Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

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Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

The following management discussion and analysis is based on the Lend Lease Group (the Group) Consolidated Financial Statements for the half year ended 31 December 2010 and should be read in conjunction with those financial statements. All currency amounts in the MD&A are expressed in Australian dollars unless otherwise specified.

Overview

Introduction

From 1 July 2010, the Group moved to a regional management structure focused on four major geographic regions: Australia, Asia, Europe and the Americas, to support the Group's integrated model and provide a platform to develop regional investment opportunities. The regional business units operate across four lines of business, as follows:

- The Development business operates in all four major geographic regions and is involved in the development of master-planned urban communities, inner-city mixed-use developments, apartments, retail and the senior living sector;
- The Project Management and Construction business operates in all four major geographic regions and provides project management and construction services;
- The Investment Management business operates in all four major geographic regions and provides real estate investment management, retail property management and asset management services. This business includes the Group's ownership interests in property investments held directly or indirectly through investments in the Group managed funds;
- The Infrastructure Development business operates in Australia, Europe and the Americas and manages and invests in large public private partnership (PPP) projects.

Results Summary

	Revenue		EBITDA		Profit/(Loss) After Tax[1,2]	
	December 2010 A$m	December 2009 A$m	December 2010 A$m	December 2009 A$m	December 2010 A$m	December 2009 A$m
Australia	2,223.8	1,698.9	186.6	170.7	136.7	116.2
Asia	166.1	251.2	21.7	24.8	15.8	21.5
Europe	851.7	1,431.2	97.2	94.8	94.6	64.0
Americas	1,088.0	2,185.7	44.8	23.4	28.9	19.0
Total Operating Businesses	4,329.6	5,567.0	350.3	313.7	276.0	220.7
Group Services	6.3	7.5	(44.4)	(31.9)	(36.0)	(24.6)
Group Treasury	30.8	18.8	(2.8)	2.0	(18.3)	(5.9)
Group Amortisation					(1.5)	(2.3)
Total Corporate	37.1	26.3	(47.2)	(29.9)	(55.8)	(32.8)
Total Operating	4,366.7	5,593.3	303.1	283.8	220.2	187.9
Property investment revaluations			8.8	26.1	6.3	17.0
Total Statutory	4,366.7	5,593.3	311.9	309.9	226.5	204.9

1 Profit after tax is after adjusting for the profit after tax attributable to minority interests of A$0.9 million (December 2009: A$1.6 million).
2 The foreign exchange rates applied are A$1 = £0.60 (December 2009: A$1 = £0.54), A$1 = US$0.96 (December 2009: A$1 = US$0.89) and A$1 = S$1.25 (December 2009: A$1 = S$1.25).

The Group's statutory profit after tax for the half year ended 31 December 2010 was A$226.5 million (December 2009: A$204.9 million).

The Group's operating profit after tax increased by 17% to A$220.2 million. Operating profit after tax was negatively impacted by foreign exchange movements of A$10.9 million due to a strengthening of the Australian dollar compared with the prior period.

The Group recognised net property investment revaluations of A$6.3 million after tax (December 2009: A$17.0 million after tax).

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Results Summary

The Group had a successful half year having achieved a number of key trading milestones and progressing its pipeline of development opportunities in Australia, Asia and Europe.

Australia

The Australian business operating profit after tax increased by A$20.5 million to A$136.7 million principally due to higher profit from the development business, reflecting the Group's 100% ownership interest in Lend Lease Primelife for the full period and a profit on the sale of the Group's interest in the Hyatt Coolum development on the Queensland Sunshine Coast. The Australian business continued to progress its development pipeline and achieved a number of milestones during the period:

- Approval was received from the New South Wales (NSW) Government for the Barangaroo South Concept Plan amendment. In addition, a Project Application has been lodged for the first commercial building and approval was received to commence basement and bulk excavation works on the site;
- All conditions precedent were met for the project development agreement with the Royal National Agricultural and Industrial Association of Queensland (RNA) for the A$2.5 billion redevelopment of Queensland's premier showground in Brisbane;
- A development agreement with LandCorp in Western Australia was signed for the A$400 million first stage of the 710 hectare Alkimos Community development;
- Other development highlights include an agreement with Sekisui House Australia Holdings Pty Limited (Sekisui House) involving a number of master planned community projects and apartment developments in Australia. This includes the sale of Hyatt Coolum on the Sunshine Coast, along with 50% of the Group's interest in the adjoining Hyatt Coolum Resort to Sekisui House noted above;
- Subsequent to period end, approval was received for the Concept Plan for the Calderwood master-planned urban community project located in the Illawarra region of NSW. This project will include 4,800 homes, retail, education and community facilities and will be developed over the next 20 years with sales and construction expected to commence during 2011.

Asia

In Asia, profit after tax declined by A$5.7 million to A$15.8 million with lower profit from the Project Management and Construction and Investment Management businesses. During the period the Group finalised the purchase of the Jurong Gateway site, a large mixed use suburban development in Singapore. This was a joint bid between the Group and one of its managed funds, the Asian Retail Investment Fund 3 (ARIF 3).

Europe

The increase in Europe's profit after tax of A$30.6 million to A$94.6 million is primarily due to the sale of the Group's interest in UK PPP assets to the Lend Lease UK Infrastructure Fund (the UKIF). During the period the UKIF was launched with more than £220 million in committed capital available to invest in social infrastructure assets over the next five years. The UKIF purchased established healthcare, education and accommodation PPP assets from the Group and has committed capital to fund the acquisition of future assets currently being delivered by the Group. The Group has a 10% co-investment in the UKIF. The Group also sold its interest in the Pier Walk office building at Greenwich Peninsula and its stake in the Lend Lease Overgate Partnership in the period.

A Conditional Regeneration Agreement was signed with the London Borough of Southwark for the £1.5 billion regeneration of Elephant & Castle. Also, subsequent to period end, all conditions were met in relation to the Conditional Framework Agreement for the second stage of the Stratford City development, which comprises 382,000 square metres (sqm) of commercial development and 300 residential units following the London 2012 Olympic and Paralympic Games. Work on stage one of the project, the Athletes' Village for the Games, has continued to progress well in the period.

Americas

In the America's, profit after tax increased by A$9.9 million in the period to A$28.9 million. While trading conditions in the Project Management and Construction business remain difficult there was a significant improvement in the period, with a reduction in the reported loss in this business to A$3.2 million compared with a A$19.9 million loss in the prior period. The business also substantially reduced its exposure in relation to the World Trade Center litigation following the James Zadroga 9/11 Health and Compensation Act (Zadroga Act) being passed by the United States Congress and signed into law by the US President on 2 January 2011. Importantly, Title II of the Zadroga Act establishes substantial limitations on the liability of certain entities that participated in the rescue, recovery and debris removal following the 11 September 2001 attacks on the World Trade Center. For the Group, liabilities, if any, arising out of the debris removal effort are now limited to available insurance.

The volume of construction projects secured in the period increased reflecting some positive signs that market conditions are stabilising. The Infrastructure Development business was successful in reaching financial close with the US Department of the Army on North Haven Communities in Alaska and being appointed to implement the second phase of the US Department of the Army Privatisation of Army Lodging (PAL) program.

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Corporate

Group Services costs after tax increased by A$11.4 million. These include costs associated with the agreement to acquire Valemus Australia (Valemus) and costs associated with the re-design of the organisation structure and business processes as part of the move to a regional structure from 1 July 2010.

Group Treasury costs increased principally due to the consolidation of Lend Lease Primelife and its associated debt, partly offset by increased interest income on the Group's cash balances.

Other

On 21 December 2010, the Group entered into an agreement with Bilfinger Berger SE to acquire 100% of Valemus, the parent company of Abigroup, Baulderstone and Conneq. The Valemus businesses are leading providers of services in the engineering, construction, and engineering services markets in Australia. The acquisition of Valemus will increase the Group's capabilities and activities in the engineering and construction market and diversify the Group's position in this sector. The acquisition is expected to be completed in the first quarter of the 2011 calendar year.

