Consolidated Financial Statements

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Income Statement

Year ended 30 June 2010

	Note	June 2010 A$m	June 2009 A$m
Revenue			
Revenue from the sale of development properties	2a	454.4	366.8
Revenue from the provision of services	2b	9,904.8	14,159.0
Finance revenue	2c	68.5	102.1
Other revenue	2d	142.3	157.1
Total revenue		**10,570.0**	**14,785.0**
Other Income	3	**149.6**	**57.6**
Expenses			
Retail activities		(47.8)	(221.3)
Communities activities:			
Cost of properties sold		(362.6)	(581.4)
Other expenses		(341.1)	(552.3)
Public Private Partnerships (PPP) activities:			
Cost of inventories sold		(900.4)	(1,357.3)
Other expenses		(96.2)	(80.2)
Investment Management activities		(35.3)	(69.4)
Project Management, Design and Construction activities:			
Cost of inventories sold		(8,072.1)	(11,805.2)
Other expenses		(359.7)	(462.9)
Corporate and administrative activities		(128.9)	(185.0)
Finance costs	4	(94.1)	(100.2)
Total expenses		**(10,438.2)**	**(15,415.2)**
Profit/(loss) of equity accounted investments	12	169.4	(160.5)
Profit/(loss) before tax		**450.8**	**(733.1)**
Income tax (expense)/benefit	6a	(102.6)	67.2
Profit/(loss) after tax		**348.2**	**(665.9)**
Profit/(loss) after tax attributable to:			
Members of Lend Lease Corporation Limited		345.6	(653.6)
Non controlling interests attributable to unit holders of Lend Lease Trust		–	–
Profit/(loss) after tax attributable to security holders		345.6	(653.6)
Other non controlling interests		2.6	(12.3)
Profit/(loss) after tax		**348.2**	**(665.9)**
Basic/Diluted Earnings Per Lend Lease Corporation Limited Share			
Earnings per share excluding treasury shares (cents)	8	72.9	(161.4)
Earnings per share on issue (cents)	8	69.5	(151.1)

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statement of Comprehensive Income

Year ended 30 June 2010

	June 2010 A$m	June 2009 A$m
Profit/(Loss) After Tax	**348.2**	**(665.9)**
Other Comprehensive Income (Net of Tax)		
Movements in Fair Value Revaluation Reserve		
Revaluation gain/(loss)	6.7	(36.7)
Revaluation gain transferred to the income statement on asset disposal	(17.0)	
Revaluation loss on asset impairment transferred to the income statement	4.0	
Effect of foreign exchange rate movements	(0.4)	0.1
Movements in Hedging Reserve		
Effective cash flow hedges attributable to equity accounted investments	(43.4)	(54.9)
Other effective cash flow hedges		0.7
Transfer of ineffective cash flow hedge movement to the income statement	(1.1)	
Effect of foreign exchange rate movements	8.3	2.9
Movements in Foreign Currency Translation Reserve		
Foreign currency translation differences attributable to foreign operations	(56.3)	126.1
Foreign currency translation differences transferred to the income statement on return of capital	1.5	0.2
Movements in Non Controlling Interest Acquisition Reserve		
Effect of foreign exchange rate/other movements	10.1	(13.3)
Other Movements	(2.5)	
Other comprehensive income	(90.1)	25.1
Total comprehensive income after tax	**258.1**	**(640.8)**
Total comprehensive income after tax attributable to:		
Members of Lend Lease Corporation Limited	252.2	(628.6)
Non controlling interests attributable to unit holders of Lend Lease Trust	–	–
Total comprehensive income after tax attributable to security holders	**252.2**	**(628.6)**
Other non controlling interests	5.9	(12.2)
Total comprehensive income after tax	**258.1**	**(640.8)**

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statement of Financial Position

As at 30 June 2010

	Note	June 2010 A$m	June 2009 A$m
Current Assets			
Cash and cash equivalents	9	1,635.9	1,120.8
Loans and receivables	10	1,769.7	2,265.0
Inventories	11	587.8	564.9
Current tax assets	6b	9.8	
Other financial assets	14	91.4	87.2
Other assets		76.0	67.8
Total current assets		**4,170.6**	**4,105.7**
Non Current Assets			
Deferred tax assets	6d	95.7	209.2
Loans and receivables	10	369.9	495.1
Inventories	11	1,576.0	1,201.2
Equity accounted investments	12	913.9	1,059.4
Investment properties	13	2,820.9	147.7
Other financial assets	14	273.7	384.4
Property, plant and equipment	15	352.7	130.1
Intangible assets	16	694.1	526.0
Defined benefit plan asset	17	27.3	30.0
Other assets		76.3	30.6
Total non current assets		**7,200.5**	**4,213.7**
Total assets		**11,371.1**	**8,319.4**
Current Liabilities			
Current tax liabilities	6b		27.7
Trade and other payables	18	3,271.3	3,797.4
Resident and accommodation bond liabilities	19	1,995.8	
Provisions	21	198.8	227.2
Other financial liabilities	22	51.5	29.8
Total current liabilities		**5,517.4**	**4,082.1**
Non Current Liabilities			
Deferred tax liabilities	6d	59.6	156.3
Trade and other payables	18	709.5	221.4
Borrowings and financing arrangements	20	1,446.6	1,125.0
Provisions	21	84.1	50.0
Other financial liabilities	22	146.9	191.6
Defined benefit plan liability	23	18.0	45.7
Total non current liabilities		**2,464.7**	**1,790.0**
Total liabilities		**7,982.1**	**5,872.1**
Net assets		**3,389.0**	**2,447.3**
Equity			
Issued capital	24	2,019.2	1,195.9
Treasury securities	24	(74.4)	(63.2)
Reserves	25	(35.1)	34.3
Retained earnings		1,439.1	1,238.5
Total equity attributable to members of Lend Lease Corporation Limited		**3,348.8**	**2,405.5**
Non controlling interests attributable to unit holders of Lend Lease Trust		0.6	
Total equity attributable to security holders		**3,349.4**	**2,405.5**
Other non controlling interests		39.6	41.8
Total equity		**3,389.0**	**2,447.3**

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statement of Changes in Equity

Year ended 30 June 2010

	Note	June 2010 A$m	June 2009 A$m
Issued Capital and Treasury Securities			
Issued Capital			
Opening balance at beginning of financial year		1,195.9	854.7
Transactions with owners for the year			
Equity issue via institutional placement (net of transaction costs)		792.6	296.2
Equity issue – other		0.3	0.2
Distribution Reinvestment Plan (DRP)		30.4	44.8
Closing balance at end of financial year	24	**2,019.2**	**1,195.9**
Treasury Securities			
Opening balance at beginning of financial year		(63.2)	(62.6)
Transactions with owners for the year			
Treasury securities acquired		(2.6)	(14.8)
Treasury securities vested		11.0	14.2
Movement on allocated treasury securities recognised directly in retained earnings and equity compensation reserve		(19.6)	
Closing balance at end of financial year	24	**(74.4)**	**(63.2)**
Total issued capital and treasury securities		**1,944.8**	**1,132.7**
Reserves			
Fair Value Revaluation Reserve			
Opening balance at beginning of financial year		44.5	81.1
Comprehensive income for the year			
Revaluation gain/(loss) taken to equity (net of tax)		6.7	(36.7)
Revaluation gain transferred to the income statement on asset disposal (net of tax)		(17.0)	
Revaluation loss on asset impairment transferred to the income statement		4.0	
Effect of foreign exchange rate movements		(0.4)	0.1
Closing balance at end of financial year	25a	**37.8**	**44.5**
Hedging Reserve			
Opening balance at beginning of financial year		(58.1)	(6.8)
Comprehensive income for the year			
Movements relating to effective cash flow hedges attributable to equity accounted investments (net of tax)		(43.4)	(54.9)
Movements attributable to other effective cash flow hedges (net of tax)			0.7
Transfer of ineffective cash flow hedge movement to the income statement		(1.1)	
Effect of foreign exchange rate movements		8.3	2.9
Closing balance at end of financial year	25b	**(94.3)**	**(58.1)**
Foreign Currency Translation Reserve			
Opening balance at beginning of financial year		(25.7)	(152.0)
Comprehensive income for the year			
Movements attributable to translation of foreign operations		(56.3)	126.1
Transfer of foreign currency translation reserve to the income statement on return of capital		1.5	0.2
Closing balance at end of financial year	25c	**(80.5)**	**(25.7)**
Non Controlling Interest Acquisition Reserve			
Opening balance at beginning of financial year		(121.0)	(107.7)
Comprehensive income for the year			
Effect of foreign exchange rate/other movements		10.1	(13.3)
Closing balance at end of financial year	25d	**(110.9)**	**(121.0)**

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statement of Changes in Equity continued

Year ended 30 June 2010

	Note	June 2010 A$m	June 2009 A$m
Other Reserve			
Opening balance at beginning of financial year		104.6	104.6
Transactions with owners for the year			
Net proceeds from renounceable entitlement offer received by Lend Lease sponsored employee security plans		7.1	
Effect of foreign exchange rate/other movements		(1.3)	
Closing balance at end of financial year	25e	**110.4**	**104.6**
Equity Compensation Reserve			
Opening balance at beginning of financial year		35.6	33.6
Transactions with owners for the year			
Movements attributable to allocation and vesting of securities		12.4	2.0
Closing balance at end of financial year	25f	**48.0**	**35.6**
Other Compensation Reserve			
Balance at beginning and end of financial year	25g	**54.4**	**54.4**
Total reserves		**(35.1)**	**34.3**
Retained Earnings			
Opening balance at beginning of financial year		1,238.5	2,126.1
Profit/(loss) attributable to members of Lend Lease Corporation Limited		345.6	(653.6)
Transactions with owners for the year			
Distributions paid		(135.5)	(205.1)
Distributions on treasury securities		8.4	16.8
Distributions under DRP		(30.4)	(44.8)
Movement on allocated treasury securities recognised directly in retained earnings		15.0	(0.9)
Other		(2.5)	
Closing balance at end of financial year		**1,439.1**	**1,238.5**
Non Controlling Interests Attributable to Unit Holders of Lend Lease Trust (LLT)			
Transactions with owners for the year			
Movements attributable to the stapling of LLT units to the Company shares		0.5	
Security issue via institutional placement		0.1	
Closing balance at end of financial year		**0.6**	**–**
Other Non Controlling Interests			
Opening balance at beginning of financial year		41.8	56.0
Profit/(loss) attributable to non controlling interests		2.6	(12.3)
Transactions with owners for the year			
Movements attributable to dividends/distributions received		(1.4)	(1.8)
Effect of foreign exchange rate/other movements		(3.4)	(0.1)
Closing balance at end of financial year		**39.6**	**41.8**
Total equity		**3,389.0**	**2,447.3**
Total Comprehensive Income After Tax for the Financial Year			
Attributable to:			
Members of Lend Lease Corporation Limited		252.2	(628.6)
Non controlling interests attributable to unit holders of LLT		–	–
Total comprehensive income after tax attributable to security holders		**252.2**	**(628.6)**
Other non controlling interests		5.9	(12.2)
Total comprehensive income after tax		**258.1**	**(640.8)**

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statement of Cash Flows

Year ended 30 June 2010

	Note	June 2010 A$m	June 2009 A$m
Cash Flows from Operating Activities			
Cash receipts in the course of operations		10,677.0	14,457.1
Cash payments in the course of operations		(10,485.0)	(14,077.0)
Property development receipts		504.4	505.8
Property development expenditure		(491.7)	(494.1)
Interest received		46.3	66.8
Interest paid		(80.1)	(96.4)
Dividends/distributions received		139.2	107.4
Income tax paid in respect of operations		(82.1)	(87.4)
Net cash provided by operating activities	32	**228.0**	**382.2**
Cash Flows from Investing Activities			
Sale/redemption of investments		374.3	112.9
Acquisition of investments		(256.0)	(381.1)
Acquisition of/capital expenditure on investment properties		(46.8)	(0.7)
Other (payments)/receipts		(103.7)	(43.2)
Net loans to related parties		(21.7)	(110.7)
Acquisition of non controlling interest			(1.0)
Acquisition of consolidated entities (net of cash acquired)	27b	(171.9)	(0.2)
Disposal of consolidated entities (net of cash disposed)	27c		10.1
Disposal of property, plant and equipment		3.4	2.0
Acquisition of property, plant and equipment		(15.8)	(35.3)
Acquisition of intangible assets		(71.7)	(26.7)
Net cash used in investing activities		**(309.9)**	**(473.9)**
Cash Flows from Financing Activities			
Net proceeds from equity issue		789.1	296.2
Proceeds from borrowings		566.7	248.1
Repayment of borrowings		(577.2)	
Distributions paid		(126.1)	(188.3)
Net cash provided by financing activities		**652.5**	**356.0**
Other Cash Flow Items			
Effect of foreign exchange rate movements on cash and cash equivalents		(55.5)	13.7
Net increase in cash and cash equivalents		**515.1**	**278.0**
Cash and cash equivalents at beginning of financial year		**1,120.8**	**842.8**
Cash and cash equivalents at end of financial year	9	**1,635.9**	**1,120.8**

The accompanying notes form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Significant Accounting Policies

Lend Lease Corporation Limited ('the Company') is domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2010 comprises the Company and its controlled entities including Lend Lease Trust ('LLT') (together referred to as the 'consolidated entity' or the 'Group').

