

# Lend Lease Trust (formerly Sheffield Diversified Fund No. 2)

## Annual Financial Report June 2010

Lend Lease Responsible Entity Limited ABN 72 122 883 185 AFSL No. 308983 is the responsible entity of the Lend Lease Trust ARSN 128 052 595

### Table of Contents

Directors' Report	2
Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001	5
Financial Statements	6
Statement of Financial Position	6
Statement of Comprehensive Income	6
Statement of Changes in Equity	7
Statement of Cash Flows	7
Notes to the Financial Statements	8
Directors' Declaration	10

# Directors' Report

The Directors of Lend Lease Responsible Entity Limited ('Responsible Entity'), the Responsible Entity for the Lend Lease Trust (formerly Sheffield Diversified Fund No. 2) ('the Trust'), present their Report together with the Annual Financial Report of the Trust, for the year ended 30 June 2010 and the Auditor's Report thereon.

Lend Lease Corporation Limited ('the Company') acquired 100% of the Trust on 2 October 2009. Following shareholders' approval on 12 November 2009, the units in the Trust were distributed to the Company shareholders. From 13 November 2009 the shares in the Company and units in the Trust have been traded as one security under the name of Lend Lease Group ('the Group') on the Australian Securities Exchange ('ASX') and the New Zealand Stock Exchange ('NZX').

## 1. Governance

### a. Board/Directors

The name of each person who has been a Director of the Responsible Entity between 1 July 2009 and the date of this Report are:

D A Crawford, Chairman	Appointed 30 October 2009	
S B McCann, Managing Director	Appointed 30 October 2009	
P M Colebatch	Appointed 30 October 2009	
G G Edington	Appointed 30 October 2009	
P C Goldmark	Appointed 30 October 2009	
J A Hill	Appointed 30 October 2009	
D J Ryan	Appointed 30 October 2009	
M W Selway	Appointed 30 October 2009	Resigned 10 February 2010
P J Hooper	Appointed 2 October 2009	Resigned 30 October 2009
B Soller	Appointed 2 October 2009	Resigned 30 October 2009
A P Lombardo	Appointed 2 October 2009	Resigned 30 October 2009
L A Boyatzis	Director since 2006	Resigned 2 October 2009
D J Sutherland	Director since 2006	Resigned 2 October 2009
I Boyatzis	Director since 2006	Resigned 2 October 2009

The qualifications and experience of each person holding the position of Director of the Company at the date of this Report is detailed in the 2010 Lend Lease Group Annual Report.

### b. Interest in Capital

The interest of each of the Directors (in office at the date of this report) in the issued stapled securities of the Lend Lease Group at 16 August 2010 is set out below.

Director	Securities Held Directly 2010	Securities Held Beneficially/Indirectly 2010 <sup>1</sup>	Total 2010
D Crawford		73,593	73,593
P Colebatch	5,023	13,300	18,323
G Edington	19,643	20,425	40,068
P Goldmark	3,000	21,794	24,794
J Hill	2,000	12,324	14,324
D Ryan		31,273	31,273
S McCann	181,339	4,470	185,809

<sup>1</sup> Includes shares beneficially held by Non Executive Directors in the Retirement Plan.

## Directors' Report continued

### 2. Operations

#### a. Principal Activities

The principal purpose of the Trust is direct and indirect property investment. For the year ended 30 June 2010 the Trust did not engage in any property investment activities.

#### b. Review of Results of Operations

For the year ended 30 June 2010 the Trust reported a loss after tax of A\$2,378 (June 2009: A\$nil).

#### c. Distributions

No distributions were paid or declared during the year to June 2010 or up to the date of this report.

#### d. Significant Changes in State of Affairs

Other than the acquisition of 100% of the Trust by the Company in October 2009 and subsequent stapling of the Trust units to the Company shares, there have been no significant changes in the state of affairs of the Trust.

#### e. Events Subsequent to Balance Date

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

#### f. Likely Developments

Details of likely developments in the operations of Lend Lease in subsequent financial years are contained in the reports from the Chairman and Managing Director in the Lend Lease Group Annual Report. In the opinion of the Directors, disclosure of any further information would be likely to result in unreasonable prejudice to the Group.