Shareholder Returns

		December 2010	December 2009
Earnings per security (EPS) on statutory profit after tax[1]	cents	40.0	43.7
EPS on operating profit after tax[1]	cents	38.9	40.1
Return on equity (ROE) on statutory profit after tax[2]	%	6.7	8.2

1 EPS is calculated using the weighted average number of securities on issue, including treasury securities. December 2009 has been adjusted by a factor of 1.02 in respect of new securities issued during March and April 2010 via a 5 for 22 single book build accelerated renounceable entitlement offer at A$7.70 per new security.
2 ROE is calculated as the half year statutory profit after tax divided by the weighted average equity for the period.

Distributions

An interim 50% franked distribution of 20 cents per security will be paid on 30 March 2011 (December 2009: 20 cents per security 100% franked). This represents a payout ratio of 51% of operating profit after tax for the half year ended 31 December 2010.

Group Funding

		December 2010	June 2010
Net debt/(cash)[1]	A$m	29.5	(19.7)
Gross borrowings to total tangible assets[2]	%	14.9	15.1
Net debt to total tangible assets, less cash[3]	%	0.4	Note 3
Interest coverage[4]	times	6.5	6.7

1 Borrowings, including certain other financial liabilities, less cash.
2 Borrowings, including certain other financial liabilities, divided by total tangible assets.
3 Net debt divided by total tangible assets, less cash. This ratio was not relevant in the prior period as the Group was in a net cash position.
4 Operating EBITDA plus interest income divided by interest finance costs, including capitalised finance costs.

The Group had a net debt position as at 31 December 2010 of A$29.5 million, including certain other financial liabilities of A$146.8 million.

Interest coverage for the half year to 31 December 2010 is 6.5 times compared to 6.7 times in the prior period. At 31 December 2010 the Group is in compliance with its banking covenant thresholds.

The Group is in a strong liquidity position with cash and cash equivalents of A$1,439.4 million at 31 December 2010. In addition, the Group had undrawn committed bank facilities of A$571.5 million.

The average maturity of the Group's drawn debt at 31 December 2010 is 4.8 years, with the earliest maturity date being December 2011. As at 31 December 2010, the mix of borrowings, adjusted for interest rate swaps and including other financial liabilities, is 63% at fixed rates and 37% at floating rates.

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Cash Flow

	December 2010 A$m	December 2009 A$m
Net cash (used in)/provided by operating activities	(137.5)	107.3
Net cash provided by/(used in) investing activities	69.0	(263.7)
Net cash (used in)/provided by financing activities	(70.8)	81.2
Effect of foreign exchange rate movements on cash and cash equivalents	(57.2)	(78.1)
Net decrease in cash and cash equivalents	(196.5)	(153.3)

Operating cash outflows of A$137.5 million represent the underlying cash flows from the Group's operating businesses net of continued investment in property developments. Operating cash flows have been impacted by lower revenue and the timing of cash receipts and payments on construction contracts in Australia, the UK and the Americas.

Investing cash flows of A$69.0 million includes inflows of A$301.4 million from the sale of investments, including the Group's interest in UK PPP assets and the Lend Lease Overgate Partnership in the UK. This is partly offset by A$176.8 million of investment, including the Jurong Gateway project in Singapore and investment in PPP assets in Australia and the UK, including the Group's 10% co-investment in the UKIF.

Financing cash outflows of A$70.8 million primarily relate to distribution payments in the period.

Investments

	Lend Lease Share of Income[1] December 2010 A$m	Lend Lease Share of Income[1] December 2009 A$m	Market Value[2] December 2010 A$m	Market Value[2] June 2010 A$m
Australia	10.0	5.8	326.0	328.0
Asia	7.3	6.3	323.7	253.1
Europe	23.3	26.4	808.4	972.1
Americas	16.6	14.3	354.8	410.0
Total	57.2	52.8	1,812.9	1,963.2

1 Represents the Group's share of income before tax from investments, net of direct expenses and allocated overhead. The Group's share of income includes gains on the disposal or redemption of available for sale financial assets and associates accounted for using the equity method and excludes property investment revaluations.
2 Market value is based on independent valuations and is net of project specific debt.

The Group held property investments, directly or indirectly, with a market value of A$1.8 billion as at 31 December 2010. The market value of property investments has been impacted by negative foreign exchange movements of A$209.0 million compared to the prior period.

The increase in value of the Asia investments is primarily due to the Group acquiring an interest in the Jurong Gateway project in Singapore.

The decrease in the Europe assets is primarily due to the sale of the Group's 30.7% interest in the Lend Lease Overgate Partnership and the negative impact of exchange rate movements of A$130.6 million.

The value of 100% of Bluewater at 31 December 2010 increased by 3% to £1,480.4 million (A$2,277.5 million). The value of the Group's 30% direct interest in Australian dollars, however, decreased from A$771.4 million to A$683.3 million, due to negative foreign exchange movements. As Bluewater is held as inventory, the asset is recorded at cost in the financial statements, which at 31 December 2010 was A$389.4 million (June 2010: A$451.9 million).

The value of the Group's 50% interest in King of Prussia at 31 December 2010 was slightly higher than the prior period at US$354.8 million (June 2010: US$348.5 million) due to the Group's share of partnership income, while the Australian dollar equivalent value decreased by 13% to A$354.8 million due to a negative foreign exchange movement.

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Property Investment Revaluations

	Unrealised Revaluation Gain/(Loss) Before Tax December 2010 A$m	Unrealised Revaluation Gain/(Loss) Before Tax December 2009 A$m	Unrealised Revaluation Gain/(Loss) After Tax December 2010 A$m	Unrealised Revaluation Gain/(Loss) After Tax December 2009 A$m
Australia	0.1	(5.1)	0.1	(4.8)
Asia	7.9	40.3	5.5	28.2
Europe	0.8	(0.7)	0.7	(1.5)
Americas		(8.4)		(4.9)
Total Property Investment Revaluations	8.8	26.1	6.3	17.0

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Australia

Key Financial Results

The key financial results for the Australia region are summarised below.

	Revenue		EBITDA		Profit/(Loss) After Tax	
	December 2010 A$m	December 2009 A$m	December 2010 A$m	December 2009 A$m	December 2010 A$m	December 2009 A$m
Development	428.3	270.7	102.9	64.1	79.8	44.0
Project Management and Construction	1,749.5	1,387.3	64.1	89.3	43.5	61.2
Investment Management	45.6	33.6	24.9	18.2	17.2	11.9
Infrastructure Development	0.4	7.3	(5.3)	(0.9)	(3.8)	(0.9)
Total Australia	2,223.8	1,698.9	186.6	170.7	136.7	116.2

Profit after tax for the half year ended 31 December 2010 was A$136.7 million, an increase of A$20.5 million on the prior period. The current period results include the Group's 100% ownership interest of Lend Lease Primelife for the full period, profit from the sale of land and 50% of the Group's interest in the Hyatt Coolum Resort on the Queensland Sunshine Coast, and income from the ING Retail Property Fund assets acquired in April 2010.

Development

Residential and Commercial

Residential and Commercial includes residential land lots; residential built-form (including houses, terraces and apartments); and commercial (including retail, office, hotels, light industrial and social infrastructure). The key financial results by product line are detailed below.

	Residential Land Lots		Residential Built-Form		Commercial[3]		Total	
	December 2010	December 2009	December 2010	December 2009	December 2010	December 2009	December 2010	December 2009
Settlements[1]								
Number of units	1,116	1,175	138	162			1,254	1,337
Gross sales value (A$m)	249.5	222.2	182.6	111.0	152.1	44.2	584.2	377.4
Pre-sales[1,2]								
Number of units	1,413	1,180	457	209			1,870	1,389
Gross sales value (A$m)	308.3	239.1	441.5	216.8	52.8	28.2	802.6	484.1

1 Includes 100% of joint venture projects and therefore will not necessarily correlate with the Group's profit after tax.
2 Pre-sales represents contracts entered into prior to 31 December 2010 that have not settled and therefore do not form part of profit after tax in the current period. These sales are expected to settle in future periods.
3 The number of units settled and pre-sales number of units are not relevant measures for Commercial.

