highlight information about accounting judgements in applying accounting policies that have the most significant effects on reported amounts and further information about estimated uncertainties that have a significant risk of resulting in material adjustments with the next financial year.

The Company presents assets and liabilities in the Statement of Financial Position as current or non current.

- Current assets include assets held primarily for trading purposes, cash and cash equivalents and assets expected to be realised in, or intended for sale or use in, the course of the Company's operating cycle. All other assets are classified as non current.
- Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled in the course of the Company's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non current liabilities.

Notes to the Financial Statements continued

1. Basis of Preparation continued

1.1 Impact of New/Revised Accounting Standards

New and Revised Accounting Standards Adopted 1 July 2015

There were no new accounting standards or amendments adopted by the Company for the year ended 30 June 2016.

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 2016 but are available for early adoption and have not been applied in preparing this report.

The table below represents new and revised accounting standards, together with consequential amendments relevant to the Company's results at 30 June 2016.

Accounting Standard	Requirement	Impact on Financial Statements
AASB 9 <i>Financial Instruments</i> and consequential amendments	AASB 9 addresses the classification, measurement and derecognition of financial assets, financial liabilities, and hedging. The standard becomes mandatory for the June 2019 financial year, and will be applied prospectively.	Based on the preliminary analysis performed, AASB 9 and consequential amendments are not expected to have a material impact on the Company.
AASB 15 <i>Revenue from Contracts with Customers</i>	AASB 15 provides a new five step model for recognising revenue earned from a contract with a customer and will replace the existing AASB 118 <i>Revenue</i> and AASB 111 <i>Construction Contracts</i> . The standard becomes mandatory for the June 2019 financial year and will be applied retrospectively.	Based on the preliminary analysis performed, AASB 15 and consequential amendments are not expected to have a material impact on the Company.
AASB 2016-1 <i>Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses</i>	The amendments to AASB 112 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. The amendment becomes mandatory for the June 2018 financial year and will be applied retrospectively.	Based on preliminary analysis performed, the amendments are not expected to have any significant impact on the Company.
AASB 2016-2 <i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i>	The amendment to AASB 107 introduces additional disclosures relating to changes in liabilities arising from financing activities. The amendment becomes mandatory for the June 2018 financial year and will be applied prospectively.	The amendments is not expected to have any significant financial impact on the Company, however it will impact the type of information disclosed in relation to financing cash flows.

Notes to the Financial Statements continued

1. Basis of Preparation continued

1.2 Other Significant Accounting Policies

a. 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 Australian dollars using the exchange rates on the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated to Australian dollars at balance date.

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.

b. Goods and Services Tax

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

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

2. Segment Reporting

Business Segment

The Company is involved in providing financial services to the Lendlease 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.

3. Finance Revenue and Finance Costs

Accounting Policies

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

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

Financial Disclosure	June 2016 \$000s	June 2015 \$000s
Finance Revenue		
Related parties	113,021	117,241
Other corporations	2,163	3,672
Total finance revenue	115,184	120,913
Finance Costs		
Related parties	(11,041)	(15,720)
Other corporations	(83,708)	(100,079)
Total finance costs	(94,749)	(115,799)
Net finance revenue	20,435	5,114

Notes to the Financial Statements continued

4. Derivative and Foreign Exchange Loss

Accounting Policies

The Lendlease 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. Refer to Note 12 'Reserves' for accounting policies on hedging.

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.

There were no interest rate contracts for the current financial year.

Financial Disclosure	June 2016 \$000s	June 2015 \$000s
Foreign exchange contracts (loss)/gain	(20,764)	55,676
Foreign exchange gain/(loss) on related party loans	12,644	(72,734)
Foreign exchange loss on S\$275 million Singapore bond	(10,577)	(29,380)
Foreign exchange gain on other transactions	15	3
Foreign exchange loss on revaluation of foreign currency bank accounts	(12,372)	(722)
Gain/(loss) on disposal/remeasurement of foreign exchange options	2,299	(5,204)
Remeasurement of interest rate swap contracts	-	3,586
Total derivative and foreign exchange loss	(28,755)	(48,775)

Notes to the Financial Statements continued

5. Taxation

Accounting Policies

Income Taxes

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

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

Deferred tax is the expected tax payable in future periods as a result of past transactions or events and is calculated by comparing the accounting balance sheet to the tax balance sheet. Temporary differences are provided for any differences in the carrying amounts of the assets and liabilities between the accounting and tax balance sheets.

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.