#### g. Environmental Regulation

The Lend Lease Group is subject to many environmental regulations, in particular relating to real estate development, project and construction management and asset management. These regulations relate to environmental compliance aspects including noise and dust control, solid waste management and discharge into waterways. In addition, the Group is impacted by energy efficiency and greenhouse gas emissions legislation which require disclosure and performance reporting of activities under its operational and/or financial control.

To respond to environmental regulatory risks, the Group requires each of its businesses to operate an integrated Environment, Health and Safety Management System. This framework ensures environmental risks associated with the Group's operations or activities are managed via legal registers, risk assessment protocols, environmental management plans, trained environmental managers, routine inspections and audits.

The Board and Sustainability Committee receive environmental compliance and performance reports on a quarterly basis. The Directors are not aware of any material non compliance with environmental regulations pertaining to the operations or activities during the period covered by this report.

Further details are contained on the Lend Lease website [www.lendlease.com/sustainability](http://www.lendlease.com/sustainability).

### 3. Other

#### a. Security Options

No security options were issued during the year by the Group or any of its controlled entities, and there are no such options on issue.

#### b. Indemnification and Insurance of Directors and Officers

Rule 12 of the Company's Constitution provides for indemnification in favour of each of the Directors named on page 2 of this Report; the Company Secretary, Mr W Hara; and officers of the Company or of wholly owned subsidiaries or related entities of the Company ('Officers') to the extent permitted by the *Corporations Act 2001*. Rule 12 does not indemnify a Director, Company Secretary or Officer for any liability involving a lack of good faith.

Each of the Directors is also a Director of Lend Lease Corporation Limited (LLC) and has entered into a Deed of Indemnity, Insurance and Access with LLC. That indemnity extends to indemnify each of the Directors in respect of their roles as officers of the Company. The Company has not entered into separate deeds of indemnity with the Directors.

No indemnity has been granted to an auditor of the Company in their capacity as auditor of the Company.

## Directors' Report continued

### 3. Other continued

#### b. Indemnification and Insurance of Directors and Officers continued

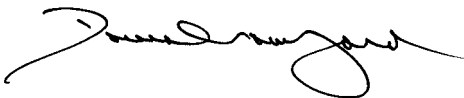
In accordance with the *Corporations Act 2001*, Rule 12 of the Constitution also permits the Company to purchase and maintain insurance or pay or agree to pay a premium for insurance for Officers against any liability incurred as an officer of the Company or of a related body corporate. Due to confidentiality obligations and undertakings for the policy, no further details in respect of the premium or policy can be disclosed.

#### c. Special rules for Registered Schemes

- A\$25,850 in fees and other expenses were paid or payable to the Responsible Entity and its associates out of the assets of the Trust during the financial year ended 30 June 2010.
- No units in the Trust were held by the Responsible Entity at the end of the financial year. Associates of the Responsible Entity held 34,372,943 units as at the end of the financial year.
- Details of the units issued in the Trust during the financial year are set out in the Statement of Changes in Equity.
- On 11 November 2009 the total issued capital of the Trust of 100 units was redeemed prior to the issuance of new capital to facilitate the stapling of the Trust units to the Company shares.
- Details of the value of the Trust assets as at the end of the financial year and the basis of the valuation are set out in the Statement of Financial Position and Note 1 to the Financial Statements.
- Details of the number of Units in the Trust as at the end of the financial year are set out in the Statement of Changes in Equity.

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

The Lead Auditor's Independence Declaration is set out on page 5 and forms part of the Directors' Report for the year ended 30 June 2010.



**D A Crawford, AO**  
Chairman

Sydney, 16 August 2010



**S B McCann**  
Managing Director



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

To: the Directors of Lend Lease Responsible Entity Limited, the Responsible Entity for the Lend Lease Trust ('the Trust')

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 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.

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

KPMG

A handwritten signature in black ink, appearing to read 'Chris Hall'.