Following shareholder approval on 12 November 2009, the shares of the Company and the units in LLT were combined as stapled securities. From 13 November 2009 the shares in the Company and units in the LLT 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'). LLT was 100% owned by the Company prior to approval of the stapling proposal. Units in LLT were subsequently distributed to Lend Lease Corporation Limited shareholders as an 'in specie' dividend. The Company is deemed to control LLT for accounting purposes and therefore LLT is consolidated into the Group's financial report. The issued units of LLT, however, are not owned by the Company and are therefore presented as non controlling interests in the consolidated entity statement of financial position within equity, notwithstanding that the unitholders of LLT are also the shareholders of the Company.

The consolidated financial report was authorised for issue by the Directors on 16 August 2010.

1.1 Statement of Compliance

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

1.2 Basis of Preparation

The financial report is presented in Australian dollars and is prepared under the historical cost basis except for the following assets and liabilities, which are stated at their fair value: derivative financial instruments, fair value through profit or loss investments, available for sale investments, investment property, resident liabilities and liabilities for cash settled share based compensation plans. Recognised assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged. Refer to the specific accounting policies in Note 1 for the basis of valuation of assets and liabilities measured at fair value.

The preparation of a financial report that complies with AASBs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Information about critical accounting judgements in applying the Group's accounting policies is set out in Note 1.30.

The accounting policies set out below have been consistently applied to all financial years presented in the consolidated financial statements and by all entities in the consolidated entity, except as explained in Note 1.3 which addresses changes in accounting policies. Certain comparative amounts have been reclassified to conform with the current year's presentation.

Presentation of Financial Statements

The Group has applied revised AASB 101 *Presentation of Financial Statements* (September 2007), AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101* and AASB 2007-10 *Further Amendments to Australian Accounting Standards arising from AASB 101* which became effective 1 January 2009. These standards introduce the statement of comprehensive income and make changes to the statement of changes in equity. They are only concerned with disclosure in the financial report and their application does not affect the financial results of the Group.

As a result of amendments to the *Corporations Act 2001* arising from the Corporations Amendment (Corporate Reporting Reform) Bill 2010, effective 28 June 2010, full financial disclosures relating to the Group's parent entity, Lend Lease Corporation Limited, are no longer required to be presented within the Group's consolidated financial report. Summarised information relating to Lend Lease Corporation Limited's results and financial position is set out in Note 36 'Parent Entity Disclosures'.

Basis of Consolidation

The Group consolidation comprises all entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group invests in special purpose entities ('SPE') for trading and investment purposes. The SPE are consolidated if the substance of the relationship with the Group is such that the Group controls the SPE. The Group will also consolidate the SPE if the Group is expected to obtain the majority of the benefits and/or is exposed to the majority of the residual risks of the SPE or its net assets.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

1.2 Basis of Preparation continued

Basis of Consolidation continued

Intragroup balances and transactions, and any unrealised gains or losses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements. The Company sponsors a number of employee benefit vehicles, including employee share plans. Under AASBs, these vehicles, while not legally controlled, are required to be consolidated for accounting purposes.

1.3 Impact of Acquisition and New/Revised Accounting Standards

Acquisition of Primelife

Following Court approval on 15 December 2009, Lend Lease acquired 100% of Lend Lease Primelife Group ('Primelife'). Refer to Note 27b 'Consolidated Entities - Acquisitions' for further details. The significant additional accounting policies impacting the Group during the year as a result of this acquisition are as follows:

- Revenue from the Provision of Services. Refer Note 1.4.
- Deferred Management Fees Receivable. Refer Note 1.11.
- Accommodation Bond Retentions Receivable. Refer Note 1.11.
- Approved Provider Aged Care Places (Bed Licences). Refer Note 1.16.
- Resident and Accommodation Bond Liabilities. Refer Note 1.19.

New and Revised Accounting Standards

As a result of new and revised accounting standards which became operative for the annual reporting period commencing 1 July 2009, the following represents those standards which have materially impacted the Lend Lease Group and its policies:

- Revised AASB 123 *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123* have been applied prospectively from 1 July 2009. These standards remove the option to expense borrowing costs and require borrowing costs, both general and specific, directly attributable to the acquisition, construction or production of a qualifying asset to be capitalised. Previously, general borrowing costs had been expensed when incurred. There was no impact to the Group on the adoption of the standards for the year ended 30 June 2010.
- AASB 140 *Investment Property* has been amended by AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Process* to include properties that are under construction or land held for/under development for future use as investment properties. These investment properties are to be measured at fair value unless fair value cannot yet be reliably determined. This is different from previous periods, where properties under construction were accounted for at cost, less any accumulated impairment, and presented under property, plant and equipment until completion of construction. The Group has used the fair value model to account for its investment properties, including investment property under construction. The amendment has been applied prospectively from 1 July 2009. The adoption of the standard for the year ended 30 June 2010 impacted the following areas:
  - 'Communities activities – Other expenses': A$2.0 million increase; and
  - Investment property: A$9.3 million increase.

  The decrease in the basic and diluted earning per share was 0.4 cents for shares excluding treasury shares and 0.4 cents for shares on issue for the year ended 30 June 2010.
- AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8* have been applied retrospectively from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker, who has been identified as the Managing Director. The changes implemented are only concerned with disclosure in the financial report as set out in Note 28 'Segment Reporting'. There has been no impact on the financial results or measurement of assets and liabilities for the year ended 30 June 2010.
- Revised AASB 3 *Business Combinations* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* have been applied prospectively from 1 July 2009. These standards change the application of acquisition accounting for business combinations and the accounting for non controlling (minority) interests. The significant changes are:
  - All payments to purchase a business are now recorded at fair value at the acquisition date, with contingent payments classified as a liability and subsequently remeasured through the income statement. Under the Group's previous policy, contingent payments were recognised only when the payments were probable and could be measured reliably, and were accounted for as an adjustment to the cost of acquisition.
  - Acquisition related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in the goodwill assessment.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

1.3 Impact of Acquisition and New/Revised Accounting Standards continued

New and Revised Accounting Standards continued

– Non controlling interests in an acquiree are now recognised either at fair value or at the non controlling interest's proportionate share of the acquiree's net assets. This decision is made on an acquisition by acquisition basis. Under the previous policy, the non controlling interest was always recognised at its share of the acquiree's net assets.

These standards were applied for the year ended 30 June 2010 to the acquisition of Primelife and impacted the following areas:

– 'Communities activities – Other expenses': A$5.0 million increase.

The decrease in the basic and diluted earnings per share was 1.1 cents for shares excluding treasury shares and 1.0 cents for shares on issue for the year ended 30 June 2010.

– The Group has adopted for the first time AASB Interpretation 15 *Agreements for the Construction of Real Estate* from 1 July 2009. AASB Interpretation 15 clarifies whether AASB 118 *Revenue* or AASB 111 *Construction Contracts* should be applied to particular transactions. The Group has reviewed its current agreements for the sale of real estate based on the new guidance and has concluded that there is no material impact on the Group's financial results for the year ended 30 June 2010.

– AASB 2009-2 *Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments.* AASB 2009-2 has been applied from 1 July 2009. The standard is prospective and has resulted in additional disclosures on the fair value measurement of financial instruments, including disclosure within a three-level hierarchy as set out in Note 30e.

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 2010 but are available for early adoption. The Group has not applied the following standards in preparing this financial report. The assessment of the new standards and interpretations relevant to the Group is set out below:

– AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* will become mandatory for the June 2014 financial year and is to be applied retrospectively. These standards address the classification and measurement of financial assets. Financial assets will be classified into those to be carried at amortised cost and those to be carried at fair value. The potential effect of AASB 9 and AASB 2009-11 on the Group's financial statement is yet to be determined.

– Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards* will become mandatory for the 30 June 2012 financial year. These standards clarify the intended meaning of the definition of a related party and are not expected to have a material effect on the Group's financial statements.

– AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process* will become mandatory for the 30 June 2011 financial year. The amendments affect various AASB's resulting in minor changes for presentation, disclosure, recognition and measurement purposes, and are not expected to have a material effect on the Group's financial statements.

– AASB 2009-10 *Amendment Australian Accounting Standards – Classification of Rights Issues* will become mandatory for the 30 June 2011 financial year. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer and is not expected to have any material effect on the Group's financial statements.

– AASB 2009-14 *Amendments to Australian Interpretation of a Minimum Funding Requirement* will become mandatory for the 30 June 2012 financial year. The amendments remove an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement. AASB 2009-14 is not expected to have any material effect on the Group's financial statements.

– AASB Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* will become mandatory for the June 2011 financial year. The interpretation clarifies the accounting when an entity renegotiates the terms of a financial liability resulting in the entity issuing equity instruments to extinguish all or part of a liability. The interpretation is not expected to have any material effect on the Group's financial statements.

1.4 Revenue, Other Income and Profits

Revenue and Profits from the Sale of Development Properties

Revenue and profits from the sale of development properties are recognised in the income statement when:

– The significant risks and rewards have been transferred to the buyer;

– The Group retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the development properties sold;

– The revenue can be measured reliably and it is probable that the Group will receive the consideration due; and

– The Group can measure reliably the costs incurred or to be incurred.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

1.4 Revenue, Other Income and Profits continued

Revenue from the Provision of Services

Revenue from the provision of services is recognised in the income statement in proportion to the stage of completion of the transactions at the balance sheet date.

For property construction: the value of work performed using the percentage complete method, which is measured by reference to actual costs to date as a percentage of total forecast costs for each contract.

For property and funds management: property development and management fee entitlements for services rendered.

For aged care and retirement living:

– Deferred Management Fees (DMF):

DMF are earned in the retirement village business from both owned facilities and those which are managed for third parties. A typical DMF contract provides for an annual retainer for a fixed period (e.g. 3% per annum of purchase or resale price for a period up to 12 years, or 36% in total) plus a share of the capital gain realised on turnover. The resulting DMF receivable is classified differently on balance sheet, between owned and managed retirement villages.

For both owned retirement villages (Investment Property) and managed retirement villages, DMF income is recognised on an annual accrual basis based upon the expected term of the resident's licence and estimates of capital growth since the resident first occupied the unit. The resulting DMF receivable is offset against the resident liabilities balance in current liabilities as they are net settled in the same future transaction.

In relation to leased and managed retirement villages, the DMF income derived from these facilities is based on the individual resident contracts as described above. Revenue is calculated at its fair value on an annual accrual basis for each contract and is discounted to present value based upon the expected date of receipt. The resulting DMF receivable is recognised as a receivable split between current and non current assets based on the expected rate of resident turnover.

– Aged Care Revenue:

Aged Care revenue comprises daily resident living contributions, retention fees and government funding, which are all determined in accordance with Federal Government authorised rates. This revenue is recognised as the services are provided. The Group is entitled to charge an annual retention fee to hostel residents. These annual fees are regulated by the Federal Government and are paid by a resident on departure. These fees are accrued during the resident's period of occupancy.

Dividends

Dividend income is recognised when the right to receive payment is established, usually on declaration of the dividend.

Rental Income

Rental income is recognised in the income statement on a straight line basis over the term of the lease unless another systematic basis is more appropriate. Lease incentives granted are recognised as an integral part of the total rental income.

Net Gains or Losses on Sale of Investments

Net gains or losses on sale of investments are recognised when an unconditional contract is in place.

Interest Income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

1.5 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 to equity, in which case it is recognised in equity.

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

Deferred tax is measured using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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 enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but are intended to be settled on a net basis or be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available, against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Company is the head entity in the Australian Tax Consolidated Group comprising all the Australian wholly owned subsidiaries. The Company entered the Australian Tax Consolidation Regime effective 1 July 2002.

In addition to its own current and deferred tax amounts, the Company also 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 (after elimination of intragroup transactions).

The Australian Tax Consolidated Group has entered into a tax 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 stand alone basis.

The assets and liabilities arising under the Australian tax funding arrangement are recognised as intercompany assets and liabilities (at call) with a consequential adjustment to income tax expense/revenue.

1.6 Impairment

The carrying amounts of the Group's assets, investment properties (see Note 1.8), inventories (see Note 1.13) and deferred tax assets (see Note 1.5) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets with an indefinite useful life, the recoverable amount is estimated annually. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless an asset has been previously revalued through reserves.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (or group of units) and then to reduce the carrying amount of other assets in the unit (or group of units) on a pro rata basis.

Calculation of Recoverable Amount

The recoverable amount of the Group's investments in held to maturity securities and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial (see Note 1.11 'Trade and Other Receivables').

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. For assets that do not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which each asset belongs.

Reversals of Impairment

An impairment loss in respect of a held to maturity security or receivable is reversed if a subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in estimates used to determine the recoverable amount.

An impairment loss is reversed (other than goodwill) only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

1.7 Investments

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

Financial Assets at Fair Value through Profit or Loss

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

Loans and Receivables

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

Held to Maturity Investments

Held to maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intent and ability to hold to maturity.

Available for Sale Financial Assets

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

Recognition and Measurement Criteria

Purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are de-recognised when the rights to receive cash flows from the investments have expired or been transferred and the Group has transferred substantially all the risks and rewards of ownership. Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the financial year in which they arise. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available for sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, and discounted cash flow analysis. Refer to Note 30e 'Fair Values of Financial Assets and Liabilities' for a summary of the basis of valuation of investments measured at fair value.