	December 2010	June 2010
Number of projects	34	32
Backlog residential (number of units)[1]		
– Zoned	46,795	38,595
– Unzoned	23,365	33,035
Backlog – Residential (units)	70,160	71,630
Backlog – Commercial (sqm/000s)	3,901.8	3,500.5

1 Backlog residential includes the total number of units in both Company-owned and joint venture projects. The actual number of units for any particular project can vary as planning applications are approved.

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Development

Senior Living

Senior Living includes the development, management and ownership of retirement villages and aged care facilities. The key financial results of the business are detailed below.

	December 2010	December 2009
Number of primary retirement units settled[1,2]	92	99
Gross sales value of primary retirement units settled (A$m)[1,2]	38.7	38.6
Number of resale retirement units settled[1,2]	365	430
Gross sales value of resale retirement units (A$m)[1,2]	114.4	130.4

	December 2010	June 2010
Number of retirement villages[2]	70	70
Number of retirement units[2]	12,416	12,357
Number of aged care facilities[2]	32	32
Number of aged care beds[2]	2,372	2,370
Aged care occupancy (%)[2]	94.4	94.5

	December 2010	June 2010
Development backlog[2]		
– Retirement village units (with planning approval)	1,255	1,310
– Aged care beds (with licences)	179	179

1 The December 2009 comparative has been adjusted to include 100% of Lend Lease Primelife.
2 Includes 100% of managed and joint venture properties and therefore will not necessarily correlate with the Group's profit after tax.

Summary of trading of the Development business in the period:

- The total number of residential land lots settled decreased by 5% to 1,116 units due to lower settlements in South Australia and Queensland caused by a number of projects approaching completion, partly offset by increases in NSW and the Australian Capital Territory (ACT) including the impact of Springbank Rise and Jordan Springs which commenced trading in the period;
- The average sales price per residential land lot increased by 18% from A$189,100 to A$223,600, reflecting strong price growth across all regions and an increased proportion of sales from the higher value NSW and ACT regions;
- Residential built-form unit settlements declined due to the timing of project completion. The prior period included settlements on Rouse Hill and The Merchant building at Victoria Harbour. The current period includes settlements of Sugar Dock at Jacksons Landing;
- The average sales price per residential built-form unit increased from A$685,200 to A$1,323,200, reflecting the significant proportion of high value apartments at Jacksons Landing sold in the current period. The prior period included a large proportion of mid-market value apartments at Rouse Hill and The Merchant in Victoria Harbour;
- The gross sales value of commercial projects of A$152.1 million includes the sale of Hyatt Coolum on the Sunshine Coast, along with 50% of the Group's interest in the adjoining Hyatt Coolum Resort to Sekisui House;
- The number of residential pre-sales increased by 35% on the prior period to 1,870 units. Pre-sales at 31 December 2010 included units at Silk and Antias at Jacksons Landing, and Convesso and Serrata at Victoria Harbour. These projects were under construction as at 31 December 2010;
- Senior Living achieved resales of 365 units across its owned and managed retirement village portfolio. As at 31 December 2010, Senior Living held contracts for 63 resales, which will be recognised in the second half of the financial year;
- Primary retirement unit and resale unit settlements have declined from the prior period primarily due to changes in program delivery;
- The aged care operations were 94.4% occupied at 31 December 2010 (June 2010: 94.5%).

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Australia

Development

Key trading events in the period include:

- The Group signed a development agreement with LandCorp in Western Australia for the first stage of the 710 hectare Alkimos Community development with an estimated end value of A$400 million. Development of the initial 224 hectare stage is expected to commence in 2011;
- The Gawler East project in South Australia was rezoned, adding 2,410 lots and 56,000 sqm of commercial to zoned backlog;
- The Group acquired the freehold title to the Medina Manor aged care facility (which was previously leased to and managed by the Group);
- Development works commenced at the Morpeth retirement village with first sales achieved in December 2010;
- The Queensland Government endorsed the Urban Land Development Authority's (ULDA) declaration to include Yarrabilba as one of three South East Queensland 'model cities'. The endorsement included the identification of an 'Early Release Area' involving the zoning of the first 500 lots in Yarrabilba. This allows the initial development to commence while the ULDA continues to prepare the Development Scheme for the entire site over the next 12 months;
- The Group was selected by the Melton Shire Council as preferred proponent for the Toolern master-planned urban community project in Melton, Victoria. The project will comprise circa 4,500 dwellings with an estimated end value of approximately A$1.2 billion;
- Sekisui House acquired a 50% interest in the 145 apartment development, Serrata, at Victoria Harbour in Melbourne. The Group has retained the remaining 50% interest and will provide development, project management and construction services to the joint venture;
- The NSW Government approved the amended Concept Plan for the A$6 billion Barangaroo South development. The amendment included an increase in floor area from 430,000 sqm to 490,000 sqm. Basement and bulk excavation works have been approved and a project application has been lodged for the first major commercial building on the site;
- The Group signed a conditional project development agreement with the RNA in June 2010 for the A$2.5 billion redevelopment of Queensland's premier showground. In December 2010, all conditions precedent for the project were satisfied. The 15 year regeneration project includes building new showground facilities and the development of up to 340,000 sqm of residential, commercial and retail on 5.5 hectares of the 22 hectare site;
- Subsequent to 31 December 2010 the concept plan for the Calderwood master-planned urban community project was approved by the NSW Government. The Calderwood project is located in the Illawarra region of NSW and the 700 hectare project will feature 4,800 homes with more than 500,000 sqm dedicated to retail, community and education facilities. It will be developed over the next 20 years with sales and construction expected to commence during 2011.

Project Management and Construction

	December 2010	December 2009
Profit after tax (A$m)	43.5	61.2
Gross profit margin (A$m)	97.9	105.1
Profitability ratio (%)	65.5	85.0
New work secured revenue (A$m)	750.3	637.6

	December 2010	June 2010
Backlog revenue (A$m)	3,159.8	4,177.5
Backlog gross profit margin (GPM) (A$m)	164.3	209.9

Key trading events in the period include:

- Profit after tax decreased by A$17.7 million compared to the prior period due to the number of major projects at an early stage of construction impacting the recognition of construction profits in the current period versus the prior period. Key contributors to GPM in Australia include the ANZ Head Office building and new Royal Children's Hospital in Melbourne, 420 George Street and the Darling Quarter development in Sydney and the NSW Building the Education Revolution (BER) program;
- The profitability ratio (EBITDA/GPM) of 65.5% has been impacted by the timing of profit recognition on projects;
- Backlog revenue is the expected revenue to be realised in future financial periods from contracts committed at the end of the period. Australia's backlog revenue includes large government infrastructure projects, such as the Gold Coast University Hospital, Brisbane Supreme Court and District Court, Melbourne's new Royal Children's Hospital, Liverpool Hospital in Sydney, and the government funded schools programs in NSW.

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Investment Management

	December 2010	December 2009
Profit after tax (A$m)	17.2	11.9
	December 2010	June 2010
Funds under management (FUM)[1] (A$bn)	7.6	7.1
Assets under management (AUM)[2] (A$bn)	4.7	5.3

1 FUM represents the gross market value of real estate and other related assets in managed funds and investment mandates of the Group.
2 AUM is based on the Group's assessment of the market value of retail assets on which the Group provides property and asset management services to third-party owners.

Key trading events in the period include:

- Profit after tax increased by A$5.3 million to A$17.2 million, primarily due to higher management fees and rental income from the retail assets acquired from the ING Retail Property Fund, partly offset by a decline in investment income following the sale of a proportion of the Group's interest in APPF in June 2010;
- APPF Commercial (APPFC) raised A$200 million of equity in the period. APPFC will use the equity to pay down debt and fund its development pipeline;
- Practical completion was reached on the 420 George Street development in Sydney, NSW. APPFC has a 25% interest in the development.

Infrastructure Development

Key trading events in the period include:

- The loss result reflects ongoing investment in the business, including costs associated with bidding on new opportunities;
- The Group, as part of the Pinnacle Education Consortium, had completed four schools of the South Australian New Schools PPP project at 31 December 2010. The consortium is contracted to build and maintain six schools in Adelaide. The Group holds a 50% equity interest in the project and provides financial advisory, transaction management and asset management services to the consortium.

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Asia

Key Financial Results

The key financial results for the Asia region are summarised below.