Chris Hall  
*Partner*

Sydney

16 August 2010

# Financial Statements

## Statement of Financial Position

As at 30 June 2010

	Note	June 2010 A\$	June 2009 A\$
<b>Current Assets</b>			
Related party receivables		589,031	100
<b>Total assets</b>		<b>589,031</b>	<b>100</b>
<b>Current Liabilities</b>			
Related party payables		25,850	
<b>Total liabilities</b>		<b>25,850</b>	<b>-</b>
<b>Net assets</b>		<b>563,181</b>	<b>100</b>
<b>Equity</b>			
Issued capital		565,559	100
Accumulated losses		(2,378)	
<b>Total equity attributable to unit holders</b>		<b>563,181</b>	<b>100</b>

## Statement of Comprehensive Income

Year ended 30 June 2010

		June 2010 A\$	June 2009 A\$
<b>Revenue</b>			
Interest income		23,087	
Other income		385	
<b>Total revenue</b>		<b>23,472</b>	<b>-</b>
<b>Expenses</b>			
Responsible entity fees		23,500	
Other expenses		2,350	
<b>Total expenses</b>		<b>25,850</b>	<b>-</b>
(Loss) before tax		(2,378)	
Income tax expense		-	
(Loss) after tax		(2,378)	
Other comprehensive income net of income tax		-	
<b>Total comprehensive income for the year</b>		<b>(2,378)</b>	<b>-</b>
Basic/diluted earnings per unit		-	-

The accompanying notes form part of these financial statements.

## Financial Statements continued

### Statement of Changes in Equity

Year ended 30 June 2010

	Note	June 2010 A\$	June 2009 A\$
<b>Issued Capital</b>			
Opening balance at beginning of financial year		100	100
Unit redemption		(100)	
Unit issue		565,559	
<b>Closing balance at end of financial year</b>	<b>2</b>	<b>565,559</b>	<b>100</b>
<b>Accumulated Losses</b>			
Opening balance at the beginning of financial year			
Loss after tax		(2,378)	–
<b>Closing balance at the end of the financial year</b>		<b>(2,378)</b>	<b>–</b>

### Statement of Cash Flows

Year ended 30 June 2010

	June 2010 A\$	June 2009 A\$
<b>Cash Flows</b>		
Net cash provided by/(used in) operating, investing and financing activities	–	–
Net increase/(decrease) in cash and cash equivalents	–	–
Cash and cash equivalents at beginning of financial year	–	–
Cash and cash equivalents at end of financial year	–	–

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

## 1. Significant Accounting Policies

### a. Basis of Preparation

The financial report of the Trust is a general purpose financial report presented in Australian dollars, which is the Trust's functional currency, and has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*. The financial report of the Trust also complies with the recognition and measurement requirements of the International Financial Reporting Standards ('IFRS') and Interpretations adopted by the International Accounting Standards Board. These accounting policies have been consistently applied.

Lend Lease Corporation Limited ('the Company') acquired 100% of the Trust on 2 October 2009. Following shareholders' approval on 12 November 2009, the units in the Trust were distributed as an 'in specie' dividend to the shareholders. The shares of the Company and the units in the Trust were combined as stapled securities and from 13 November 2009 have been traded as one security under the name of Lend Lease Group on the Australian Securities Exchange ('ASX') and the New Zealand Stock Exchange ('NZX').

### b. Revenue

Revenue is measured at the fair value of the consideration received or receivable and is recognised when the amount can be reliably measured and future economic benefits will flow to the company.

#### Interest Income

Interest Income is recognised on a time proportion basis using the effective interest method.

### c. Receivables

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

A provision for impairment of receivables is established when there is objective evidence that the Trust 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 fair value, which is estimated as the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

### d. Payables

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Trust. Payables are stated at amortised cost or at cost when the impact of discounting would be immaterial.

### e. Issued Capital

Ordinary units are classified as equity. When issued capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity.

Distributions are recognised as a liability in the financial year in which they are declared.

### f. Taxation

Under current Australian income tax legislation the Trust is not liable for income tax, provided that each year the taxable income and any taxable capital gain derived from the sale of an asset are fully distributed to unitholders.