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

1.8 Investment Properties

Investment properties are stated at fair value based on periodic, but at least triennial, valuations by qualified external independent valuers. It is the policy of the Group to review the fair value of each property every six months. Fair value is based on current prices in an active market for similar properties in the same location and condition. If this information is not available, the Group uses alternative calculation methods such as discounted cash flow projections, recent prices on less active markets or capitalised income projections. Capitalised income projections are based on a perpetuity of net operating income and deferred management fees using a capitalisation rate derived from market evidence. Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income and deferred management fees from investment properties are accounted for as described in Note 1.4 'Revenue, Other Income and Profits'.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

1.8 Investment Properties continued

Senior Living Investment Property, principally comprising retirement villages (both operating villages and villages under development) is held for long-term income yields and is not occupied by the Group. The Group makes a determination, on a property by property basis, as to whether a property should be considered an investment property. Factors taken into account include whether the property generates property related cash flows largely independent of other services provided to residents of the properties; whether the property is held for long-term capital appreciation rather that for short-term sale in the ordinary course of business; and the probable future use of land that is not currently generating cash flows.

When an item of owner occupied property, plant and equipment (see Note 1.14 'Property, Plant and Equipment') becomes an investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item and its fair value is recognised directly in equity if it is a gain. Upon disposal of the item, the gain is transferred to retained earnings. Any loss is recognised immediately in the income statement.

When an item of self constructed property, plant and equipment becomes an investment property following a change in its use, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

Expenses capitalised to properties may include the cost of acquisition, additions, refurbishments, redevelopments, borrowing costs and fees incurred.

1.9 Equity Accounted Investments (Associates and Joint Venture Entities)

Investments in associates and joint venture entities are accounted for using the equity method. Associates (including partnerships) are entities in which the Group, as a result of its voting rights, has significant influence, but not control, over financial and operating policies. A joint venture entity is an entity which has a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

The consolidated financial statements include the Group's share of the total recognised gains and losses of associates and joint venture entities on an equity accounted basis. For associates, this is from the date that significant influence commences until the date that significant influence ceases, and for joint venture entities, this is from the date joint control commences until the date joint control ceases. Other movements in associates' and joint venture entities' reserves are recognised directly in consolidated reserves.

Investments in associates and joint venture entities are carried at the lower of the equity accounted carrying amount and the recoverable amount. When the Group's share of losses exceeds the carrying amount of the equity accounted investment (including assets that form part of the net investment in the associate or joint venture entity), the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate or joint venture entity.

Dividends from associates and joint venture entities represent a return on the Group's investment and as such are applied as a reduction to the carrying value of the investment.

Unrealised gains arising from transactions with equity accounted investments are eliminated against the investment in the associate or joint venture entity to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Venture Capital Exemption

Investments held by Lend Lease Ventures' investment portfolio are carried at fair value even though the Group may have significant influence or joint control over those entities. This accounting is permitted by AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures* which require investments held by venture capital organisations to be excluded from their scope when those investments are designated as at 'fair value through profit or loss' from inception.

The investments made by Lend Lease Ventures are considered to be venture capital in nature due to management of the investments on a portfolio basis and are unrelated to the Group's key business activities. The application of this exemption is assessed on each investment made by Lend Lease Ventures. Refer to Note 1.7 'Investments' for an analysis of recognition and measurement criteria of investments classified and measured at 'fair value through profit or loss'.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

1.10 Joint Venture Operations

A joint venture operation is a joint venture that is not in the form of an entity. The Group's interest in an unincorporated joint venture is brought to account by including its interest in the following amounts in the appropriate categories in the balance sheet and income statement:

- Each of the individual assets employed in the joint venture;
- Liabilities incurred by the consolidated entity in relation to the joint venture and the liabilities for which it is jointly and/or severally liable;
- Expenses incurred in relation to the joint venture; and
- Revenue earned in relation to the joint venture.

1.11 Trade and Other Receivables

Trade and Other Receivables

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

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

Deferred Management Fees Receivable

Deferred management fees receivable represent amounts owed to the Group in connection with resident occupancy at retirement villages subject to long-term management agreements. Deferred management fees receivable are calculated in accordance with resident contracts, refer to Note 1.4 'Revenue, Other Income and Profits'.

Accommodation Bond Retentions Receivable

Accommodation bond retentions receivable represent amounts owed to the Group in connection with resident occupancy at aged care facilities or nursing homes, and are calculated in accordance with resident contracts.

1.12 Pre Contract and Project Bidding Costs

The Group expenses all pre contract and project bidding costs, unless there is a high degree of certainty that a contract will be entered into (at least preferred bidder status) and that the costs will be fully recoverable from contract revenues. Costs previously expensed are not subsequently reinstated when a contract award is achieved.

1.13 Inventories

Property Held for Sale

Property acquired for development and sale in the ordinary course of business is carried at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of property held for sale is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition, including borrowing costs incurred. Property expected to be sold within 12 months of the end of the financial year is classified as current inventory.

The recoverable amount of each holding is assessed at each balance date and a provision for diminution in value is raised by the Directors where cost (including costs to complete) exceeds net realisable value. In determining the recoverable amount, the Directors have regard to independent valuations obtained in accordance with Note 1.8 'Investment Properties', the market conditions affecting each property and the underlying strategy for selling the property.

Construction and Development Work in Progress

The gross amount of construction and development work in progress consists of costs attributable to work performed together with emerging profit and after providing for any foreseeable losses.

1.14 Property, Plant and Equipment

Owned Assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses (see Note 1.6 'Impairment'). The cost of self constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Where an item of property, plant and equipment comprises components having different useful lives, they are accounted for as separate items of property, plant and equipment. The residual value, useful life and depreciation method applied to an asset are reassessed at least annually.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

1.14 Property, Plant and Equipment continued

Leased Assets

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of finance lease are stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses (see Note 1.6 'Impairment').

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Subsequent Expenditure

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment, and major components that are accounted for separately. Amortisation is provided on leasehold improvements over the remaining term of the lease. Most plant is depreciated over a period not exceeding 10 years, furniture and fittings over 15 years, motor vehicles over eight years and computer equipment over three years. Land is not depreciated.

1.15 IT Software Systems

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs directly associated with producing identifiable and unique software products that will generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Direct costs include software development, employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (three to five years).

1.16 Intangible Assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets and contingent liabilities of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets as goodwill. Goodwill on acquisitions of associates is included in the carrying value of investments in associates.
Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is not amortised. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purposes of impairment testing, goodwill is allocated to cash generating units (or groups of cash generating units) that are expected to benefit from the synergies of the combinations, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Approved Provider Aged Care Places (Bed Licences)

Bed licences held by the Group include owned and managed bed licences. Of the owned bed licences, only those acquired from third parties are recognised on balance sheet and are initially recorded at cost. All owned bed licences are assessed as having an indefinite useful life as these licences are issued for an unlimited period and therefore are not subject to amortisation but tested annually for impairment (at the same time every year) in accordance with AASB 136 *Impairment of Assets*. These licences are issued by the Federal Government to approved providers and can also be purchased from third parties or managed on their behalf as approved by the Federal Government. Holders of bed licences receive Federal Government funding in accordance with predetermined rates. Managed bed licences which revert to aged care facility owners on expiration of long-term leasehold/management agreements have a finite life and are amortised over the term of the agreements, generally 20 years.

Management Agreements and Other Intangible Assets

Management agreements and other intangible assets acquired by the Group are stated at cost less accumulated amortisation and impairment losses (see Note 1.6 'Impairment'). Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of the intangible assets, ranging from three to 20 years. The recoverable amount of management agreements and other intangible assets is assessed at least annually using independent valuations or alternative calculation methods, such as discounted cash flow projections.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

1.17 Employee Benefits

Superannuation/Pension Obligations

Group companies operate various superannuation and pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines the amount of pension benefit an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.

The asset and liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate or government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

In calculating the consolidated entity's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10% of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised in the income statement, it is recognised in the balance sheet against the defined benefit plan asset or liability.

Past service costs are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, past service costs are amortised on a straight line basis over the vesting period.

For defined contribution plans, the Group pays contributions to publicly or privately administered superannuation/pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Current Employee Entitlements

The provisions for employee entitlements to wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided up to the balance date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay at each balance date, including related on-costs. Non accumulating non monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the consolidated entity as the benefits are taken by the employees.

Non Current Employee Entitlements

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided up to balance date. Consideration is given to expected future increases in wage and salary rates, including related on-costs and expected settlement dates based on turnover history.

Share Based Compensation

The Group operates cash settled and equity settled share based compensation plans that are referable to Lend Lease's share price. The fair value of the employee services received in exchange for the grant is recognised as an expense and a corresponding liability (if cash settled) or a corresponding increase in equity (if equity settled). The total amount to be expensed over the vesting period is determined by reference to the fair value of the services granted. At each balance sheet date, the entity revises its estimates of the entitlement due. It recognises the impact of revision of original estimates, if any, in the income statement, and a corresponding adjustment to a liability (in the case of cash settled) or equity (in the case of equity settled) over the remaining vesting period. Changes in entitlement for equity settled plans are not recognised if they fail to vest due to market conditions not being met.

Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance date are discounted to present value.

Profit Sharing and Bonus Plans

The Group recognises a liability and an expense for bonuses and profit sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision when contractually obliged or when there is a past practice that has created a constructive obligation.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

1.18 Trade and Other Payables

Trade Creditors

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Group. Trade accounts payable are normally settled within 60 days. Trade and other payables are stated at amortised cost or cost when the impact of discounting would be immaterial.

Insurance Claims

A liability for outstanding claims is recognised in respect of Lend Lease's wholly owned special purpose captive insurance subsidiary. The liability covers claims incurred but not yet paid, claims incurred but not reported and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured at the present value of the expected future payments, reflecting the fact that all the claims do not have to be paid out in the immediate future. The discount rates used are risk free rates.

Financial Guarantee Contracts

Financial guarantee contracts, including the Company guarantees of Group entities' borrowings, are recognised when issued as a financial liability. The liability is measured initially at fair value and subsequently at the higher of the best estimate to settle the obligation (see Note 1.23 'Provisions') and the initial fair value less accumulated amortisation. Fair value is determined using a probability weighted discounted cash flow approach.

1.19 Resident and Accommodation Bond Liabilities

Resident Liabilities

This represents an amount paid by residents to occupy apartments and units classified as investment property. Resident liabilities are measured at face value, representing the principal amount plus the resident's share of capital gains based on market values of the underlying property at balance date, less deferred management fees.

Resident liabilities are non interest bearing and are classified as current liabilities because any resident may depart within 12 months, notwithstanding that history has shown that residents stay for an average period of 11 years in independent living units (ILUs) and five years in serviced apartments.

Accommodation Bonds

Accommodation bonds are paid typically by residents of low care aged care beds. Accommodation bonds are recognised at an amount equal to the proceeds received and are non interest bearing liabilities. Accommodation bonds are also classified as current liabilities because they are repayable following departure of the resident from the facility, notwithstanding that history has shown that residents stay for an average period of four years.

1.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated 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 Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

1.21 Foreign Currency Translation

Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial report is presented in Australian dollars, which is the Company's functional and presentation currency.

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges in foreign operations.

Translation differences on non monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non monetary items, such as equities classified as available for sale financial assets, are included in the fair value revaluation reserve in equity.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

1.21 Foreign Currency Translation continued

Group Companies

The results and balance sheet of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency (A$) are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. Derivative financial instruments are recognised initially at fair value on the date a derivative contract is entered into and subsequently remeasured at fair value. Recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of forward exchange contracts is their value at the current quoted forward price at the balance sheet date.

1.22 Derivative Financial Instruments and Hedging Activities

Fair Value Hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash Flow Hedge

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

Amounts accumulated in equity are recycled to the income statement when the hedged item will affect profit or loss (for instance, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non financial asset (for example, inventory) or a liability, the gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The fair value of interest rate derivatives is the estimated amount the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Net Investment Hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains or losses accumulated in equity are included in the income statement on disposal of the foreign operation.

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.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

1.23 Provisions

A provision is recognised on the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract by the Group are lower than the unavoidable cost of meeting its obligations under the contract.

1.24 Borrowing Costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of new borrowings facilities and foreign exchange differences net of hedged amounts on borrowings.

Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings.

Borrowing costs are expensed immediately as incurred unless they relate to qualifying assets. Qualifying assets are assets that take more than six months to prepare for their intended use or sale.

1.25 Earnings Per Security (EPS)

The Group presents basic and EPS in the income statement.

Basic EPS is determined by dividing profit/(loss) after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted EPS is determined by adjusting the profit/(loss) after tax attributable to members of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

The issued units of LLT are presented as a non controlling interest, and therefore the profit attributable to LLT is excluded from the calculation of basic and diluted earnings per Company share presented in the income statement. A basic and diluted earnings per stapled security is disclosed in the notes to the Consolidated Financial Report.

1.26 Cash and Cash Equivalents

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 and which are subject to an insignificant risk of changes in value.

Bank overdrafts (if applicable) are shown as a current liability on the balance sheet and are shown as a reduction to the cash balance in the statement of cash flows.

1.27 Issued Capital

Ordinary shares are classified as equity. Preference issued capital is classified as equity if it is non redeemable and any dividends are discretionary, or is redeemable but only at the Company's option. Distributions on preference share capital classified as equity are recognised as distributions within equity.

Preference issued capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Distributions thereon are recognised in the income statement as interest expense.

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity.

Dividends on redeemable preference shares are recognised as a liability on an accrual basis. Other dividends are recognised as a liability in the financial year in which they are declared.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

1.28 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.

1.29 Service Concession Arrangements (SCA)

The Group has investments providing SCA's, originating through public private partnerships, in the areas of healthcare, education and government facilities. These arrangements provide facilities management and maintenance services for a fixed payment per annum (subject to inflationary increases per year) with terms generally 25 to 30 years. They also incorporate contractual obligations to make available the individual assets for their prescribed use and, where necessary, overhaul or replace major items of plant and equipment related to the assets with payment obtained through periodic draw-downs from the relevant government authorities.