	Revenue		EBITDA		Profit/(Loss) After Tax	
	December 2010 A$m	December 2009 A$m	December 2010 A$m	December 2009 A$m	December 2010 A$m	December 2009 A$m
Development	2.3	2.8	(0.2)	0.6	(0.2)	0.5
Project Management and Construction	154.7	238.8	17.0	15.3	10.7	12.5
Investment Management	9.1	9.6	4.9	8.9	5.3	8.5
Total Asia	166.1	251.2	21.7	24.8	15.8	21.5

Profit after tax was A$15.8 million, a decrease of A$5.7 million on the prior period due to the prior period result including a final distribution from Asia Pacific Investment Company No. 1 Limited and due to reduced profit in the Project Management and Construction business.

Development

	December 2010	June 2010
Number of development projects	2	2
Backlog – Commercial/Retail (sqm/000s)	144.0	144.0

The Development loss after tax of A$0.2 million for the period is due to costs associated with the Jurong Gateway project in Singapore and Setia City Mall project in Malaysia, which are in the early stages of development. During the period the Group finalised the purchase of the Jurong Gateway site, a large mixed-use suburban development in Singapore. This was a joint bid between the Group and one of its managed funds, the Asian Retail Investment Fund 3 (ARIF 3).

Project Management and Construction

	December 2010	December 2009
Profit after tax (A$m)	10.7	12.5
Gross profit margin (A$m)	30.1	26.6
Profitability ratio (%)	56.5	57.5
New work secured revenue (A$m)	412.0	156.8
	December 2010	**June 2010**
Backlog revenue (A$m)[1]	546.1	289.9
Backlog GPM (A$m)[1]	31.4	34.9

1 Although backlog revenue and GPM are realised over several years, the average foreign exchange rate for the current period has been applied to the closing backlog revenue and GPM balances in their entirety as the average rates for later years cannot be predicted.

Key trading events in the period include:

- Profit after tax of A$10.7 million decreased by A$1.8 million compared with the prior period. Key contributions to GPM in Asia included telecommunications rollouts across Japan, REC solar panel plant and Alcon ophthalmic pharmaceutical plant in Singapore and Corning Display Technologies Taiwan;
- The increase in new work secured revenue included securing the Corning Display Technologies LCD glass manufacturing facility project in Taiwan;
- Backlog revenue at 31 December 2010 includes telecommunications rollout projects in Japan, Stamford American International School in Singapore, Corning Display Technologies in Taiwan, and KL Eco City and Setia City Mall in Malaysia.

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Investment Management

	December 2010	December 2009
Profit after tax (A$m)	5.3	8.5
	December 2010	**June 2010**
Funds under management (FUM)[1] (A$bn)	2.0	1.6
Assets under management (AUM)[2] (A$bn)	1.8	1.8

1 FUM represents the gross market value of real estate and other related assets managed on behalf of investors.
2 Assets under management represent the Group's assessment of the value of the underlying assets.

Key events in the period include:

- Profit after tax decreased from A$8.5 million at December 2009 to A$5.3 million at December 2010, primarily due to the prior period result including a final distribution from Asia Pacific Investment Company No. 1 Limited;
- Asia FUM increased by A$0.4 billion, primarily as a result of the launch of ARIF 3 following the securing of the Jurong Gateway project in Singapore.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

Europe

Key Financial Results

The key financial results for the Europe region are summarised below.

	Revenue		EBITDA		Profit/(Loss) After Tax	
	December 2010 A$m	December 2009 A$m	December 2010 A$m	December 2009 A$m	December 2010 A$m	December 2009 A$m
Development	12.7	97.1	5.6	36.1	4.8	24.5
Project Management and Construction	747.8	1,243.2	11.2	15.8	4.4	2.1
Investment Management	34.3	34.9	26.3	24.8	27.1	14.2
Infrastructure Development	56.9	56.0	54.1	18.1	58.3	23.2
Total Europe	851.7	1,431.2	97.2	94.8	94.6	64.0

Profit after tax was A$94.6 million, an increase of A$30.6 million on the prior period. Profit after tax for the period was negatively impacted by foreign exchange movements of A$8.9 million. The increase in profit is primarily due to sale of the Group's interest in UK PPP assets to the Lend Lease UK Infrastructure Fund (the UKIF).

Development

	December 2010	December 2009
Profit after tax	4.8	24.5
Number of units settled[1]	53	469
Gross sales value of units settled (A$m)[1,2]	10.0	83.9
Number of pre-sales[1]	228	264
Gross sales value of pre-sales (A$m) [1,3]	10.8	17.0
	December 2010	June 2010
Number of projects	22	24
Backlog (number of units)[4]		
– Zoned (with planning approval)	12,413	12,165
– Unzoned (awaiting planning approvals)	2,783	260
Backlog – Residential (units)	15,196	12,425
Backlog – Commercial (sqm/000s)	777.8	384.0

1 Includes 100% of joint venture projects and therefore will not necessarily correlate with the Group's profit after tax.
2 Gross sales value of units settled reflects residential and non-residential revenue from projects.
3 Pre-sales represent contracts entered into prior to 31 December 2010 that have not settled and therefore do not form part of profit after tax in the current period. These sales are expected to settle in future periods.
4 Backlog includes the total number of units in both Company-owned and joint venture projects. The actual number of units for any particular project can vary as planning approvals are obtained.

Key trading events in the period include:

- Profit after tax decreased to A$4.8 million in this period. The December 2009 result included the profit on sale of the Group's investment in Meridian Delta Dome Limited and higher profits from Crosby Lend Lease;
- Settlements relate to the sale of remaining inventory in Crosby Lend Lease. The Group has 21 completed units left to sell;
- The Group signed a Conditional Regeneration Agreement with the London Borough of Southwark for the regeneration of Elephant and Castle comprising more than 300,000 sqm of new build, mixed-use development together with major infrastructure improvements and a range of enhanced community facilities;
- The Group sold its ownership interest in the Pier Walk office building at Greenwich Peninsula;
- A Conditional Framework Agreement was signed between the Group and London Continental Railways for the second stage of the Stratford City development, comprising four million square feet of commercial development and 300 residential units. All conditions were met subsequent to period end in January 2011.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

Europe

Project Management and Construction

	December 2010	December 2009
Profit after tax (A$m)	4.4	2.1
Gross profit margin (A$m)	54.2	84.5
Profitability ratio (%)	20.7	18.7
New work secured revenue (A$m)	764.5	540.0

	December 2010	June 2010
Backlog revenue (A$m)[1]	1,381.7	1,473.9
Backlog GPM (A$m)[1]	120.0	126.8

1 Although backlog revenue and GPM are realised over several years, the average foreign exchange rate for the current period has been applied to the closing backlog revenue and GPM balances in their entirety as the average rates for later years cannot be predicted.

Key trading events in the period include:

- Trading conditions remained challenging across both the UK and Continental Europe. Key contributions to gross profit margin included the Athletes' Village project for the 2012 Olympic and Paralympic Games in London, the new BBC broadcasting centre, UK Ministry of defence projects and the BP Global Alliance project across Europe;
- New work secured revenue increased to A$764.5 million and includes Regent's Place – North East Quadrant in London and the Scottish National Arena in Glasgow;
- The profitability ratio (EBITDA/GPM) improved by 2.0% to 20.7% in the period, reflecting a reduction in the cost base of the business in response to declining volumes.

Investment Management

	December 2010	December 2009
Profit after tax (A$m)	27.1	14.2

	December 2010	June 2010
Funds under management (FUM)[1] (A$bn)	1.1	1.4
Assets under management (AUM)[2] (A$bn)	2.9	3.5

1 FUM represents the gross market value of real estate and other related assets managed on behalf of investors.
2 Assets under management represent the Group's assessment of the value of the underlying assets.