### g. Earnings Per Unit

Basic earnings per unit (EPU) is determined by dividing profit/(loss) after income tax attributable to the unitholders of the Trust, excluding any costs of servicing equity other than ordinary units, by the weighted average number of ordinary units outstanding during the financial year, adjusted for bonus elements in ordinary units issued during the financial year.

Diluted EPU is determined by adjusting the profit/(loss) after tax attributable to the unitholders of the Trust and the weighted average number of ordinary units outstanding for the effects of all dilutive potential ordinary units.

# Notes to the Financial Statements continued

## 1. Significant Accounting Policies continued

### h. 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 balance sheet. 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. Issued Capital

	June 2010		June 2009	
	No of units	A\$	No of units	A\$
Issued Capital at beginning of financial year	100	100	100	100
Movements during the financial year				
Unit redemption	(100)	(100)		
Unit issue to effect stapling of Lend Lease Trust units to the Company shares	460,768,608	460,769		
Unit issue as part of the Group equity raising	104,753,961	104,754		
Other issues	36,185	36		
Issued capital at the end of the financial year	<b>565,558,754</b>	<b>565,559</b>	<b>100</b>	<b>100</b>

On 11 November 2009 the Responsible Entity, Lend Lease Responsible Entity Limited, redeemed the total issued capital of 100 units held in the Trust by the Company. On the same date the Responsible Entity issued 460,768,608 units in the Trust to the Company at an issue price of 0.1 cents per unit to facilitate the stapling of the Trust units to the Company shares. This increased total equity by A\$460,769.

During March and April 2010 the Group issued new securities via a 5 for 22 single bookbuild accelerated renounceable entitlement at A\$7.70 per new security. All new securities issued were fully paid. As part of this equity raising the Lend Lease Trust issued total equity of A\$104,754 comprising 104,753,961 units at 0.1 cents per unit.

## 3. Distribution

No distributions were paid or declared during the year to 30 June 2010 or up to the date of this report.

## 4. Related Party Disclosures

### Key Management Personnel Disclosures

The Trust does not employ personnel in its own right. However it is required to have an incorporated Responsible Entity to manage its activities. The Responsible Entity is considered to be the Key Management Personnel of the Trust.

### Responsible Entity's Remuneration

In accordance with the Trust's Constitution, the Responsible Entity is entitled to receive costs incurred in performance of its duties and expense reimbursements where expenses have been incurred on behalf of the Trust.

As at 30 June 2010, the amount owed to the Responsible Entity was A\$25,850 (June 2009: A\$nil).

## 5. Events Subsequent to Balance Date

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

## 6. Contingent Liabilities

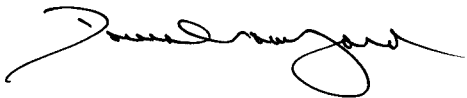
The Trust does not have any contingent liabilities.

## Directors' Declaration

In the opinion of the Directors of Lend Lease Responsible Entity Limited, the Responsible Entity for the Lend Lease Trust ('the Trust'):

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 Trust as at 30 June 2010 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 Trust will be able to pay its debts as and when they become due and payable.
4. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2010.

Signed in accordance with a resolution of the Directors:



**D A Crawford AO**  
Chairman

Sydney, 16 August 2010



**S B McCann**  
Managing Director



## **Independent auditor's report to the unitholders of Lend Lease Trust**

### **Report on the financial report**

We have audited the accompanying financial report of Lend Lease Trust (the Trust), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 6 and the directors' declaration.

#### *Directors' responsibility for the financial report*

The directors of Lend Lease Responsible Entity Limited (the Responsible Entity) are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors of the Responsible Entity also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies 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 controls relevant to the Trust's preparation and fair presentation of the financial report 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 Trust's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Responsible Entity, 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 (including the Australia Accounting Interpretations), a view which is consistent with our understanding of the Trust's financial position and of its performance.



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

*Independence*

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

*Auditor's opinion*

In our opinion:

- (a) the financial report of Lend Lease Trust is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Trust's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

KPMG

Chris Hall  
*Partner*

Sydney

16 August 2010