The Group equity accounts its investment in project companies with SCAs. In the project company holding the SCA the consideration receivable in respect of construction and services in the operational phase of the SCA is accounted for as a 'loan or receivable' and measured at amortised cost. Revenue arising from services provided will be recognised based on the fair value of each service provided. Borrowing costs are expensed rather than capitalised. Lifecycle costs are expensed as incurred rather than provided for as underlying services are provided.

1.30 Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

1.31 Key Sources of Estimation Uncertainty

Impairment of Goodwill and Management Agreements

Note 16a 'Goodwill' contains information about the assumptions and their risk factors relating to goodwill impairment testing. The Group assesses whether goodwill is impaired at least annually in accordance with Note 1.6 'Impairment'. These calculations involve an estimation of the recoverable amount of the cash generating units to which the goodwill is allocated. The recoverable amount of management agreements is assessed annually in accordance with Note 1.16 ' Intangible Assets'.

Valuation of Assets and Recoverable Amounts

The Group assesses the fair value of certain assets by using estimation techniques where there is no available market price. The Group assesses the recoverability of the carrying value of assets held at cost or amortised cost using estimations of their recoverable amount. For current and deferred tax assets refer to Note 1.5 'Income Taxes'. For investment properties, loans and receivables and inventories refer to Notes 1.8 'Investment Properties', 1.11 'Trade and Other Receivables' and 1.13 'Inventories'. Refer to Note 30e 'Fair Values of Financial Assets and Liabilities' for a summary of the basis of valuation of financial assets measured at fair value.

Defined Benefit Superannuation Fund Obligations

Various actuarial assumptions are utilised in determining the Group's defined benefit superannuation/pension fund obligations. These assumptions are discussed in Notes 17g and 23g 'Principal Actuarial Assumptions'.

Share Based Compensation

The Group assesses the fair value of its cash settled and equity settled share based compensation plans. The fair value assigned represents an estimate of the value of the award to employees, which requires judgements on Lend Lease's security price and whether vesting conditions will be satisfied. Refer to Note 1.17 'Employee Benefits' for the accounting policy for share based compensation.

Critical Accounting Judgements in Applying the Group's Accounting Policies

In the process of applying the Group's accounting policies, the Group makes various judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the Consolidated Financial Statements. These include:

- When all the significant risks and rewards of ownership of development properties are substantially transferred to the purchaser;
- The percentage completion on construction work performed; and
- Whether the substance of the relationship between the Group and a special purpose entity indicates that the special purpose entity should be consolidated by the Group.

Notes to the Consolidated Financial Statements continued

	Note	June 2010 A$m	June 2009 A$m
2. Revenue			
a. Revenue from the Sale of Development Properties		**454.4**	**366.8**
b. Revenue from the Provision of Services		**9,904.8**	**14,159.0**
c. Finance Revenue			
Interest Income			
Related parties		31.6	34.8
Other corporations		33.2	55.0
		64.8	**89.8**
Interest discounting		3.7	12.3
Total finance revenue		**68.5**	**102.1**
d. Other Revenue			
Rental income		60.9	71.3
Hotel revenue		41.7	43.8
Dividends/distributions received		22.1	15.7
Other		17.6	26.3
Total other revenue		**142.3**	**157.1**
Total revenue		**10,570.0**	**14,785.0**
3. Other Income			
Discount on acquisition of controlled entity	27b	48.3	
Net gain on disposal of equity accounted investments		53.0	3.0
Net gain on disposal of other assets and liabilities		11.8	54.2
Net gain on disposal of available for sale financial assets		24.0	
Fair value gain on negotiable instruments		3.8	0.4
Fair value gain on derivative contracts held for trading		8.7	
Total other income		**149.6**	**57.6**
4. Finance costs			
Interest Costs			
Related parties		0.3	0.7
Other corporations		81.9	94.9
		82.2	**95.6**
Non interest finance costs		6.4	4.2
Interest discounting		5.5	0.4
Total finance costs		**94.1**	**100.2**

Notes to the Consolidated Financial Statements continued

	Note	June 2010 A$m	June 2009 A$m
5. Other Operating (Income) and Expenses			
(Profit)/loss before income tax has been determined after:			
Depreciation of property, plant and equipment	15	29.0	25.0
Less: Capitalised depreciation		(0.8)	(1.4)
Amortisation of management agreements	16	4.2	4.0
Amortisation of other intangibles	16	7.4	5.0
Total depreciation and amortisation		**39.8**	**32.6**
Net loss on sale of property, plant and equipment		1.5	
Total operating lease expense		60.5	71.8
Employee benefit expenses		1,269.7	1,617.1
Superannuation accumulation plan expense		27.3	20.6
Total net defined benefit plan expense/(income)	17d, 23d	30.6	(25.4)
Net foreign exchange (gain)/loss		(3.7)	16.9
Net fair value loss on equity derivative swaps			48.4
Expenses include impairments/provisions raised/(written back) relating to:			
Loans and receivables			
Related parties		(10.7)	42.8
Other		21.1	29.4
Property inventories		(2.2)	230.9
Other financial assets		12.1	16.5
Employee benefits		33.6	42.8

	June 2010 A$000s	June 2009 A$000s
Auditors' Remuneration		
Amounts received or due and receivable by the auditors of Lend Lease Corporation for:		
Audit Services	**7,122**	**7,657**
Other Services		
International assignees tax services	38	119
Other	78	15
Total other services	**116**	**134**

Notes to the Consolidated Financial Statements continued

	June 2010 A$m	June 2009 A$m
6. Taxation		
a. Income Tax Expense/(Benefit)		
Recognised in the Income Statement		
Current Tax Expense/(Benefit)		
Current year	115.5	81.7
Adjustments for prior years	(40.9)	0.2
Benefits of tax losses recognised	(21.5)	(21.3)
	53.1	**60.6**
Deferred Tax Expense/(Benefit)		
Origination and reversal of temporary differences	49.5	(127.8)
Total income tax expense/(benefit)	**102.6**	**(67.2)**
Reconciliation of Income Tax Expense/(Benefit)		
Profit/(loss) before tax	450.8	(733.1)
Income tax using the domestic corporation tax rate (30.0%)	**135.2**	**(219.9)**
Non assessable dividends	(2.1)	(0.5)
Non assessable income	(7.1)	(3.6)
Loss accounted for using the equity method	(4.0)	(7.3)
Non allowable expenses	16.3	98.8
Net recovery of tax losses	(4.7)	(18.2)
Tax temporary differences not recognised in the period	(5.9)	103.4
Tax temporary differences written off/(recognised/recovered)	15.9	(19.0)
Variation in tax rates	3.8	(2.9)
Other	(3.9)	1.8
(Over)/under provided in prior years	(40.9)	0.2
Income tax expense/(benefit)	**102.6**	**(67.2)**
Deferred Tax Recognised Directly in Equity		
Relating to:		
Equity issue costs	(6.6)	
Fair value revaluation reserve	(4.4)	(7.9)
Hedging reserve	(0.6)	(3.2)
Foreign currency translation reserve on equity accounted investment	(1.5)	3.4
Total deferred tax recognised directly in equity	**(13.1)**	**(7.7)**
b. Current Tax Assets/(Liabilities)	**9.8**	**(27.7)**

Current tax assets/(liabilities) represent the amount of income taxes refundable/(payable) in respect of current and prior financial years where payments to date exceed income taxes payable/(income taxes payable exceeds payments to date).

Notes to the Consolidated Financial Statements continued

	June 2010			June 2009		
	Before Tax A$m	Tax (Expense) /Benefit A$m	Net of Tax A$m	Before Tax A$m	Tax (Expense) /Benefit A$m	Net of Tax A$m
6. Taxation continued						
c. Tax Effect Relating to Other Comprehensive Income						
Movements in Fair Value Revaluation Reserve						
Revaluation gain/(loss)	9.3	(2.6)	6.7	(44.6)	7.9	(36.7)
Revaluation gain transferred to the income statement on asset disposal	(23.8)	6.8	(17.0)			
Revaluation loss on asset impairment transferred to the income statement	4.0		4.0			
Effect of foreign exchange rate movements	(0.6)	0.2	(0.4)	0.1		0.1
Movements in Hedging Reserve						
Effective cash flow hedges attributable to equity accounted investments	(43.9)	0.5	(43.4)	(57.9)	3.0	(54.9)
Other effective cash flow hedges				0.4	0.3	0.7
Transfer of ineffective cash flow hedge movement to the income statement	(1.1)		(1.1)			
Effect of foreign exchange rate movements	8.2	0.1	8.3	3.0	(0.1)	2.9
Movements in Foreign Currency Translation Reserve						
Foreign currency translation differences attributable to foreign operations	(57.8)	1.5	(56.3)	129.5	(3.4)	126.1
Foreign currency translation differences transferred to the income statement on return of capital	1.5		1.5	0.2		0.2
Movements in Non Controlling Interest Acquisition Reserve						
Effect of foreign exchange rate/other movements	7.3	2.8	10.1	(14.9)	1.6	(13.3)
Other Movements	(2.5)		(2.5)			
Total other comprehensive income net of tax	**(99.4)**	**9.3**	**(90.1)**	**15.8**	**9.3**	**25.1**

Notes to the Consolidated Financial Statements continued

	June 2010		June 2009	
	Assets A$m	Liabilities A$m	Assets A$m	Liabilities A$m
6. Taxation continued				
d. Deferred Tax Assets and Liabilities				
Recognised Deferred Tax Assets and Liabilities				
Deferred tax assets and liabilities are attributable to the following:				
Loans and receivables	22.4	(16.0)	21.4	(11.4)
Inventories	45.0	(367.0)	45.9	(199.5)
Other financial assets	10.1	(27.3)	12.1	(38.1)
Other assets	0.2	(0.5)		(0.7)
Equity accounted investments	7.7	(169.4)	19.7	(165.5)
Investment properties		(17.7)		
Property, plant and equipment	21.1	(0.3)	22.8	(0.4)
Intangible assets	0.5		0.1	
Defined benefit plan asset		(8.2)		(9.0)
Trade and other payables	259.7	(0.2)	96.9	(0.1)
Resident and accommodation bond liabilities	10.4			
Provisions	75.4		69.1	
Other financial liabilities	2.6			
Defined benefit plan liability	5.1		12.8	
Unused revenue tax losses recognised	147.2		169.8	
Items with a tax base but no carrying value	51.2	(15.9)	49.7	(42.7)
Total deferred tax assets/(liabilities)	**658.6**	**(622.5)**	**520.3**	**(467.4)**
Deferred tax set off	**(562.9)**	**562.9**	**(311.1)**	**311.1**
Net deferred tax assets/(liabilities)	**95.7**	**(59.6)**	**209.2**	**(156.3)**

Notes to the Consolidated Financial Statements continued

6. Taxation continued

d. Deferred Tax Assets and Liabilities continued

Recognised Deferred Tax Assets and Liabilities continued

Movement in temporary differences during the financial year:

	1 July 2009 A$m	Recognised in Income A$m	Recognised in Equity A$m	Foreign Exchange /Other A$m	30 June 2010 A$m
June 2010					
Loans and receivables	10.0	(6.0)		2.4	6.4
Inventories	(153.6)	(14.6)		(153.8)	(322.0)
Other financial assets	(26.0)	4.0	4.4	0.4	(17.2)
Other assets	(0.7)	0.4			(0.3)
Equity accounted investments	(145.8)	(24.8)	2.1	6.8	(161.7)
Investment properties		(17.7)			(17.7)
Property, plant and equipment	22.4	0.3		(1.9)	20.8
Intangible assets	0.1	0.4			0.5
Defined benefit plan asset	(9.0)	0.8			(8.2)
Trade and other payables	96.8	(2.1)		164.8	259.5
Resident and accommodation bond liabilities		(3.3)		13.7	10.4
Provisions	69.1	11.5		(5.2)	75.4
Other financial liabilities		2.6			2.6
Defined benefit plan liability	12.8	(6.0)		(1.7)	5.1
Unused revenue tax losses recognised	169.8	(12.2)		(10.4)	147.2
Items with a tax base but no carrying value	7.0	17.2	6.6	4.5	35.3
Total deferred tax assets/(liabilities)	**52.9**	**(49.5)**	**13.1**	**19.6**	**36.1**

	1 July 2008 A$m	Recognised in Income A$m	Recognised in Equity A$m	Foreign Exchange /Other A$m	30 June 2009 A$m
June 2009					
Loans and receivables	(19.0)	27.9	0.3	0.8	10.0
Inventories	(150.7)	15.2		(18.1)	(153.6)
Other financial assets	(37.4)	4.7	7.9	(1.2)	(26.0)
Other assets		(0.7)			(0.7)
Equity accounted investments	(166.7)	48.4	(0.5)	(27.0)	(145.8)
Investment properties	(2.0)	2.0			
Property, plant and equipment	12.5	9.4		0.5	22.4
Intangible assets		0.1			0.1
Defined benefit plan asset	(8.6)	(0.4)			(9.0)
Trade and other payables	71.8	12.9		12.1	96.8
Provisions	66.2	6.2		(3.3)	69.1
Defined benefit plan liability	33.1	(21.2)		0.9	12.8
Unused revenue tax losses recognised	112.0	44.1		13.7	169.8
Items with a tax base but no carrying value	21.9	(20.8)		5.9	7.0
Total deferred tax assets/(liabilities)	**(66.9)**	**127.8**	**7.7**	**(15.7)**	**52.9**

Notes to the Consolidated Financial Statements continued

	June 2010 A$m	June 2009 A$m
6. Taxation continued		
d. Deferred Tax Assets and Liabilities continued		
Unrecognised Deferred Tax Assets		
Deferred tax assets have not been recognised in respect of the following items:		
Capital losses	68.8	70.4
Revenue losses	96.9	108.0
Deductible temporary differences	300.2	165.3
Total unrecognised deferred tax assets	**465.9**	**343.7**

The unrecognised deferred tax asset of A$465.9 million includes A$42.3 million that will expire by 2030.