Recognition of deferred tax assets is only to the extent it is probable that future taxable profits will be available so as the related tax asset will be realised. Deferred tax assets may include the following: deductible temporary differences, unused tax losses and unused tax credits. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax Consolidation

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

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

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

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

Notes to the Financial Statements continued

5. Taxation continued

a. Income Tax Benefit

Financial Disclosure	June 2016 \$000s	June 2015 \$000s
Recognised in the Income Statement		
Current Tax Benefit/(Expense)		
Current year	(1,800)	(5,695)
	(1,800)	(5,695)
Deferred Tax Benefit/(Expense)		
Origination and reversal of temporary differences	2,196	17,531
	2,196	17,531
Total income tax benefit	396	11,836
Reconciliation of income tax benefit		
Loss before tax	(1,302)	(39,226)
Income tax using the domestic corporation tax rate (30%)	391	11,768
Non allowable expenses	(3)	(39)
Foreign tax credits claimable	8	107
Income tax benefit	396	11,836

b. Current Tax Liabilities

The current tax payable of \$1,800,000 (June 2015: \$5,695,000 payable) which has been transferred to Lendlease Corporation Limited for tax consolidation, represents the amount of income taxes payable/refundable in respect of current and prior years.

c. Deferred Tax Assets and Liabilities

	June 2016		June 2015	
	Assets \$000s	Liabilities \$000s	Assets \$000s	Liabilities \$000s
Recognised Deferred Tax Assets and Liabilities				
Deferred tax assets and liabilities are attributable to the following:				
Cash and cash equivalents	3,205	-	216	-
Derivatives	15,136	-	-	(13)
Other assets	-	(3,193)	-	(4,284)
Trade and other payables	11,201	-	28,234	-
Total deferred tax assets/(liabilities)	29,542	(3,193)	28,450	(4,297)

Notes to the Financial Statements continued

5. Taxation continued

c. Deferred Tax Assets and Liabilities continued

	1 July 2015 \$000s	Recognised in Income \$000s	30 June 2016 \$000s
Recognised Deferred Tax Assets and Liabilities continued			
Movement in temporary differences during the financial year:			
June 2016			
Cash and cash equivalents	216	2,989	3,205
Derivatives	(13)	15,149	15,136
Other assets	(4,284)	1,091	(3,193)
Trade and other payables	28,234	(17,033)	11,201
Total deferred tax assets/(liabilities)	24,153	2,196	26,349

	1 July 2014 \$000s	Recognised in Income \$000s	30 June 2015 \$000s
June 2015			
Cash and cash equivalents	-	216	216
Derivatives	(30)	17	(13)
Other assets	(2,042)	(2,242)	(4,284)
Trade and other payables	11,238	16,996	28,234
Total deferred tax assets/(liabilities)	9,166	14,987	24,153

6. Cash and Cash Equivalents

Accounting Policies

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

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

Financial Disclosure	June 2016 \$000s	June 2015 \$000s
Cash		
Short term investments	272,147	6,988
Total cash and cash equivalents	272,147	6,988

Short term investments earned variable rates of interest which averaged 2.28% per annum during the year ended 30 June 2016 (30 June 2015: 2.73%).

Notes to the Financial Statements continued

7. Loans and Receivables

Accounting Policies

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

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

Financial Disclosure	June 2016 \$000s	June 2015 \$000s
Current		
Loans to parent entity (including intercompany tax balance)	1,379,993	1,947,361
Related party loans and receivables	62,064	63,768
Other receivables	217	-
Total loans and receivables	1,442,274	2,011,129

The credit quality of all loans and receivables, including those neither past due nor impaired, is assessed and monitored on an ongoing basis. To determine the impairment provision for the financial year, the Company considers how economic and market conditions will affect the creditworthiness of certain entities. There is no impairment provision for 30 June 2016 (June 2015: \$nil).

8. Derivatives

Financial Disclosure	June 2016 \$000s	June 2015 \$000s
Current Assets		
Forward foreign exchange contracts – other corporations	14,625	4,499
Forward foreign exchange contracts – related parties	895	265
Total current	15,520	4,764
Non Current Assets		
Forward foreign exchange contracts – other corporations	694	-
Forward foreign exchange contracts – related parties	519	-
Total non current	1,213	-
Total derivative assets	16,733	4,764
Current Liabilities		
Forward foreign exchange contracts – other corporations	(58,818)	(3,699)
Forward foreign exchange contracts – related parties	(7,134)	(1,006)
Total current	(65,952)	(4,705)
Non Current Liabilities		
Forward foreign exchange contracts – other corporations	(528)	-
Forward foreign exchange contracts – related parties	(693)	-
Total non current	(1,221)	-
Total derivative liabilities	(67,173)	(4,705)
Net derivative assets/(liabilities)	(50,440)	59