Key trading events in the period include:

- Profit after tax increased by A$12.9 million to A$27.1 million and includes a profit on sale of the Group's interest in the Lend Lease Overgate Partnership. The Lend Lease Overgate Partnership was sold in December 2010, with the Group realising £42.9 million for its 30.7% stake in the partnership;
- The Group launched the UKIF with more than £220 million in committed capital available to invest in social infrastructure assets over the next five years. The UKIF, a Limited Partnership with an anticipated life of 28 years, purchased established healthcare, education and accommodation PPP assets from the Group for £75.6 million, with a further deferred consideration of approximately £30.0 million due on transfer of further Group PPP assets still under construction and commissioning. The Group has a 10% co-investment in the UKIF;
- The Lend Lease Retail Partnership (LLRP) was extended for seven years until November 2017. LLRP is a close-ended unlisted wholesale limited Partnership in the UK that owns 25% of Bluewater in Kent and 100% of Touchwood shopping centre in Solihull. In addition to extending the life of LLRP, LLRP now has the potential to undertake selective acquisitions over the coming 18 months. The Group provides development and asset and property management services to LLRP.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

Europe

Infrastructure Development

	December 2010	December 2009
Profit after tax (A$m)	58.3	23.2
Gross profit margin (A$m)[1]	3.5	6.6
Equity returns (A$m)[2]	108.4	33.3
	December 2010	June 2010
Number of projects[3]	18	19
Invested equity (A$m)	78.3	147.3
Committed equity (A$m)	45.5	52.1
Backlog revenue (A$m)[4]	775.0	755.0
Backlog GPM (A$m)[4]	67.7	68.8

1 Gross profit margin relates to asset and facilities management services provided.
2 Including loan stock interest and the profit before tax from the sale of the Group's interest in PPP assets to the UKIF and the sale of the Group's interest in the Queen Mary's Hospital, Roehampton. December 2009 included the profit after tax on the sale of the Group's interest in the Queen's Hospital, Romford.
3 Number of projects includes projects where the Group is preferred bidder and combines extensions of existing projects.
4 Backlog revenue and GPM disclosed includes a maximum of 10 years backlog from facilities management even though PPP contracts run for periods of up to 40 years.

Key trading events in the period include:

– Sale of the Group's interest in operational healthcare, education and accommodation PPP assets in the UK to the UKIF for a consideration of £75.6 million, with deferred consideration of approximately £30.0 million due on transfer of further PPP assets still under construction and commissioning;
– Sale of the Group's 50% interest in Queen Mary's Hospital, Roehampton.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

Americas

Key Financial Results

The key financial results for the Americas region are summarised below.

	Revenue		EBITDA		Profit/(Loss) After Tax	
	December 2010 A$m	December 2009 A$m	December 2010 A$m	December 2009 A$m	December 2010 A$m	December 2009 A$m
Development			(0.9)	0.3	(0.5)	0.1
Project Management and Construction	750.4	1,659.7	(3.7)	(29.8)	(3.2)	(19.9)
Investment Management	0.3		15.9	15.0	12.4	11.6
Infrastructure Development	337.3	526.0	33.5	37.9	20.2	27.2
Total Americas	1,088.0	2,185.7	44.8	23.4	28.9	19.0

Profit after tax was A$28.9 million, an increase of A$9.9 million on the prior period. Profit after tax for the period was negatively impacted by foreign exchange movements of A$2.0 million.

Development

The Development business focuses on large scale urban greenfield development and regeneration opportunities. The business has one project, Horizon Uptown in Denver, Colorado. The project will be launched when market conditions allow. The business incurred a loss after tax of A$0.5 million in the period.

The key financial results for are detailed below.

	December 2010	June 2010
Backlog – Zoned residential (number of units)[1]	3,860	3,855
Backlog – Commercial (sqm/000s)[1]	371.4	841.3

1 The actual number of backlog units for any particular project can vary as planning approvals are obtained.

Project Management and Construction

	December 2010	December 2009
Loss after tax (A$m)	(3.2)	(19.9)
Gross profit margin (A$m)	36.2	46.3
Profitability ratio (%)	(10.2)	(64.4)
New work secured revenue (A$m)	938.8	256.3

	December 2010	June 2010
Backlog revenue (A$m)[1]	1,468.5	1,183.7
Backlog GPM (A$m)[1]	66.0	60.5

1 Although Backlog revenue and GPM are realised over several years, the average foreign exchange rate for the current period has been applied to the closing Backlog revenue and GPM balances in their entirety as the average rates for later years cannot be predicted.

Key trading events in the period include:

- While trading conditions in the Project Management and Construction business remain difficult there was a significant improvement in the period with a reduction in the reported loss to A$3.2 million compared to a A$19.9 million loss in the prior period;
- The loss after tax includes a charge of US$5.0 million before tax in relation to the settlement with the New York City Department of Investigation in relation to its investigation into billing practices in New York;
- The volume of construction projects secured in the period increased, reflecting some positive signs that market conditions are stabilising;
- The business also substantially reduced its exposure in relation to the World Trade Center litigation following the James Zadroga 9/11 Health and Compensation Act (Zadroga Act) being passed by the United States Congress and signed into law by the US President on 2 January 2011. Importantly, Title II of the Zadroga Act establishes substantial limitations on the liability of certain entities that participated in the rescue, recovery and debris removal following the 11 September 2001 attacks on the World Trade Center. For Bovis Lend Lease, any liabilities arising out of the debris removal effort are now limited to available insurance.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

Americas

Investment Management

The business has a 50% ownership interest in the partnership that owns the King of Prussia Mall in Pennsylvania. The Group's share of operating income in US dollar terms increased from US$12.9 million to US$15.9 million in the current period to 31 December 2010. Profit after tax in Australian dollars was impacted by a negative foreign exchange movement in the current period.

The value of the Group's 50% interest in King of Prussia at 31 December 2010 was slightly higher than the prior period at US$354.8 million (June 2010: US$348.5 million) due to the Group's share of partnership income, while the Australian dollar equivalent value decreased by 13% due to a negative foreign exchange movement.

Infrastructure Development

The key financial results for Infrastructure Development are detailed below.

	December 2010	December 2009
Profit after tax (A$m)	20.2	27.2
Gross profit margin (A$m)[1]	47.6	48.7
Equity returns (A$m)	2.0	1.5
New work secured revenue (A$m)	317.7	73.0
	December 2010	**June 2010**
Number of projects[2]	22	20
Invested equity (A$m)	61.3	61.3
Committed equity (A$m)	52.5	50.5
Backlog revenue[3]	2,071.5	2,210.1
Backlog GPM[3]	342.9	364.5
Backlog (number of units under management)		
– Operational (secured)	43,935	41,700
– Preferred bidder (awarded)	5,350	2,350
Total Backlog	49,285	44,050

1 Gross profit margin relates to development, construction and asset management services provided.
2 Number of projects includes extensions of existing projects and projects where the Group is the preferred bidder.
3 Backlog disclosed includes 10 years backlog from facilities management, even though the contracts run for up to 50 years. Although backlog is realised over several years, the average foreign exchange rate for the current period has been applied to the closing backlog balance in its entirety as the average rates for later years cannot be predicted. In local currency the backlog revenue is US$1,988.6 million (June 2010: US$1,989.1 million) and the backlog GPM is US$329.2 million (June 2010: US$328.0 million).

Key trading events in the period include:

- Reaching financial close with the US Department of the Army on North Haven Communities in Alaska. North Haven involves the development of family housing at two Army installations, Fort Wainwright and Fort Greely. The project has an initial development budget of US$377 million over the first seven years of the project;
- Being appointed to implement the second phase (Group B) of the US Department of the Army Privatisation of Army Lodging (PAL) program, which has a project value of US$350 million. The Group is to also undertake additional work on the previously awarded, first phase program, Group A, which has a project value of US$250 million;
- Profit after tax for the period includes costs incurred in bidding for Infrastructure Development opportunities in Canada.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

Corporate

Key Financial Results

The key financial results for Corporate are summarised below.

	Revenue		EBITDA		Profit/(Loss) After Tax	
	December 2010 A$m	December 2009 A$m	December 2010 A$m	December 2009 A$m	December 2010 A$m	December 2009 A$m
Group Services	6.3	7.5	(44.4)	(31.9)	(36.0)	(24.6)
Group Treasury	30.8	18.8	(2.8)	2.0	(18.3)	(5.9)
Group Amortisation					(1.5)	(2.3)
Total Corporate	37.1	26.3	(47.2)	(29.9)	(55.8)	(32.8)

Group Services

Group Services costs after tax increased by A$11.4 million and include costs associated with the agreement to acquire Valemus Australia and costs associated with the re-design of the organisation structure and business processes as part of the move to a regional management structure from 1 July 2010.