	Cents Per Share	Franked Amount Per Share %	Company June 2010 A$m	Company June 2009 A$m
7. Distributions[1, 2]				
Interim Dividend				
December 2008 – paid 1 April 2009	25.0	60		113.5
December 2009 – paid 31 March 2010	20.0	100	92.2	
November 2009 – dividend 'in specie' of LLT units	0.1	100	0.5	
Final Dividend				
June 2009 – paid 25 September 2009	16.0	100		73.2
June 2010 – declared subsequent to reporting date (payable 24 September 2010)[3]	12.0	100	67.9	
Total dividends declared			**160.6**	**186.7**

1 No distributions were declared by Lend Lease Trust (LLT) for the year ended 30 June 2010.
2 Includes distributions paid on treasury securities.
3 No provision for this distribution has been recognised in the statement of financial position at 30 June 2010 as it was declared after the end of the financial year.

Dividend Franking

The dividend franking account balance at 30 June 2010 is A$56.7 million based on a 30% tax rate (30 June 2009: A$98.7 million). This is calculated after adjusting for franking credits which will arise from the payment of income tax provided in the financial statements and tax losses utilised in the current financial year. It excludes the A$29.1 million (June 2009: A$31.4 million) franking debit impact of the proposed dividend of A$67.9 million (June 2009: A$73.2 million).

		June 2010 Shares Excluding Treasury Shares	June 2010 Shares on Issue	June 2009 Shares Excluding Treasury Shares	June 2009 Shares on Issue
8. Earnings Per Share/Stapled Security[1]					
Basic/Diluted Earnings Per Share (EPS)					
Profit/(loss) attributable to members of Lend Lease Corporation Limited used in calculating basic/diluted EPS	A$m	**345.6**	**345.6**	**(653.6)**	**(653.6)**
Weighted average number of ordinary shares[2]	m	**473.8**	**497.2**	**404.9**	**432.6**
Basic/diluted EPS[2]	cents	**72.9**	**69.5**	**(161.4)**	**(151.1)**

1 The earnings per stapled security are equivalent to the earnings per share for the year to 30 June 2010 as the earnings attributable to LLT for the year were nil.
2 June 2009 has been adjusted by a factor of 1.02 in respect of new securities issued during March and April 2010 via a single bookbuild accelerated renounceable entitlement offer at A$7.70 per new security.

Notes to the Consolidated Financial Statements continued

	June 2010 A$m	June 2009 A$m
9. Cash and Cash Equivalents		
Cash	390.8	289.3
Short term investments	1,245.1	831.5
Total cash and cash equivalents	**1,635.9**	**1,120.8**

Short term investments earn variable rates of interest which averaged 3.1% per annum during the year ended 30 June 2010 (30 June 2009: 3.4%).

	June 2010 A$m	June 2009 A$m
10. Loans and Receivables		
Current – Measured at Amortised Cost		
Trade debtors	1,112.7	1,464.9
Less: Impairment	(40.2)	(39.2)
	1,072.5	**1,425.7**
Related parties	50.9	106.8
Less: Impairment	(1.3)	(15.5)
Managed property funds	40.1	22.3
Retentions	269.9	410.5
Other receivables	358.0	317.8
Less: Impairment	(20.4)	(2.6)
Total current	**1,769.7**	**2,265.0**
Non Current – Measured at Amortised Cost		
Related parties	383.0	526.0
Less: Impairment	(165.4)	(165.5)
Retentions	14.0	68.1
Other receivables	138.8	67.0
Less: Impairment	(0.5)	(0.5)
Total non current	**369.9**	**495.1**
Total loans and receivables	**2,139.6**	**2,760.1**

The ageing of trade debtors as at the reporting date is current A$890.5 million (30 June 2009: A$1,170.6 million); past due A$222.2 million (30 June 2009: A$294.3 million) of which A$182.0 million has not been impaired (30 June 2009: A$255.1 million). 'Past due' is defined under accounting standards to mean any amount outstanding for one or more days after the contractual due date. Of the total trade debtors, 13.5% (30 June 2009: 9.5%) are aged greater than 90 days. Other than trade debtors, A$13.4 million of other loans and receivables are considered past due at 30 June 2010 (30 June 2009: A$nil).

	June 2010 A$m	June 2009 A$m
Impairment		
Carrying amount at beginning of financial year	223.3	94.6
Bad and doubtful debts impairment loss net of provisions raised	9.1	70.4
Other movements (including foreign exchange rate movements)	(4.6)	58.3
Carrying amount at end of financial year	**227.8**	**223.3**
Total impairment as a percentage of total loans and receivables	**9.6%**	**7.5%**

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 Group considers how economic and market conditions will affect the credit worthiness of certain entities. The impairment provision relates to specific loans and receivables that have been identified as being impaired, including related party loans where the Group's interest in a development was via an equity accounted investment.

During the financial year ended 30 June 2010, A$27.0 million of receivables were renegotiated (30 June 2009: A$nil).

Notes to the Consolidated Financial Statements continued

	Note	June 2010 A$m	June 2009 A$m
11. Inventories			
Current			
Development properties at the lower of cost and net realisable value	11a	369.7	327.4
Construction work in progress	11b	218.1	237.5
Total current		**587.8**	**564.9**
Non Current			
Development properties at the lower of cost and net realisable value	11a	1,576.0	1,201.2
Total inventories		**2,163.8**	**1,766.1**
a. Development Properties (Completed and Work in Progress)			
Total development properties comprises:			
Retail, UK		455.8	510.7
Retail, Asia Pacific		149.0	
Communities, Australia		1,162.2	707.0
Communities, UK		144.5	244.9
Communities, US		15.1	15.4
Senior Living, Asia Pacific		19.1	50.6
Total development properties		**1,945.7**	**1,528.6**
b. Construction Work in Progress			
Construction work in progress comprises:			
Contract costs incurred to date		59,315.7	60,859.7
Profit recognised to date		2,651.3	2,543.5
		61,967.0	**63,403.2**
Less: Progress billings received and receivable on contracts		(62,952.9)	(64,522.6)
Net construction work in progress		**(985.9)**	**(1,119.4)**
Costs in excess of billings – inventories		218.1	237.5
Billings in excess of costs – trade payables	18	(1,204.0)	(1,356.9)
		(985.9)	**(1,119.4)**
Advances on construction projects in progress included in trade and other payables		**49.4**	**31.2**
Retentions on construction projects included in progress billings		**283.9**	**478.6**

Notes to the Consolidated Financial Statements continued

	Note	June 2010 A$m	June 2009 A$m
12. Equity Accounted Investments			
Non Current			
Associates			
Investment in associates		370.3	503.6
Less: Impairment		(14.9)	(18.1)
Total associates	12a	**355.4**	**485.5**
Joint Venture Entities			
Investment in joint venture entities		578.5	606.8
Less: Impairment		(20.0)	(32.9)
Total joint venture entities	12b	**558.5**	**573.9**
Total equity accounted investments		**913.9**	**1,059.4**

	Interest		Share of Profit/(Loss) After Tax		Net Book Value	
	June 2010 %	June 2009 %	June 2010 A$m	June 2009 A$m	June 2010 A$m	June 2009 A$m
a. Associates						
Retail						
CDR JV Ltd (313@somerset, Singapore)	25.0	25.0	36.4		96.8	56.2
Performance Retail Limited Partnership		33.3	2.5	(24.5)		48.2
Other			0.8	0.1	7.5	7.2
			39.7	**(24.4)**	**104.3**	**111.6**
Communities						
Lend Lease Primelife Group[1]	100.0	43.2	3.7	4.3		196.8
Other				(1.4)	4.5	
			3.7	**2.9**	**4.5**	**196.8**
Public Private Partnerships						
Other			**(0.3)**	**1.5**	**2.0**	**0.6**
Investment Management						
Lend Lease Overgate Partnership	30.7	30.7	16.6	(45.8)	68.4	62.7
Asia Pacific Investment Company No. 2 Limited	21.1	21.1	16.5	(4.9)	116.6	108.8
Lend Lease Communities Fund 1	20.8	20.8	(1.0)	(0.5)	17.8	17.9
Other			0.1	(0.4)	55.9	4.7
			32.2	**(51.6)**	**258.7**	**194.1**
Project Management, Design and Construction						
Other			**7.0**	**7.3**	**0.8**	**0.5**
Total			**82.3**	**(64.3)**	**370.3**	**503.6**
Less: Impairment					**(14.9)**	**(18.1)**
Total associates			**82.3**	**(64.3)**	**355.4**	**485.5**

1 In December 2009 the Group acquired the remaining interest in Primelife which is now classified as a controlled entity. Refer to Note 27b 'Consolidated Entities'.

Notes to the Consolidated Financial Statements continued

	Interest		Share of Profit/(Loss) After Tax		Net Book Value	
	June 2010 %	June 2009 %	June 2010 A$m	June 2009 A$m	June 2010 A$m	June 2009 A$m
12. Equity Accounted Investments continued						
b. Joint Venture Entities						
Retail						
King of Prussia	50.0	50.0	23.3	(49.2)	410.0	427.0
Preston Tithebarn Unit Trust	50.0	50.0	(2.4)		2.5	6.3
Warrington Retail Limited Partnership	50.0	50.0	(5.7)	(70.1)	18.8	26.5
			15.2	**(119.3)**	**431.3**	**459.8**
Communities						
Caroline Springs Joint Venture	50.0	50.0	15.4	12.5	23.9	23.7
Pyrmont Trust (Jacksons Landing)	50.0	50.0	(2.1)	3.4	14.5	14.5
Casey 2 Joint Venture (Springbank)	50.0	50.0	0.8		20.6	15.2
Other			28.3	(46.7)	65.2	31.7
			42.4	**(30.8)**	**124.2**	**85.1**
Public Private Partnerships						
Catalyst Healthcare (Manchester) Holdings Ltd	50.0	50.0	(0.3)	4.1	6.6	12.6
Other			4.9	10.8		7.8
			4.6	**14.9**	**6.6**	**20.4**
Project Management, Design and Construction						
Majadahonda Hospital	25.0	25.0	1.6	3.2	11.6	17.5
Other			23.3	35.8	4.8	24.0
			24.9	**39.0**	**16.4**	**41.5**
Total			**87.1**	**(96.2)**	**578.5**	**606.8**
Less: Impairment					**(20.0)**	**(32.9)**
Total joint venture entities			**87.1**	**(96.2)**	**558.5**	**573.9**

	June 2010		June 2009	
	Associates A$m	Joint Ventures A$m	Associates A$m	Joint Ventures A$m
c. Associates and Joint Venture Entities Additional Disclosures				
Lend Lease's Share of Results				
Revenue	197.8	664.8	162.9	1,328.9
Fair value revaluations	64.8	43.5	(90.5)	(68.8)
Expenses	(187.4)	(586.2)	(172.3)	(1,284.8)
Share of profit/(loss) before tax	**75.2**	**122.1**	**(99.9)**	**(24.7)**
Income tax benefit/(expense)	7.1	(2.9)	0.5	(7.3)
Share of profit/(loss) after tax	**82.3**	**119.2**	**(99.4)**	**(32.0)**
Other Adjustments				
Adjustments due to differences in accounting policies[1]		(4.8)		(83.7)
Movement in share of unrecognised losses		(25.8)		14.4
Fair value adjustments		(0.9)	35.6	(0.9)
Other		(0.6)	(0.5)	6.0
Profit/(loss) of equity accounted investments	**82.3**	**87.1**	**(64.3)**	**(96.2)**

1 Primarily relates to adjustments to King of Prussia to align the investment property accounting policies with Australian Accounting Standards.