Notes to the Financial Statements continued

9. Trade and Other Payables

Accounting Policies

Trade Creditors

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

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

Financial Disclosure	June 2016 \$000s	June 2015 \$000s
Current		
Loans from parent entity (including intercompany tax balance)	1,800	5,695
Related party trade payables and loans	395,434	750,124
Accrued expenses	14,519	11,211
Total current	411,753	767,030
Non Current		
Related party trade payables and loans	536,805	-
Total non current	536,805	-
Total trade and other payables	948,558	767,030

10. Borrowings and Financing Arrangements

Accounting Policies

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

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

a. Borrowings – Measured at Amortised Cost

Financial Disclosure	June 2016 \$000s	June 2015 \$000s
Non Current		
Commercial notes	750,189	739,244
Bank credit facilities	-	548,823
Total non current	750,189	1,288,067
Total borrowings and financing arrangements	750,189	1,288,067

Notes to the Financial Statements continued

10. Borrowings and Financing Arrangements continued

b. Finance Facilities – Gross Value

	June 2016 \$000s	June 2015 \$000s
The Company has access to the following lines of credit:		
Commercial notes		
Facility available	750,189	739,244
Amount of facility used	(750,189)	(739,244)
Amount of facility unused	-	-
Bank credit facilities		
Facility available	1,500,000	1,500,000
Amount of facility used	-	(550,000)
Amount of facility unused	1,500,000	950,000
Bank overdrafts		
Facility available	115,000	65,000
Amount of facility used	-	-
Amount of facility unused	115,000	65,000

Commercial notes include:

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

Bank credit facilities include:

- A\$1,500.0 million syndicated multi-option facility maturing in June 2019 (A\$600.0 million) and June 2020 (A\$900.0 million) undrawn at 30 June 2016 (30 June 2015: drawn to A\$550.0 million).

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

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

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

	Interest Exposure			Currency		
	Fixed \$000s	Floating \$000s	Total \$000s	AS \$000s	SS \$000s	Total \$000s
June 2016						
Between one and five years	750,189	-	750,189	475,567	274,622	750,189
More than five years	-	-	-	-	-	-
Total	750,189	-	750,189	475,567	274,622	750,189
June 2015						
Between one and five years	739,244	548,823	1,288,067	1,024,378	263,689	1,288,067
More than five years	-	-	-	-	-	-
Total	739,244	548,823	1,288,067	1,024,378	263,689	1,288,067

Notes to the Financial Statements continued

11. Issued Capital

Accounting Policies

Issued Capital

Ordinary shares are classified as equity.

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

Financial Disclosure	June 2016		June 2015	
	No. of Shares	\$000s	No. of Shares	\$000s
Ordinary shares of \$1 each fully paid	5,000,000	5,000	5,000,000	5,000
Ordinary shares of \$9,500,000 each fully paid	10	95,000	10	95,000
Issued capital at end of financial year	5,000,010	100,000	5,000,010	100,000

Terms and Conditions

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

12. Reserves

Accounting Policies

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

Cash Flow Hedge

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

Cash flow hedges are in place to hedge against interest rate risk using interest rate derivatives. There were no interest rate derivatives as at 30 June 2016.

Held for Trading Derivatives

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

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

Notes to the Financial Statements continued

13. Contingent Liabilities

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

The Company does not have any other contingent liabilities as at 30 June 2016.

14. Financial Instruments and Risk Management

The Lendlease Asset and Liability 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 Lendlease Asset and Liability Committee maintains a Group-wide framework for risk management, within which the Company operates, and reviews issues of material risk exposure.

a. Foreign Currency

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

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

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

The net asset exposure by currency is detailed below.

	AS000s	US\$000s	£000s	S\$000s	€000s	Other 000s	Total AS000s
June 2016							
Net asset exposure	1,128,116	(620,922)	(105,460)	(322,839)	2,247	(68,431)	12,711
June 2015							
Net asset exposure	876,221	(288,534)	(191,079)	(333,929)	2	(49,064)	13,617

Notes to the Financial Statements continued

14. Financial Instruments and Risk Management continued

a. Foreign Currency continued

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 2015: 10% fluctuation) on the average rates during the financial year and the spot rate at balance date respectively. This analysis assumes that all other variables, in particular interest rates, remain constant, and excludes the effects of the foreign exchange contracts above.