Group Treasury

Group Treasury manages the Group's liquidity, foreign exchange exposures, interest rate risk and debt. The result for the period is detailed in the table below.

	Profit/(Loss) Before Tax		Profit/(Loss) After Tax	
	December 2010 A$m	December 2009 A$m	December 2010 A$m	December 2009 A$m
Interest revenue	30.8	18.8	22.2	12.9
Interest expense and borrowing costs	(56.7)	(31.5)	(37.8)	(20.2)
Net hedge benefit/(cost)	(2.8)	2.0	(2.7)	1.4
Total Group Treasury	(28.7)	(10.7)	(18.3)	(5.9)

Interest Revenue and Expenses

- Interest revenue before tax increased by A$12.0 million this period due to a combination of higher average cash balances and higher average interest rates on invested cash. The interest rate on invested cash averaged 4.4% per annum for the period (December 2009: 2.2%);
- Interest expense and borrowing costs before tax increased by A$25.2 million compared with the prior period due to the consolidation of Lend Lease Primelife and its associated debt.

Hedging and Foreign Exchange Exposure

- The Group hedges material foreign currency cash flows. Any foreign exchange gains or losses arising on the underlying cash flow or the hedging of business unit cash flows are allocated to the business unit's operating profit;
- The Group uses natural hedging, where possible, to minimise its exposure to movement in foreign currency denominated net assets. The impact of foreign exchange movements on the Group's net assets is accounted for in the Foreign Currency Translation Reserve (FCTR). In the period, the FCTR decreased by A$109.2 million, primarily due to a strengthening of the Australian dollar.

Group Liquidity

- At 31 December 2010, the Group was in a strong liquidity position, with cash and cash equivalents of A$1,439.4 million and undrawn committed bank facilities of A$571.5 million. The Group's net debt position as at 31 December 2010 was A$29.5 million, including certain other financial liabilities of A$146.8 million.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

Appendix 1

Operating Results by Region Detail

	Revenue		EBITDA		Profit/(Loss) Before Tax[1]		Profit/(Loss) After Tax[2]	
	December 2010 A$m	December 2009 A$m	December 2010 A$m	December 2009 A$m	December 2010 A$m	December 2009 A$m	December 2010 A$m	December 2009 A$m
Australia								
Development	428.3	270.7	102.9	64.1	98.0	64.1	79.8	44.0
Project Management and Construction	1,749.5	1,387.3	64.1	89.3	62.5	88.1	43.5	61.2
Investment Management	45.6	33.6	24.9	18.2	24.4	17.4	17.2	11.9
Infrastructure Development	0.4	7.3	(5.3)	(0.9)	(5.4)	(1.0)	(3.8)	(0.9)
Total Australia	2,223.8	1,698.9	186.6	170.7	179.5	168.6	136.7	116.2
Asia								
Development	2.3	2.8	(0.2)	0.6	(0.2)	0.6	(0.2)	0.5
Project Management and Construction	154.7	238.8	17.0	15.3	16.9	15.2	10.7	12.5
Investment Management	9.1	9.6	4.9	8.9	4.9	8.9	5.3	8.5
Total Asia	166.1	251.2	21.7	24.8	21.6	24.7	15.8	21.5
Europe								
Development	12.7	97.1	5.6	36.1	4.3	34.0	4.8	24.5
Project Management and Construction	747.8	1,243.2	11.2	15.8	8.4	12.8	4.4	2.1
Investment Management	34.3	34.9	26.3	24.8	26.3	23.3	27.1	14.2
Infrastructure Development	56.9	56.0	54.1	18.1	61.9	23.9	58.3	23.2
Total Europe	851.7	1,431.2	97.2	94.8	100.9	94.0	94.6	64.0
Americas								
Development			(0.9)	0.3	(0.9)	0.2	(0.5)	0.1
Project Management and Construction	750.4	1,659.7	(3.7)	(29.8)	(5.0)	(31.5)	(3.2)	(19.9)
Investment Management	0.3		15.9	15.0	15.9	15.0	12.4	11.6
Infrastructure Development	337.3	526.0	33.5	37.9	34.4	38.7	20.2	27.2
Total Americas	1,088.0	2,185.7	44.8	23.4	44.4	22.4	28.9	19.0
Total operating businesses	4,329.6	5,567.0	350.3	313.7	346.4	309.7	276.0	220.7
Corporate								
Group Services	6.3	7.5	(44.4)	(31.9)	(46.2)	(33.5)	(36.0)	(24.6)
Group Treasury	30.8	18.8	(2.8)	2.0	(28.7)	(10.7)	(18.3)	(5.9)
Group Amortisation					(1.5)	(2.3)	(1.5)	(2.3)
Total Corporate	37.1	26.3	(47.2)	(29.9)	(76.4)	(46.5)	(55.8)	(32.8)
Total Operating	4,366.7	5,593.3	303.1	283.8	270.0	263.2	220.2	187.9
Property investment revaluations			8.8	26.1	8.8	26.1	6.3	17.0
Total Statutory	4,366.7	5,593.3	311.9	309.9	278.8	289.3	226.5	204.9

1 Profit before tax is before adjusting for the amount attributable to minority interests.
2 Profit after tax is after adjusting for the profit after tax attributable to minority interests of A$0.9 million (December 2009: A$1.6 million).

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

Appendix 2

Operating Results by Line of Business Detail

	Revenue		EBITDA		Profit/(Loss) Before Tax[1]		Profit/(Loss) After Tax[2]	
	December 2010 A$m	December 2009 A$m	December 2010 A$m	December 2009 A$m	December 2010 A$m	December 2009 A$m	December 2010 A$m	December 2009 A$m
Development								
Australia	428.3	270.7	102.9	64.1	98.0	64.1	79.8	44.0
Asia	2.3	2.8	(0.2)	0.6	(0.2)	0.6	(0.2)	0.5
Europe	12.7	97.1	5.6	36.1	4.3	34.0	4.8	24.5
Americas			(0.9)	0.3	(0.9)	0.2	(0.5)	0.1
Total Development	443.3	370.6	107.4	101.1	101.2	98.9	83.9	69.1
Project Management and Construction								
Australia	1,749.5	1,387.3	64.1	89.3	62.5	88.1	43.5	61.2
Asia	154.7	238.8	17.0	15.3	16.9	15.2	10.7	12.5
Europe	747.8	1,243.2	11.2	15.8	8.4	12.8	4.4	2.1
Americas	750.4	1,659.7	(3.7)	(29.8)	(5.0)	(31.5)	(3.2)	(19.9)
Total Project Management and Construction	3,402.4	4,529.0	88.6	90.6	82.8	84.6	55.4	55.9
Investment Management								
Australia	45.6	33.6	24.9	18.2	24.4	17.4	17.2	11.9
Asia	9.1	9.6	4.9	8.9	4.9	8.9	5.3	8.5
Europe	34.3	34.9	26.3	24.8	26.3	23.3	27.1	14.2
Americas	0.3		15.9	15.0	15.9	15.0	12.4	11.6
Total Investment Management	89.3	78.1	72.0	66.9	71.5	64.6	62.0	46.2
Infrastructure Development								
Australia	0.4	7.3	(5.3)	(0.9)	(5.4)	(1.0)	(3.8)	(0.9)
Europe	56.9	56.0	54.1	18.1	61.9	23.9	58.3	23.2
Americas	337.3	526.0	33.5	37.9	34.4	38.7	20.2	27.2
Total Infrastructure Development	394.6	589.3	82.3	55.1	90.9	61.6	74.7	49.5
Total Operating Businesses	4,329.6	5,567.0	350.3	313.7	346.4	309.7	276.0	220.7
Corporate								
Group Services	6.3	7.5	(44.4)	(31.9)	(46.2)	(33.5)	(36.0)	(24.6)
Group Treasury	30.8	18.8	(2.8)	2.0	(28.7)	(10.7)	(18.3)	(5.9)
Group Amortisation					(1.5)	(2.3)	(1.5)	(2.3)
Total Corporate	37.1	26.3	(47.2)	(29.9)	(76.4)	(46.5)	(55.8)	(32.8)
Total Operating	4,366.7	5,593.3	303.1	283.8	270.0	263.2	220.2	187.9
Property investment revaluations			8.8	26.1	8.8	26.1	6.3	17.0
Total Group	4,366.7	5,593.3	311.9	309.9	278.8	289.3	226.5	204.9

1 Profit before tax is before adjusting for the amount attributable to minority interests.
2 Profit after tax is after adjusting for the profit after tax attributable to minority interests of A$0.9 million (December 2009: A$1.6 million).