Notes to the Consolidated Financial Statements continued

	June 2010		June 2009	
	Associates A$m	Joint Ventures A$m	Associates A$m	Joint Ventures A$m
12. Equity Accounted Investments continued				
c. Associates and Joint Venture Entities Additional Disclosures continued				
Movements in Carrying Amounts				
Carrying amount at beginning of financial year	485.5	573.9	375.1	683.5
Investment acquired during financial year	4.4	17.0	202.8	
Investment disposed of during financial year	(42.3)	(10.1)	(2.2)	
Investment transferred to controlled entities[1]	(200.5)			
Contributions	71.6	37.4	9.2	26.4
Capital redemptions		(16.1)	(2.0)	(31.7)
Share of profit/(loss)	82.3	87.1	(64.3)	(96.2)
Distributions received	(18.7)	(78.4)	(23.2)	(68.5)
Net impairment provision reversed/(raised)	3.1	9.5	(12.2)	(22.4)
Other adjustments (including effect of foreign exchange rate movements)	(30.0)	(61.8)	2.3	82.8
Carrying amount at end of financial year	**355.4**	**558.5**	**485.5**	**573.9**
Lend Lease's Share of Balance Sheet				
Current assets	51.6	693.6	292.9	820.2
Non current assets	695.8	2,200.5	1,650.6	2,431.5
Total assets	**747.4**	**2,894.1**	**1,943.5**	**3,251.7**
Current borrowings	157.0	53.9	320.4	207.7
Current other liabilities	47.1	323.5	814.6[2]	420.4
Non current borrowings	153.6	2,046.4	214.6	2,273.6
Non current other liabilities	16.9	598.8	56.4	365.0
Total liabilities	**374.6**	**3,022.6**	**1,406.0**	**3,266.7**
Share of net assets/(liabilities)	**372.8**	**(128.5)**	**537.5**	**(15.0)**
Other Adjustments				
Due to differences in accounting policies and fair value adjustments on acquisitions[3]		397.6		418.0
Impairment	(14.9)	(20.0)	(18.1)	(32.9)
Unrecognised share of losses		152.2	1.2	105.0
Other	(2.5)	157.2	(35.1)	98.8
Net assets attributable to equity accounted investments	**355.4**	**558.5**	**485.5**	**573.9**
Commitments				
Share of capital expenditure and lease commitments contracted but not provided for and payable as follows:				
Due within one year		2.4	6.3	1.4
Due between one and five years		0.1	26.1	6.7
Due later than five years			65.1	

1 In December 2009 the Group acquired the remaining interest in Primelife which is now classified as a controlled entity. Refer to Note 27b 'Consolidated Entities'.

2 June 2009 associates balance primarily relates to Primelife liabilities due to retirement village residents, which are classified as current under Primelife's contractual arrangements. Historical experience shows that they are not expected to be paid within one year.

3 Primarily relates to adjustments to King of Prussia to align the investment property accounting policies with Australian Accounting Standards.

Notes to the Consolidated Financial Statements continued

	June 2010 A$m	June 2009 A$m
13. Investment Properties		
Senior living properties	2,579.9	
Retail properties	115.5	147.7
Assets under construction	125.5	
Total investment properties	**2,820.9**	**147.7**
Reconciliations		
Reconciliations of the carrying amount for investment properties are set out below.		
Carrying amount at beginning of financial year	147.7	190.4
Acquisition of consolidated entities	2,452.3	
Acquisition of senior living properties	20.2	
Capital expenditure	29.4	0.7
Disposals		(6.8)
Fair value loss through profit and loss	(31.8)	(62.2)
Transfer from inventories and property plant and equipment	72.3	28.1
Increase in retirement village capital gains	94.3	
Foreign exchange rate/other movements	36.5	(2.5)
Carrying amount at end of financial year	**2,820.9**	**147.7**
Leases as Lessor		
The future minimum lease payments receivable from retail property tenants under non cancellable operating leases are as follows.		
Less than one year	8.2	10.6
Between one and five years	28.4	39.3
Later than five years	23.1	39.1
Total future minimum lease payments receivable	**59.7**	**89.0**

Valuations

Refer to Note 1.8 'Investment Properties' for the basis of valuation of investment properties. The key assumptions used in the fair value assessments including those classified as assets under construction, have been derived from market evidence and are summarised as follows:

Senior Living Properties

For senior living retirement properties the key long term assumptions adopted in the basis of valuation as at 30 June 2010 included:

- Weighted average discount rate of 13.3%
- Weighted average future growth rates 3.9%; and
- Average length of stay: 11 years for independent living units and five years for serviced apartments.

Retail Properties

When determining fair value, capitalisation rates used across the various retail and office assets were between 8.1% and 10.8% for UK properties (June 2009: 7.3% and 9.3%) and between 7.0% and 8.8% for Australian properties (June 2009: 8.0%).

Notes to the Consolidated Financial Statements continued

	June 2010 A$m	June 2009 A$m
14. Other Financial Assets		
Current Measured at Fair Value		
Available for Sale	11.7	15.1
Fair Value Through Profit or Loss – Designated at Initial Recognition		
Negotiable instruments	75.8	70.8
Derivatives	3.9	1.3
Total current	**91.4**	**87.2**
Non Current Measured at Fair Value		
Available for Sale		
Australian Prime Property Fund	46.9	199.0
Lend Lease Core Plus Fund	43.5	45.2
Lend Lease Retail Partnership	41.8	43.5
Other	107.8	84.3
	240.0	**372.0**
Fair Value Through Profit or Loss – Designated at Initial Recognition		
Unlisted equity investments	33.7	12.4
Total non current	**273.7**	**384.4**
Total other financial assets	**365.1**	**471.6**
15. Property, Plant and Equipment		
Land, buildings and leasehold improvements	319.2	127.8
Less: Accumulated depreciation and impairment	(43.5)	(41.5)
	275.7	**86.3**
Plant and equipment	196.9	149.0
Less: Accumulated depreciation and impairment	(119.9)	(105.2)
	77.0	**43.8**
Assets under construction		3.5
Less: Accumulated impairment		(3.5)
Total property, plant and equipment	**352.7**	**130.1**
Reconciliations		
Reconciliations of the carrying amounts for each class of property, plant and equipment are as follows.		
Land, Buildings and Leasehold Improvements		
Carrying amount at beginning of financial year[1]	86.3	85.5
Acquisition of consolidated entity	229.2	
Additions	3.6	11.4
Disposals	(3.2)	(2.0)
Transfer to investment properties	(21.9)	
Impairment		(7.2)
Depreciation	(13.4)	(6.3)
Effect of foreign exchange rate/other movements	(4.9)	4.9
Carrying amount at end of financial year	**275.7**	**86.3**

1 The carrying amount at 1 July 2008 of A$85.5 million represents A$111.1 million of costs and A$25.6 million of accumulated depreciation.

Notes to the Consolidated Financial Statements continued

	Note	June 2010 A$m	June 2009 A$m
15. Property, Plant and Equipment continued			
Reconciliations continued			
Plant and Equipment			
Carrying amount at beginning of financial year[1]		43.8	57.8
Acquisition of consolidated entity		32.4	
Additions		12.1	22.9
Disposals		(1.6)	(3.2)
Transfer to investment properties		(0.3)	
Impairment			(9.6)
Depreciation		(15.6)	(18.7)
Effect of foreign exchange rate/other movements		6.2	(5.4)
Carrying amount at end of financial year		**77.0**	**43.8**
Assets under Construction			
Carrying amount at beginning of financial year			1.9
Additions			1.7
Impairment			(3.5)
Effect of foreign exchange rate/other movements			(0.1)
Carrying amount at end of financial year		**–**	**–**
Total property, plant and equipment		**352.7**	**130.1**
16. Intangible Assets			
Goodwill	16a	437.3	477.1
Aged care bed licences	16b	159.0	
Management agreements	16c	77.2	28.9
Other intangibles	16d	20.6	20.0
Total intangible assets		**694.1**	**526.0**
a. Goodwill			
Bovis Lend Lease Group		437.3	477.1
Communities Group			252.9
		437.3	**730.0**
Less: Impairment		**–**	**(252.9)**
Total goodwill		**437.3**	**477.1**
Reconciliations			
Reconciliations of the carrying amounts for each category of goodwill are:			
Bovis Lend Lease Group			
Carrying amount at beginning of financial year		477.1	449.4
Effect of foreign exchange rate/other movements		(39.8)	27.7
Carrying amount at end of financial year		**437.3**	**477.1**
Communities Group			
Carrying amount at beginning of financial year			234.0
Impairment			(252.9)
Effect of foreign exchange rate movements			18.9
Carrying amount at end of financial year		**–**	**–**
Total goodwill		**437.3**	**477.1**

1 The carrying amount at 1 July 2008 of A$57.8 million represents A$137.1 million of costs and A$79.3 million of accumulated depreciation and impairment.

Notes to the Consolidated Financial Statements continued

16. Intangible Assets continued

a. Goodwill continued

Goodwill Allocation

Goodwill relating to the Bovis Lend Lease Group is allocated to project management, design and construction cash generating units ('CGUs') identified according to region as set out below.

	June 2010 A$m	June 2009 A$m
Project Management, Design and Construction		
Asia Pacific	27.4	27.4
Americas	165.6	173.7
Europe	244.3	276.0
Total goodwill	**437.3**	**477.1**

Impairment Tests and Key Assumptions Used

The recoverable amount of a CGU is determined based on value in use ('VIU') calculations. For the project management, design and construction CGUs, the assumptions used for determining the recoverable amount of each CGU are based on past experience and expectations for the future, utilising both internal and external sources of data and relevant industry trends.

No impairment arose as a result of the review of goodwill for the project management, design and construction CGUs which relate to the Bovis Lend Lease Group for the year ended 30 June 2010. Based on information available and market conditions at 30 June 2010, a reasonably foreseeable change in the assumptions made in this assessment would not result in impairment of Bovis Lend Lease Group's goodwill.

The following describes the key assumptions on which management has based its cash flow projections when determining VIU relating to the project management, design and construction CGUs.

Cash Flows

The VIU calculations use pre tax cash flow projections based on actual operating results, and financial budgets and forecasts covering a five-year period. The financial budgets and forecasts are approved by management. These budgets and forecasts are based on management estimates to determine income, expenses, capital expenditure and cash flows for each CGU.

Growth Rate

The terminal value growth rate used to extrapolate the cash flows beyond the five-year period is 3.0% (June 2009: 3.0%). The growth rate reflects the forecast long term average growth rate for each CGU and the countries in which they operate.

Discount Rate

The discount rate applied to the cash flow projections is between 14.0% and 16.0% (June 2009: between 15.0% and 17.0%). The Group's weighted average cost of capital is used as a starting point for determining the discount rate, with appropriate adjustments for the risk profile relating to the relevant CGUs and the countries in which they operate. The discount rates used are pre tax.

	June 2010 A$m	June 2009 A$m
b. Aged Care Bed Licences		
Reconciliation		
Reconciliation of the carrying amounts of aged care bed licences are as follows.		
Carrying amount at beginning of financial year		
Acquisition of consolidated entities	95.0	
Additions	64.0	
Carrying amount at end of financial year	**159.0**	**–**

Notes to the Consolidated Financial Statements continued

16. Intangible Assets continued

b. Aged Care Bed Licences continued

Impairment Tests and Key Assumptions Used

The recoverable amount of bed licences is determined based on Value in Use ('VIU') calculations. The assumptions used for determining the recoverable amount are based on past experience and expectations for the future, utilising both internal and external sources of data and relevant industry trends.

No impairment arose as a result of the review of aged care bed licences which relates to the Lend Lease Primelife Group for the year ended 30 June 2010. This is because the provisional acquisition accounting is considered to accurately reflect fair value as at 30 June 2010.

The following describes the key assumptions on which management has based its cash flow projections when determining VIU relating to aged care bed licences.

Cash flows
The VIU calculations use pre tax cash flow projections based on actual operating results and financial budgets and forecasts covering a five-year period extrapolated out for 20 years plus terminal value. The financial budgets and forecasts are approved by management. These budgets are forecasts based on management estimates to determine income, expenses, capital expenditure, bond movements and other cash flows associated with aged care bed licences.

Growth rate
The forecast accommodation bond growth rate on bondable beds is 5.0%. This is based on historical bond growth achieved across the portfolio and expected future growth. The growth rate used to extrapolate the cash flows beyond the five years is 3.0%. The growth rate reflects the forecast long term average growth rate for aged care.

Discount Rate
The discount rate applied to the cash flow projections is 11.0%. The Group's weighted average cost of capital is used as a start point for determining the discount rate, with appropriate adjustments for the risk profile relating to the CGU and the sector in which it operates. The discount rate used is pre tax.

	June 2010 A$m	June 2009 A$m
c. Management Agreements		
Management agreements	87.1	46.9
Less: Accumulated amortisation	(9.9)	(18.0)
Total management agreements	**77.2**	**28.9**
Reconciliation		
Reconciliation of the carrying amounts of management agreements are as follows.		
Carrying amount at beginning of financial year[1]	28.9	31.4
Acquisition of consolidated entities	64.9	
Additions		17.5
Disposals		(16.0)
Amortisation	(4.2)	(4.0)
Other	(12.4)	
Carrying amount at end of financial year	**77.2**	**28.9**
d. Other Intangibles		
Other intangibles	37.9	30.4
Less: Accumulated amortisation and impairment	(17.3)	(10.4)
Total other intangibles	**20.6**	**20.0**
Reconciliation		
Reconciliation of the carrying amounts of other intangibles are as follows.		
Carrying amount at beginning of financial year[2]	20.0	15.3
Additions	9.3	9.8
Amortisation	(7.4)	(5.0)
Impairment	(0.5)	(0.6)
Effect of foreign exchange rate/other movements	(0.8)	0.5
Carrying amount at end of financial year	**20.6**	**20.0**

1 The carrying amount at 1 July 2008 of A$31.4 million represents A$45.4 million of costs and A$14.0 million of accumulated amortisation.
2 The carrying amount at 1 July 2008 of A$15.3 million represents A$19.8 million of costs and A$4.5 million of accumulated amortisation and impairment.