A 10% movement in the average foreign exchange rates would have impacted the Company's Profit after Tax as follows.

	10% Weakening Increase/(Decrease) In Profit after Tax		10% Strengthening Increase/(Decrease) In Profit after Tax	
	June 2016 \$000s	June 2015 ¹ \$000s	June 2016 \$000s	June 2015 ¹ \$000s
USD	(245)	(584)	202	481
GBP	(397)	(787)	325	652
SGD	(1,982)	(4,753)	1,625	3,881
EUR	(19)	-	16	-
Others	1	-	(1)	-
Total	(2,642)	(6,124)	2,167	5,014

A 10% movement in the foreign exchange spot rates at balance date would have impacted the Company's net assets as follows.

	10% Weakening Increase/(Decrease) In Net Assets		10% Strengthening Increase/(Decrease) In Net Assets	
	June 2016 \$000s	June 2015 ¹ \$000s	June 2016 \$000s	June 2015 ¹ \$000s
USD	(63,919)	(33,453)	59,848	27,156
GBP	(12,655)	(21,714)	10,206	17,693
SGD	(35,871)	(35,524)	29,349	29,292
EUR	262	-	(213)	-
Others	(7,540)	(5,125)	6,258	4,460
Total	(119,723)	(95,816)	105,448	78,601

1 30 June 2015 amounts have been restated to include sensitivity analysis by major currencies.

b. Credit Risk

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

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

Notes to the Financial Statements continued

14. Financial Instruments and Risk Management continued

c. Interest Rate Risk

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

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

	Carrying Amount	
	June 2016 \$000s	June 2015 \$000s
Fixed rate		
Financial assets	-	-
Financial liabilities	(750,189)	(739,244)
	(750,189)	(739,244)
Variable rate		
Financial assets	272,147	6,988
Financial liabilities	-	(548,823)
	272,147	(541,835)

Sensitivity Analysis

At 30 June 2016 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\$6.6 million (June 2015: one percentage point increase would have caused a A\$6.2 million decrease in the Company's profit after tax and retained earnings). A one percentage point decrease in interest rates would have increased the Company's profit after tax and retained earnings by A\$6.6 million (June 2015: one percentage point decrease would have caused a A\$6.2 million increase in the Company's profit after tax and retained earnings). The increase or decrease in interest income/expense is proportional to the increase or decrease in interest rates. Interest rate derivatives have been included in the calculation.

Notes to the Financial Statements continued

14. Financial Instruments and Risk Management continued

d. Liquidity Risk

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

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

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

As disclosed in Note 13 'Contingent Liabilities', in certain circumstances the Company guarantees the performance of particular Group entities in respect of their obligations including bonding and bank guarantees. Issued bank guarantees have cash collateralisation requirements if the bank guarantee facility is not renewed by the provider. At 30 June 2016, the Company does not anticipate a significant liquidity risk in relation to these facilities in the next 12 months.

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

	Note	Carrying Amount \$000s	Contractual Cash Flows \$000s	Less than One Year \$000s	One to Two Years \$000s	Two to Five Years \$000s	More than Five Years \$000s
June 2016							
Non derivative financial liabilities							
Trade and other payables	9	948,558	948,558	411,753	-	-	536,805
Borrowings and financing arrangements	10	750,189	812,357	20,731	298,552	493,074	-
Total		1,698,747	1,760,915	432,484	298,552	493,074	536,805
Derivative financial liabilities							
Forward foreign exchange contracts – other corporations	8						
Outflow			1,463,057	1,452,684	10,373	-	-
Inflow			(1,403,711)	(1,393,866)	(9,845)	-	-
Subtotal		59,346	59,346	58,818	528	-	-
Forward foreign exchange contracts – related parties	8						
Outflow			63,851	59,164	4,687	-	-
Inflow			(56,024)	(52,030)	(3,994)	-	-
Subtotal		7,827	7,827	7,134	693	-	-
Total		67,173	67,173	65,952	1,221	-	-
June 2015							
Non derivative financial liabilities							
Trade and other payables	9	767,030	767,030	767,030	-	-	-
Borrowings and financing arrangements	10	1,288,067	1,548,757	56,436	66,044	1,426,277	-
Total		2,055,097	2,315,787	823,466	66,044	1,426,277	-
Derivative financial liabilities							
Forward foreign exchange contracts – other corporations ¹	8						
Outflow			443,406	435,626	7,780	-	-
Inflow			(439,707)	(431,976)	(7,731)	-	-
Subtotal		3,699	3,699	3,650	49	-	-
Forward foreign exchange contracts – related parties ¹	8						
Outflow			117,076	117,076	-	-	-
Inflow			(116,070)	(116,070)	-	-	-
Subtotal		1,006	1,006	1,006	-	-	-
Total		4,705	4,705	4,656	49	-	-

1 30 June 2015 disclosures have been restated to include gross cash flows.