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

Appendix 3

Operating Results by Region Detail in Local Currency[1]

	Revenue		EBITDA		Profit/(Loss) Before Tax[2]		Profit/(Loss) After Tax[3]	
	December 2010 A$m	December 2009 A$m	December 2010 A$m	December 2009 A$m	December 2010 A$m	December 2009 A$m	December 2010 A$m	December 2009 A$m
Australia								
Development	428.3	270.7	102.9	64.1	98.0	64.1	79.8	44.0
Project Management and Construction	1,749.5	1,387.3	64.1	89.3	62.5	88.1	43.5	61.2
Investment Management	45.6	33.6	24.9	18.2	24.4	17.4	17.2	11.9
Infrastructure Development	0.4	7.3	(5.3)	(0.9)	(5.4)	(1.0)	(3.8)	(0.9)
Group Services and Amortisation	6.3	7.5	(44.4)	(31.9)	(47.7)	(35.8)	(37.5)	(26.9)
Group Treasury	27.6	15.5	(2.5)	1.8		16.3	0.7	12.2
Total Australia	2,257.7	1,721.9	139.7	140.6	131.8	149.1	99.9	101.5

	Revenue		EBITDA		Profit/(Loss) Before Tax[2]		Profit/(Loss) After Tax[3]	
	December 2010 A$m	December 2009 A$m	December 2010 A$m	December 2009 A$m	December 2010 A$m	December 2009 A$m	December 2010 A$m	December 2009 A$m
Asia								
Development	2.3	2.8	(0.2)	0.6	(0.2)	0.6	(0.2)	0.5
Project Management and Construction	154.7	238.8	17.0	15.3	16.9	15.2	10.7	12.5
Investment Management	9.1	9.6	4.9	8.9	4.9	8.9	5.3	8.5
Group Treasury	0.2	0.3			0.2	0.3	0.1	0.3
Total Asia	166.3	251.5	21.7	24.8	21.8	25.0	15.9	21.8

	Revenue		EBITDA		Profit/(Loss) Before Tax[2]		Profit/(Loss) After Tax[3]	
	December 2010 £m	December 2009 £m	December 2010 £m	December 2009 £m	December 2010 £m	December 2009 £m	December 2010 £m	December 2009 £m
Europe								
Development	7.6	52.4	3.4	19.5	2.6	18.3	2.9	13.1
Project Management and Construction	448.7	671.3	6.7	8.5	5.0	6.9	2.6	1.1
Investment Management	20.6	18.8	15.8	13.4	15.8	12.6	16.3	7.7
Infrastructure Development	34.1	30.2	32.5	9.8	37.1	12.9	35.0	12.5
Group Treasury	0.1	0.5	(0.4)	0.1	(13.6)	(10.8)	(9.9)	(7.5)
Total Great British Pounds	511.1	773.2	58.0	51.3	46.9	39.9	46.9	26.9
Total Australian Dollars[4]	851.9	1,431.9	96.7	95.0	78.1	73.9	78.2	49.8

	Revenue		EBITDA		Profit/(Loss) Before Tax[2]		Profit/(Loss) After Tax[3]	
	December 2010 US$m	December 2009 US$m	December 2010 US$m	December 2009 US$m	December 2010 US$m	December 2009 US$m	December 2010 US$m	December 2009 US$m
Americas								
Development			(0.9)	0.3	(0.9)	0.2	(0.5)	0.1
Project Management and Construction	720.4	1,477.1	(3.6)	(26.5)	(4.8)	(28.0)	(3.1)	(17.7)
Investment Management	0.3		15.3	13.3	15.3	13.4	11.9	10.3
Infrastructure Development	323.8	468.1	32.2	33.7	33.0	34.4	19.4	24.2
Group Treasury	2.7	2.1	0.2		(5.8)	(6.5)	(2.5)	(3.7)
Total US Dollars	1,047.2	1,947.3	43.2	20.8	36.8	13.5	25.2	13.2
Total Australian Dollars[4]	1,090.8	2,188.0	45.0	23.4	38.3	15.2	26.2	14.8

1 Local currency results exclude foreign exchange movements other than Great British Pounds and US Dollars.
2 Profit before tax is before adjusting for the amount attributable to minority interests.
3 Profit after tax is after adjusting for the profit after tax attributable to minority interests of A$0.9 million (December 2009: A$1.6 million profit).
4 The foreign exchange rates applied are A$1 = £0.60 (December 2009: A$1 = £0.54, A$1 = US$0.96 (December 2009: A$1 = US$0.89) and A$1 = S$1.25 (December 2009: A$1 = S$1.25).

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

Appendix 4

Change in Reporting Structure – December 2009 Comparatives

		Revenue			EBITDA			Profit/(Loss) Before Tax[2]			Profit/(Loss) After Tax[3]		
	Footnote	Published December 2009 A$m	Reallocation A$m	Revised December 2009 A$m	Published December 2009 A$m	Reallocation A$m	Revised December 2009 A$m	Published December 2009 A$m	Reallocation A$m	Revised December 2009 A$m	Published December 2009 A$m	Reallocation A$m	Revised December 2009 A$m
Australia[1]													
Development[4]	5,6	267.2	3.5	270.7	63.2	0.9	64.1	63.2	0.9	64.1	43.3	0.7	44.0
Project Management and Construction		1,387.3		1,387.3	89.3		89.3	88.1		88.1	61.2		61.2
Investment Management	7	22.5	11.1	33.6	11.3	6.9	18.2	10.7	6.7	17.4	7.3	4.6	11.9
Retail	6,7	14.6	(14.6)		7.8	(7.8)		7.6	(7.6)		5.3	(5.3)	
Infrastructure Development[4]		7.3		7.3	(0.9)		(0.9)	(1.0)		(1.0)	(0.9)		(0.9)
Total Australia		1,698.9	-	1,698.9	170.7	-	170.7	168.6	-	168.6	116.2	-	116.2
Asia[1]													
Development[4]	6		2.8	2.8		0.6	0.6		0.6	0.6		0.5	0.5
Project Management and Construction		238.8		238.8	15.3		15.3	15.2		15.2	12.5		12.5
Investment Management	7	3.3	6.3	9.6	6.0	2.9	8.9	6.0	2.9	8.9	5.9	2.6	8.5
Retail	6,7	9.1	(9.1)		3.5	(3.5)		3.5	(3.5)		3.1	(3.1)	
Total Asia		251.2	-	251.2	24.8	-	24.8	24.7	-	24.7	21.5	-	21.5
Europe													
Development[4]	6	96.2	0.9	97.1	40.8	(4.7)	36.1	39.5	(5.5)	34.0	28.0	(3.5)	24.5
Project Management and Construction		1,243.2	`	1,243.2	15.8		15.8	12.8		12.8	2.1		2.1
Investment Management	7	2.1	32.8	34.9	0.3	24.5	24.8	(0.5)	23.8	23.3	(1.4)	15.6	14.2
Retail	6,7	33.7	(33.7)		19.8	(19.8)		18.3	(18.3)		12.1	(12.1)	
Infrastructure Development[4]		56.0		56.0	18.1		18.1	23.9		23.9	23.2		23.2
Total Europe		1,431.2	-	1,431.2	94.8	-	94.8	94.0	-	94.0	64.0	-	64.0
Americas													
Development[4]					0.3		0.3	0.2		0.2	0.1		0.1
Project Management and Construction		1,659.7		1,659.7	(29.8)		(29.8)	(31.5)		(31.5)	(19.9)		(19.9)
Investment Management	7				0.9	14.1	15.0	0.9	14.1	15.0	0.6	11.0	11.6
Retail	7				14.1	(14.1)		14.1	(14.1)		11.0	(11.0)	
Infrastructure Development[4]		526.0		526.0	37.9		37.9	38.7		38.7	27.2		27.2
Total Americas		2,185.7	-	2,185.7	23.4	-	23.4	22.4	-	22.4	19.0	-	19.0
Total Operating Businesses		5,567.0	-	5,567.0	313.7	-	313.7	309.7	-	309.7	220.7	-	220.7
Total Corporate		26.3	-	26.3	(29.9)	-	(29.9)	(46.5)	-	(46.5)	(32.8)	-	(32.8)
Total Operating		5,593.3	-	5,593.3	283.8	-	283.8	263.2	-	263.2	187.9	-	187.9
Property Investment Revaluations	8				26.1		26.1	26.1		26.1	17.0		17.0
Total Statutory		5,593.3	-	5,593.3	309.9	-	309.9	289.3	-	289.3	204.9	-	204.9