Notes to the Consolidated Financial Statements continued

	June 2010 A$m	June 2009 A$m
17. Defined Benefit Plan Asset[1]		
a. Balance Sheet Amounts		
The amounts recognised in the balance sheet are determined as follows.		
Fair value of plan assets	148.2	128.5
Present value of defined benefit obligations	(137.0)	(133.4)
Unrecognised actuarial loss	16.1	34.9
Recognised asset for defined benefit obligations	**27.3**	**30.0**
b. Reconciliation of the Fair Value of Plan Assets		
Fair value of plan assets at beginning of financial year	128.5	156.3
Expected return on plan assets	6.7	8.2
Actuarial gains/(losses)	14.6	(32.9)
Contributions by Group companies	6.3	6.2
Contributions by plan participants	1.9	3.2
Taxes and premiums paid	(1.5)	(1.5)
Transfers in		0.1
Contributions to accumulation fund		(1.0)
Benefits paid	(8.3)	(10.1)
Fair value of plan assets at end of financial year	**148.2**	**128.5**
c. Reconciliation of the Present Value of Funded Obligations		
Present value of funded obligations at beginning of financial year	133.4	126.4
Current service cost	5.5	6.3
Interest cost on benefit obligation	5.7	6.7
Contributions by plan participants	1.9	3.2
Actuarial losses	0.3	3.3
Taxes and premiums paid	(1.5)	(1.5)
Transfers in		0.1
Contributions to accumulation fund		(1.0)
Benefits paid	(8.3)	(10.1)
Present value of funded obligations at end of financial year	**137.0**	**133.4**
d. Expense Recognised in the Income Statement		
Current service cost	5.5	6.3
Interest cost on benefit obligation	5.7	6.7
Expected return on plan assets	(6.7)	(8.2)
Actuarial loss recognised	4.5	
Past service cost		0.2
Net defined benefit plan expense	**9.0**	**5.0**
e. Actual Return on Plan Assets	**21.3**	**(24.7)**

1 Relates to the Lend Lease Superannuation Fund (Australia).

Notes to the Consolidated Financial Statements continued

	June 2010 %	June 2009 %
17. Defined Benefit Plan Asset continued		
f. Categories of Plan Assets		
Cash	6.0	7.8
Equity instruments[1]	50.8	48.3
Fixed interest securities	39.0	40.0
Property	4.2	3.9
	100.0	**100.0**
g. Principal Actuarial Assumptions		
Discount rate (net)	4.4	4.7
Expected rate of return on assets[2]	6.5	5.9
Expected salary increase rate	4.0	4.0

h. Employer Contributions

For the year ending 30 June 2011, total employer contributions to the plan are expected to be A$6.4 million.

The Group made an additional contribution of A$1.0 million to the Lend Lease Superannuation Fund (Australia) to cover members insurance premiums for the year ended 30 June 2010.

	Consolidated				
	June 2010 A$m	June 2009 A$m	June 2008 A$m	June 2007 A$m	June 2006 A$m
i. Historical Summary					
Plan assets	148.2	128.5	156.3	167.3	147.4
Defined benefit plan obligation	(137.0)	(133.4)	(126.4)	(116.1)	(110.8)
Surplus/(deficit)	**11.2**	**(4.9)**	**29.9**	**51.2**	**36.6**
Experience gains/(losses) arising on plan assets	14.6	(32.9)	(19.2)	17.2	9.4
Experience gains/(losses) arising on plan liabilities	1.4	3.0	(8.3)	(6.8)	(4.4)

1 The fair value of plan assets includes Lend Lease securities to the value of A$0.1 million (June 2009: A$0.1 million).

2 The expected return on assets assumption is determined by weighting the expected long term return for each asset class by the target allocation of assets to each asset class. The returns used for each asset class are net of tax, investment fees and administration expenses.

Notes to the Consolidated Financial Statements continued

	Note	June 2010 A$m	June 2009 A$m
18. Trade and Other Payables			
Current Measured at Cost or Amortised Cost			
Trade creditors		1,413.6	1,728.3
Construction revenue – amounts due to customers[1]	11b	1,204.0	1,356.9
Unearned premium reserve[2]		15.8	17.4
Insurance claim reserve[2]		8.9	5.3
Related parties		31.0	26.7
Retentions and deferred payments		520.6	566.7
Other		77.4	96.1
Total current		**3,271.3**	**3,797.4**
Non Current Measured at Amortised Cost			
Insurance claim reserve[2]		41.9	37.0
Related parties		1.2	19.6
Retentions and deferred payments		510.3	162.8
Other		156.1	2.0
Total non current		**709.5**	**221.4**
Total trade and other payables		**3,980.8**	**4,018.8**
19. Resident and Accommodation Bond Liabilities[3]			
Current			
Gross resident liabilities		2,054.2	
Deferred management fees receivable on owned sites		(197.5)	
Total resident liabilities[4]		**1,856.7**	**–**
Accommodation bond liabilities		139.1	
Total resident and accommodation bond liabilities[5]		**1,995.8**	**–**

1 Represents construction contracts where the total progress billings issued to clients (together with foreseeable losses if applicable) on a project exceed the costs incurred to date plus recognised profit on the contract.

2 Unearned premium and insurance claim reserves relate to Lend Lease's wholly owned special purpose captive insurance subsidiary. The 'cost' of the liability for outstanding claims (insurance claim reserves) is measured as the current estimate of the present value of expected future payments against claims incurred at the reporting date under insurance contracts issued by the special purpose captive insurance subsidiary. These expected future payments are discounted using a risk-free rate.

3 Recognised upon acquisition of the remaining interest in Primelife in December 2009. Refer Note 27b 'Consolidated Entities'.

4 For retirement village properties, deferred management fees receivable on owned sites are offset against the gross resident liabilities as these amounts are settled net in the same transaction.

5 Resident and accommodation bond liabilities are required to be classified as current liabilities under Australian Accounting Standards, as residents may depart the accommodation at any time, notwithstanding that history has shown that residents stay for an average period of 11 years in independent living units (ILU), five years in serviced apartments (SA) and four years in aged care facilities. Retirement village total resident liabilities of A$1,856.7 million, which is net of deferred management fees receivable, are repayable out of the amounts paid to the Group by incoming retirement village residents for the right to occupy senior living properties (comprising both ILU and SA). The gross value of these senior living properties, which are classified as non current assets, was A$2,579.9 million at 30 June 2010 (refer Note 13 'Investment Properties'). The fair value of retirement village properties was A$689.7 million, representing the gross investment property value, less resident liabilities and related deferred revenue.

Notes to the Consolidated Financial Statements continued

	June 2010 A$m	June 2009 A$m
20. Borrowings and Financing Arrangements		
a. Borrowings – Measured at Amortised Cost		
Non Current		
Commercial notes	879.9	971.9
Bank credit facilities	566.7	153.1
Total borrowings	**1,446.6**	**1,125.0**
b. Finance Facilities		
The Group has access to the following lines of credit.		
Commercial Notes		
Facility available	879.9	971.9
Amount of facility used	(879.9)	(971.9)
Amount of facility unused	**–**	**–**
Bank Credit Facilities		
Facility available	1,245.3	755.1
Amount of facility used	(566.7)	(153.1)
Amount of facility unused	**678.6**	**602.0**
Bank Overdrafts		
Facility available	10.0	10.0
Amount of facility used		
Amount of facility unused	**10.0**	**10.0**

Commercial notes include £300.0 million 6.125% annual coupon guaranteed notes due 12 October 2021 that were issued in October 2006 in the UK public bond market and US$300.0 million of guaranteed senior notes at 5.75% (all in rate) issued in the US private placement debt market maturing in October of 2012, 2015 and 2017.

Bank credit facilities include a committed syndicated bank facility maturing in July 2013 of £360.0 million (A$642.9 million) in the UK which was undrawn at 30 June 2010 and a floating rate A$570.0 million committed club facility maturing in December 2011, which was fully drawn at 30 June 2010.

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

Consistent with prior years, the Group has not defaulted on any obligations of principal or interest in relation to its borrowing and financing arrangements and other financial liabilities (refer Note 22 'Other Financial Liabilities').

Refer to Note 30d 'Liquidity Risk' for analysis of the management of the Group's liquidity risk.

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

	Interest Exposure			Currency			
	Fixed A$m	Floating A$m	Total A$m	A$ A$m	US$ A$m	£ A$m	Total A$m
June 2010							
Less than one year							
Between one and five years	117.3	566.7	684.0	566.7	117.3		684.0
More than five years	762.6		762.6		234.8	527.8	762.6
Total	**879.9**	**566.7**	**1,446.6**	**566.7**	**352.1**	**527.8**	**1,446.6**
June 2009							
Less than one year							
Between one and five years	123.1	153.1	276.2		123.1	153.1	276.2
More than five years	848.8		848.8		246.1	602.7	848.8
Total	**971.9**	**153.1**	**1,125.0**	**–**	**369.2**	**755.8**	**1,125.0**

Notes to the Consolidated Financial Statements continued

	June 2010 A$m	June 2009 A$m
21. Provisions		
Current		
Employee benefits	104.3	97.3
Maintenance and warranty[1]	19.3	28.7
Restructure (including employee terminations)	22.4	55.2
Other	52.8	46.0
Total current	**198.8**	**227.2**
Non Current		
Employee benefits	14.0	11.0
Other	70.1	39.0
Total non current	**84.1**	**50.0**
Total provisions	**282.9**	**277.2**
Reconciliations		
Reconciliations of the carrying amounts of each class of provision, except for employee benefits, are set as follows.		
Current		
Maintenance and Warranty		
Carrying amounts at beginning of financial year	28.7	41.6
Provisions written back during financial year	(2.2)	(6.3)
Payments made during financial year	(5.7)	(8.6)
Effect of foreign exchange rate/other movements	(1.5)	2.0
Carrying amount at end of financial year	**19.3**	**28.7**
Restructure (Including Employee Terminations)		
Carrying amounts at beginning of financial year	55.2	3.2
Provisions raised during financial year	10.9	91.0
Payments made during financial year	(40.9)	(36.1)
Effect of foreign exchange rate/other movements	(2.8)	(2.9)
Carrying amount at end of financial year	**22.4**	**55.2**
Other		
Carrying amounts at beginning of financial year	46.0	38.6
Provisions raised during financial year	26.3	15.8
Payments made during financial year	(37.2)	(11.1)
Effect of foreign exchange rate/other movements	17.7	2.7
Carrying amount at end of financial year	**52.8**	**46.0**
Non Current		
Other		
Carrying amounts at beginning of financial year	39.0	35.4
Provisions raised during financial year	9.6	5.4
Payments made during financial year	(10.8)	(11.6)
Effect of foreign exchange rate/other movements	32.3	9.8
Carrying amount at end of financial year	**70.1**	**39.0**

1 Represents maintenance and warranty provisions to cover specific or estimated claims that arise due to defects or legal disputes in relation to completed projects. The timing of the utilisation of these provisions varies across each completed project.

Notes to the Consolidated Financial Statements continued

	June 2010 A$m	June 2009 A$m
22. Other Financial Liabilities		
Current		
Derivatives (measured at fair value)		
Forward foreign exchange contracts	19.6	29.8
Interest rate swap contracts	8.4	
Other (measured at amortised cost)	23.5	
Total current	**51.5**	**29.8**
Non Current		
Bluewater lease liability (measured at amortised cost)	146.7	167.6
Other	0.2	24.0
Total non current	**146.9**	**191.6**
Total other financial liabilities	**198.4**	**221.4**
23. Defined Benefit Plan Liability[1]		
a. Balance Sheet Amounts		
The amounts recognised in the balance sheet are determined as follows:		
Present value of defined benefit obligations	671.2	691.2
Fair value of plan assets	(592.5)	(559.2)
Unrecognised actuarial losses	(60.7)	(86.3)
Recognised liability for defined benefit obligations	**18.0**	**45.7**
b. Reconciliation of the Present Value of Defined Benefit Obligations		
Present value of defined benefit obligations at beginning of financial year	691.2	686.2
Current service cost	12.6	21.7
Interest cost on benefit obligation	35.5	43.2
Contributions by plan participants	0.2	0.4
Actuarial losses	49.6	34.4
Benefits paid	(32.6)	(27.4)
Curtailments		(54.4)
Effect of foreign exchange rate movements	(85.3)	(12.9)
Present value of defined benefit obligations at end of financial year	**671.2**	**691.2**
c. Reconciliation of the Fair Value of Plan Assets		
Fair value of plan assets at beginning of financial year	559.2	627.7
Expected return on plan assets	27.9	40.0
Actuarial gains/(losses)	62.8	(115.5)
Contributions by Group companies	43.2	44.9
Contributions by plan participants	0.2	0.4
Benefits paid	(32.6)	(27.4)
Effect of foreign exchange rate movements	(68.2)	(10.9)
Fair value of plan assets at end of financial year	**592.5**	**559.2**
d. Expense Recognised in the Income Statement		
Current service cost	12.6	21.7
Interest cost on benefit obligation	35.5	43.2
Expected return on plan assets	(27.9)	(40.0)
Curtailment gain		(55.3)
Net actuarial loss recognised in the period	1.4	
Net defined benefit plan expense/(income)	**21.6**	**(30.4)**
e. Actual Return on Plan Assets	**92.3**	**(69.1)**

1 Relates to the Bovis UK Pension Scheme.

Notes to the Consolidated Financial Statements continued

	June 2010 %	June 2009 %
23. Defined Benefit Plan Liability continued		
f. Categories of Plan Assets		
Equity instruments	34.2	32.4
Debt instruments	47.9	54.9
Other assets	17.9	12.7
	100.0	**100.0**
g. Principal Actuarial Assumptions		
Discount rate (net)	5.4	6.1
Expected rate of return on assets[1]	6.3	6.1

1 The long term rate of return on the pension plan assets is determined by looking at the expected long term return on each asset class based on analysis of historical markets. Assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The expected returns are net of investment manager expenses. The overall expected rate of return on assets is derived by weighting the expected rate of return for each asset class over the asset allocation for the scheme.

h. Employer Contributions

For the year ending 30 June 2011, total employer contributions to the plan are expected to be A$21.4 million. In addition, a deficit contribution of A$16.1 million is expected to be paid.