Notes to the Financial Statements continued

14. Financial Instruments and Risk Management continued

e. Fair Value Measurement

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

	Note	June 2016		June 2015	
		Carrying Amount \$000s	Fair Value \$000s	Carrying Amount \$000s	Fair Value \$000s
Liabilities					
Non Current					
Commercial notes	10a	750,189	814,882	739,244	811,928

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

Basis of Determining Fair Value

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

Fair Value Measurements

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

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

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

	Note	Level 1 \$000s	Carrying Amount		Total \$000s
			Level 2 \$000s	Level 3 \$000s	
June 2016					
Financial assets					
Derivatives	8	-	16,733	-	16,733
Financial liabilities					
Derivatives	8	-	67,173	-	67,173
	Note	Level 1 \$000s	Carrying Amount		Total \$000s
			Level 2 \$000s	Level 3 \$000s	
June 2015					
Financial assets					
Derivatives	8	-	4,764	-	4,764
Financial liabilities					
Derivatives	8	-	4,705	-	4,705

Notes to the Financial Statements continued

15. Notes to the Statement of Cash Flows

	June 2016 \$000s	June 2015 \$000s
Reconciliation of Loss after Tax to Net Cash Provided by Operating Activities		
Loss after Tax	(906)	(27,390)
Remeasurement of interest rate swap contracts	-	(3,586)
(Gain)/loss on disposal/remasurement of foreign exchange options	(2,299)	5,204
Net unrealised foreign exchange contracts loss	50,497	5,280
Unrealised/realised foreign exchange (gain)/loss on intercompany loans	(12,644)	72,734
Unrealised foreign exchange loss on SGD bond	10,577	29,380
Unrealised foreign exchange loss on revaluation of trade and other payables	37	41
Realised foreign exchange loss on revaluation of cash and cash equivalents	12,372	722
Financial guarantee contracts expense	820	1,142
Amortisation of borrowings	368	733
Net cash provided by operating activities before changes in assets and liabilities	58,822	84,260
Changes in Assets and Liabilities		
Decrease in loans and receivables	1,487	6,468
Decrease in derivatives	2,300	1,749
Decrease/(increase) in other assets	5,613	(1,978)
(Increase) in deferred tax assets	(1,092)	(15,509)
Increase/(decrease) in trade and other payables	4,241	(6,081)
(Decrease)/increase in deferred tax liabilities	(1,104)	522
(Decrease)/Increase in current tax provision	(3,895)	10,197
Net cash provided by operating activities	66,372	79,628

16. Auditors' Remuneration

	June 2016 AS	June 2015 AS
Amounts received or due and receivable by the auditors of the Company for:		
Audit services	42,000	46,200
Other assurance services	-	-
Total audit and other assurance services	42,000	46,200

Notes to the Financial Statements continued

17. Related Party Information

Key Management Personnel Disclosures

The Company does not employ personnel in its own right. Key management personnel compensation is paid by Lendlease Corporation Limited. A number of key management persons of the Company hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. There have been no transactions with key management personnel and other related parties for the years ending 30 June 2016 and 30 June 2015.

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 Lendlease 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.

Lendlease Group Services Limited provides a range of corporate services for which fees, based on the cost of providing those services, are charged. The corporate service charge for the financial year ending 30 June 2016 was \$558,966 (June 2015: \$1,220,995).

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

18. Events Subsequent to Balance Date

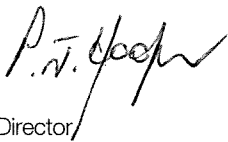
There were no material events subsequent to the end of the financial year.

Directors' Declaration

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

1. The financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - a. Giving a true and fair view of the financial position of the Company as at 30 June 2016 and of its performance for the financial year ended on that date; and
 - b. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.
3. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Director

Sydney, 9 August 2016



Independent auditor's report to the members of Lendlease Finance Limited

Report on the financial report

We have audited the accompanying financial report of Lendlease Finance Limited (the Company), which comprises the statement of financial position as at 30 June 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 18 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of the Lendlease 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 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in the Basis of Preparation note.



KPMG



Eileen Hoggett

Partner

Sydney

9 August 2016