Note: Footnote references included on page 23.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

Appendix 4

Change in Reporting Structure – June 2010 Comparatives

		Revenue			EBITDA			Profit/(Loss) Before Tax[2]			Profit/(Loss) After Tax[3]		
	Footnote	Published June 2010 A$m	Reallocation A$m	Revised June 2010 A$m	Published June 2010 A$m	Reallocation A$m	Revised June 2010 A$m	Published June 2010 A$m	Reallocation A$m	Revised June 2010 A$m	Published June 2010 A$m	Reallocation A$m	Revised June 2010 A$m
Australia[1]													
Development[4]	5,6	610.3	7.1	617.4	132.7	1.2	133.9	121.1	1.2	122.3	122.1	0.8	122.9
Project Management and Construction		3,033.1		3,033.1	136.4		136.4	133.7		133.7	87.1		87.1
Investment Management	7	48.1	24.4	72.5	51.3	11.2	62.5	50.2	11.0	61.2	35.5	7.8	43.3
Retail	6,7	31.5	(31.5)		12.4	(12.4)		12.2	(12.2)		8.6	(8.6)	
Infrastructure Development[4]		7.3		7.3	(9.1)		(9.1)	(9.1)		(9.1)	(6.4)		(6.4)
Total Australia		3,730.3	-	3,730.3	323.7	-	323.7	308.1	-	308.1	246.9	-	246.9
Asia[1]													
Development[4]	6		2.7	2.7		(0.4)	(0.4)		(0.4)	(0.4)		(0.4)	(0.4)
Project Management and Construction		403.4		403.4	25.2		25.2	25.0		25.0	18.3		18.3
Investment Management	7	8.6	9.2	17.8	10.7	5.5	16.2	10.7	5.5	16.2	10.2	5.1	15.3
Retail	6,7	11.9	(11.9)		5.1	(5.1)		5.1	(5.1)		4.7	(4.7)	
Total Asia		423.9	-	423.9	41.0	-	41.0	40.8	-	40.8	33.2	-	33.2
Europe													
Development[4]	6	123.6	0.9	124.5	47.9	(4.0)	43.9	46.2	(4.7)	41.5	42.5	(1.0)	41.5
Project Management and Construction		2,167.2		2,167.2	50.4		50.4	44.6		44.6	25.8		25.8
Investment Management	7	16.4	63.2	79.6	13.3	58.3	71.6	12.6	57.6	70.2	4.7	36.4	41.1
Retail	6,7	64.1	(64.1)		54.3	(54.3)		52.9	(52.9)		35.4	(35.4)	
Infrastructure Development[4]		126.7		126.7	1.0		1.0	13.9		13.9	10.2		10.2
Total Europe		2,498.0	-	2,498.0	166.9	-	166.9	170.2	-	170.2	118.6	-	118.6
Americas													
Development[4]					0.2		0.2	0.1		0.1	0.1		0.1
Project Management and Construction		2,927.1		2,927.1	(66.7)		(66.7)	(71.0)		(71.0)	(45.0)		(45.0)
Investment Management	7	0.1		0.1	2.9	27.2	30.1	3.0	27.2	30.2	2.7	17.6	20.3
Retail	7				27.2	(27.2)		27.2	(27.2)		17.6	(17.6)	
Infrastructure Development[4]		935.0		935.0	89.9		89.9	92.8		92.8	55.3		55.3
Total Americas		3,862.2	-	3,862.2	53.5	-	53.5	52.1	-	52.1	30.7	-	30.7
Total Operating Businesses		10,514.4	-	10,514.4	585.1	-	585.1	571.2	-	571.2	429.4	-	429.4
Total Corporate		55.6	-	55.6	(102.6)	-	(102.6)	(154.1)	-	(154.1)	(105.8)	-	(105.8)
Total Operating		10,570.0	-	10,570.0	482.5	-	482.5	417.1	-	417.1	323.6	-	323.6
Property Investment Revaluations	8				33.7		33.7	33.7		33.7	22.0		22.0
Total Statutory		10,570.0	-	10,570.0	516.2	-	516.2	450.8	-	450.8	345.6	-	345.6

Note: Footnote references included on page 23.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

Appendix 4

Change in Reporting Structure – Footnote References

1 The consolidated results of the Asia Pacific region have been reclassified to the Australia and Asia regional segments as follows:

	Revenue		EBITDA		Profit/(Loss) Before Tax[2]		Profit/(Loss) After Tax[3]	
	Published December 2009 A$m	Published June 2010 A$m	Published December 2009 A$m	Published June 2010 A$m	Published December 2009 A$m	Published June 2010 A$m	Published December 2009 A$m	Published June 2010 A$m
Asia Pacific								
Development[4]	267.2	610.3	63.2	132.7	63.2	121.1	43.3	122.1
Project Management and Construction	1,626.1	3,436.5	104.6	161.6	103.3	158.7	73.7	105.4
Investment Management	25.8	56.7	17.3	62.0	16.7	60.9	13.2	45.7
Retail	23.7	43.4	11.3	17.5	11.1	17.3	8.4	13.3
Infrastructure Development[4]	7.3	7.3	(0.9)	(9.1)	(1.0)	(9.1)	(0.9)	(6.4)
Total Asia Pacific	1,950.1	4,154.2	195.5	364.7	193.3	348.9	137.7	280.1
Australia								
Development[4]	267.2	610.3	63.2	132.7	63.2	121.1	43.3	122.1
Project Management and Construction	1,387.3	3,033.1	89.3	136.4	88.1	133.7	61.2	87.1
Investment Management	22.5	48.1	11.3	51.3	10.7	50.2	7.3	35.5
Retail	14.6	31.5	7.8	12.4	7.6	12.2	5.3	8.6
Infrastructure Development[4]	7.3	7.3	(0.9)	(9.1)	(1.0)	(9.1)	(0.9)	(6.4)
Total Australia	1,698.9	3,730.3	170.7	323.7	168.6	308.1	116.2	246.9
Asia								
Project Management and Construction	238.8	403.4	15.3	25.2	15.2	25.0	12.5	18.3
Investment Management	3.3	8.6	6.0	10.7	6.0	10.7	5.9	10.2
Retail	9.1	11.9	3.5	5.1	3.5	5.1	3.1	4.7
Total Asia	251.2	423.9	24.8	41.0	24.7	40.8	21.5	33.2
Total Asia Pacific	1,950.1	4,154.2	195.5	364.7	193.3	348.9	137.7	280.1

2 Profit/(loss) before tax is before adjusting for the amount attributable to minority interests.
3 Profit/(loss) after tax is after adjusting for the profit after tax attributable to minority interests of A$1.6 million at December 2009 and A$2.6 million at June 2010.
4 The Communities business is now referred to as the Development business and the Public Private Partnerships business is now referred to as the Infrastructure Development business.
5 In Australia, the Development business includes the results of the Senior Living business.
6 The results of retail development projects have been reclassified from the Retail business to the Development business.
7 The results of the remaining Retail business have been reclassified to the Investment Management business.
8 Represents the unrealised valuation increases/(decreases) on property investments that are consolidated or accounted for using the equity method in the financial statements.