	Consolidated				
	June 2010 A$m	June 2009 A$m	June 2008 A$m	June 2007 A$m	June 2006 A$m
i. Historical Summary					
Plan assets	592.5	559.2	627.7	661.0	572.2
Defined benefit plan obligation	(671.2)	(691.2)	(686.2)	(778.3)	(722.4)
(Deficit)	**(78.7)**	**(132.0)**	**(58.5)**	**(117.3)**	**(150.2)**
Experience gains/(losses) arising on plan assets	62.8	(115.5)	(12.7)	18.5	36.8
Experience gains/(losses) arising on plan liabilities	17.2	(27.4)	(0.9)	(7.1)	(21.1)

Notes to the Consolidated Financial Statements continued

	Consolidated				Lend Lease Trust			
	June 2010		June 2009		June 2010		June 2009	
	No. of Shares m	A$m	No. of Shares m	A$m	No. of Units m	A$m	No. of Units m	A$m
24. Issued Capital and Treasury Securities								
Issued Capital								
Issued at beginning of financial year	457.6	1,195.9	401.1	854.7				
Movements during financial year:								
Equity issue to effect stapling of the Company's shares to LLT units					460.8	0.5		
Equity issue net of transaction costs	104.7	792.6	50.0	296.2	104.7	0.1		
Equity issue – other	0.1	0.3	0.1	0.2	0.1			
Distribution Reinvestment Plan (DRP)	3.2	30.4	6.4	44.8				
Issued capital at end of financial year	**565.6**	**2,019.2**	**457.6**	**1,195.9**	**565.6**	**0.6**	**–**	**–**

Issuance of Securities

During March and April 2010 Lend Lease issued 104.7 million new securities via a single bookbuild accelerated renounceable entitlement offer at A$7.70 per new security.

As at 30 June 2010 the Group had 565.6 million stapled securities on issue equivalent to the number of Lend Lease Corporation shares and Lend Lease Trust units on issue as at that date. The issued units of Lend Lease Trust are not owned by the Company and are therefore presented as non controlling interests in the consolidated statement of financial position within equity.

Security Accumulation Plans

The Group's DRP has been suspended for distributions relating to the financial year ending 30 June 2010. The Group's Security Election Plan and Security Purchase Plan remain suspended.

Terms and Conditions

Issued capital for Lend Lease Corporation Limited comprises ordinary shares fully paid.

A stapled security represents one share in the Company stapled to one unit in Lend Lease Trust.

Stapled security holders have the right to receive declared dividends from the Company and distributions from Lend Lease Trust and are entitled to one vote per stapled security at security holders' meetings. Ordinary stapled security holders rank after all creditors in repayment of capital.

The Group does not have authorised capital or par value in respect of its issued stapled securities.

	Consolidated				Lend Lease Trust			
	June 2010		June 2009		June 2010		June 2009	
	No. of Shares m	A$m	No. of Shares m	A$m	No. of Units m	A$m	No. of Units m	A$m
Treasury Securities[1]								
Treasury securities at beginning of financial year	30.8	63.2	30.1	62.6				
Movements during financial year:								
Treasury securities acquired	0.3	2.6	2.1	14.8				
Treasury securities vested	(1.2)	(11.0)	(1.4)	(14.2)				
Issue of Lend Lease Trust units upon stapling of the Company shares to Lend Lease Trust units[2]					29.9			
Movement on allocated treasury securities recognised directly in retained earnings and equity compensation reserve		19.6						
Treasury securities at end of financial year	**29.9**	**74.4**	**30.8**	**63.2**	**29.9**	**–**	**–**	**–**

1 Represents unallocated Lend Lease stapled securities held by employee benefit vehicles, including employee security plans, which Lend Lease sponsors. The value reflects the original historical cost to the Group. The consolidated balance represents the Company shares which are disclosed in the statement of financial position as treasury securities as a reduction of equity. The Lend Lease Trust balance is disclosed in the statement of financial position within non controlling interests attributable to unit holders of Lend Lease Trust.

2 Units in Lend Lease Trust were issued at 0.1 cents per unit.

Notes to the Consolidated Financial Statements continued

25. Reserves

Nature and Purpose of Reserves

a. Fair Value Revaluation Reserve

Unrealised gains or losses arising from changes in the fair value and foreign exchange rate differences on translation of non monetary securities classified as available for sale are recognised in the fair value revaluation reserve. Amounts are recognised in the income statement when the associated securities are sold, redeemed or impaired.

b. Hedging Reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to hedged transactions that have not occurred.

c. Foreign Currency Translation Reserve

The foreign currency translation reserve records the foreign currency differences net of income tax arising from the translation of foreign operations, the translation of transactions that hedge the Company's net investment in a foreign operation, or the translation of foreign currency monetary items forming part of the net investment in a foreign operation.

d. Non Controlling Interest Acquisition Reserve

The non controlling interest acquisition reserve arises from additional acquisition of non controlling interests, subsequent to obtaining control of the entity. The reserve represents the premium on the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired entity.

e. Other Reserve

Other reserve includes realised capital profits on the disposal of assets which did not attract capital gains tax. In addition, gains realised by Lend Lease sponsored employee security plans upon renouncing their rights to participate in the Group's single bookbuild accelerated renounceable entitlement offer in March 2010 have been recognised in other reserve.

f. Equity Compensation Reserve

The fair value of equity settled share-based compensation is recognised in the income statement and the equity compensation reserve over the vesting period of the underlying grant. Additionally, unallocated Lend Lease securities held by consolidated employee benefit vehicles that are used to meet equity related employee arrangements are recognised in the equity compensation reserve at their original historic cost to the Group.

g. Other Compensation Reserve

Unallocated Lend Lease securities held by consolidated employee benefit vehicles that are used to cash settle certain share-based payment arrangements are recognised in the other compensation reserve at their original historic cost to the Group. On allocation, the securities are revalued to their current market value against the income statement. Following the distribution of the proceeds to the beneficiary, the difference between the original cost of the securities and the market value is recognised in retained earnings as a 'gain/(loss) on utilisation of treasury securities'.

Full disclosure of these reserves are included in the 'Statement of Changes in Equity'.

Notes to the Consolidated Financial Statements continued

26. Contingent Liabilities

Lend Lease has the following contingent liabilities.

There are a number of legal claims and exposures which arose from the normal course of business. There is significant uncertainty as to whether a future liability will arise in respect of these items. The amount of liability, if any, which may arise cannot be measured reliably at this time. The Directors are of the opinion that all known liabilities have been brought to account and that adequate provision has been made for any anticipated losses.

In certain circumstances, Lend Lease guarantees the performance of particular Group entities in respect of their obligations. This includes bonding and bank guarantee facilities used primarily by the Project Management, Design and Construction business as well as performance guarantees for certain Communities business. These guarantees are provided in respect of activities that occur in the ordinary course of business and any known losses in respect of the relevant contracts have been brought to account.

Certain contingent liabilities exist in relation to the Lend Lease Retirement Benefit Fund and the Lend Lease Employee Investment Trust (EIT). This is disclosed in detail in Note 33b 'Lend Lease Employee Benefit Vehicles'.

In September 2004, a class action was filed against a number of parties who responded to the World Trade Center emergency and debris removal following the events of 9/11. The action was brought against more than 50 defendants, including the City of New York and Bovis Lend Lease LMB Inc ('Bovis Lend Lease') (a subsidiary of Lend Lease). Judge Alvin K Hellerstein of the United States Federal Court for the Southern District of New York refused to certify the class action and as such the litigation proceeds as a consolidated action by individual claimants. The number of claimants who have brought proceedings against Bovis Lend Lease is currently approximately 16,337 (comprising 9,845 first named claimants and 6,492 derivative claimants – for example, spouses).

Bovis Lend Lease is one of the beneficiaries of the approximately US$1.0 billion captive insurance policy (administered by the WTC Captive) established by the US Congress to protect the City of New York and its contractors against liabilities that may arise from the clean-up. Bovis Lend Lease and other defendants have also benefited from certain project specific insurance.

On 23 June 2010, Judge Hellerstein signed an 'Order Approving Modified and Improved Agreement of Settlement'. The settlement agreement (as amended from the agreement announced on 12 March 2010) between counsel representing the claimants in these proceedings, the WTC Captive and counsel representing the defendants insured by the WTC Captive (including Bovis Lend Lease) requires the WTC Captive to contribute a total of US$712.5 million (plus US$3.5 million in administrative costs) if certain conditions are met. The agreement does not impose any financial obligations on Bovis Lend Lease.

For the settlement to become effective 95% of the plaintiffs who have brought claims against the defendants insured by the WTC Captive must accept the settlement terms and 'opt in' to the settlement within a 90-day period. Other conditions must also be met.

Bovis Lend Lease may still need to defend these claims at trial in the event that the settlement does not become effective, or in respect of claimants who do not opt into the settlement or who bring new claims against Bovis Lend Lease. To establish any liability on the part of Bovis Lend Lease, the claimants must prove that Bovis Lend Lease owed them a duty of care, breached that duty, and that their injuries were caused by the conduct of Bovis Lend Lease. The litigation therefore still needs to proceed through a number of stages before any liability can attach to Bovis Lend Lease. As with all litigation, to the extent that the claimants are able to establish liability against Bovis Lend Lease, it is not possible at this stage to quantify what that liability may or may not be or whether or not that liability will be entirely covered by insurance.

In April 2009, Bovis Lend Lease in New York received notice of investigations being conducted by the US Attorney's Office for the Eastern District of New York and the New York County District Attorney's Office. The investigations relate to allegations regarding, among other things, billing practices for union foremen on construction projects in New York. Bovis Lend Lease is co-operating with the authorities in their investigations. Until the investigations are complete, it is not possible to quantify what the financial consequences associated with this matter will be. Lend Lease has engaged independent advisers to conduct a review of Bovis Lend Lease's practices and has recognised a provision to cover legal costs and make-good payments.

Notes to the Consolidated Financial Statements continued

	Country of Incorporation	Foreign Country of Business Operation	Year End 30 June 2010 Ownership Interest %	Year End 30 June 2009 Ownership Interest %
27. Consolidated Entities				
a. Investments in Consolidated Entities				
The material consolidated entities of the Group are as follows.				
Parent Entity				
Lend Lease Corporation Limited	Australia			
Project Management, Design and Construction				
Australia				
Bovis Lend Lease Pty Limited	Australia		100	100
International				
Bovis Lend Lease Pte Ltd	Singapore	Singapore	100	100
Bovis Lend Lease Holdings Limited	UK	UK	100	100
Bovis Lend Lease International Limited	UK	Malta	100	100
Bovis Lend Lease Limited	UK	UK	100	100
Bovis Lend Lease Overseas Holdings Limited	UK	UK	100	100
Bovis Lend Lease Holdings, Inc.	USA	USA	100	100
Bovis Lend Lease, Inc.	USA	USA	100	100
Bovis Lend Lease LMB, Inc.	USA	USA	100	100
ML Bovis Holdings Limited	USA	USA	100	100
Public Private Partnerships				
International				
Actus Lend Lease, LLC	USA	USA	100	100
Catalyst Lend Lease Ltd	UK	UK	100	100
Retail				
International				
Blueco Limited	UK	UK	100	100
Lend Lease Europe Holdings Limited	UK	UK	100	100
Lend Lease Europe Limited	UK	UK	100	100
Yarmouth Lend Lease King of Prussia, Inc.	USA	USA	100	100
Communities				
Australia				
Delfin Lend Lease Limited	Australia		100	100
Lend Lease Development Pty Limited	Australia		100	100
Lend Lease Millers Point Trust	Australia		100	
Lend Lease Primelife Limited	Australia		100	43.2
International				
Crosby Lend Lease Group Limited	UK	UK	100	100
The Crosby Group plc	UK	UK	100	100
Investment Management				
Australia				
Lend Lease Real Estate Investments Limited	Australia		100	100
Lend Lease Securities and Investment Pty Limited	Australia		100	100
International				
Lend Lease Europe Real Estate Advisors SA	Luxembourg	Luxembourg	100	100
Lend Lease (US) Holdings, Inc.	USA	USA	100	100
Lend Lease (US), Inc.	USA	USA	100	100
Lend Lease (US) Services, Inc.	USA	USA	100	100

Notes to the Consolidated Financial Statements continued

	Country of Incorporation	Foreign Country of Business Operation	Year End 30 June 2010 Ownership Interest %	Year End 30 June 2009 Ownership Interest %
27. Consolidated Entities continued				
a. Investments in Consolidated Entities continued				
Group Services				
Australia				
Lend Lease Finance Limited	Australia		100	100
Lend Lease International Pty Limited	Australia		100	100
Lend Lease Singapore Investments Pty Limited	Australia		100	100
Lend Lease Trust	Australia		100	
Lend Lease Ventures Pty Ltd	Australia		100	100
International				
Lend Lease (US) Capital, Inc.	USA	USA	100	100
Lend Lease Europe Finance plc	UK	UK	100	100

	Ownership Interest Acquired %	Date Acquired
b. Acquisitions		
During the year the consolidated entity acquired an interest in the following entities:		
June 2010		
Lend Lease Trust (formerly Sheffield Diversified Fund No. 2)[1]	100	2 Oct 09
Lend Lease Trust No. 2 (formerly Sheffield Diversified Fund No.1)[1]	100	2 Oct 09
Lend Lease Responsible Entity Limited (formerly Sheffield Funds Management Limited)	100	2 Oct 09
Communities		
Lend Lease Primelife Group[2]	56.8	15 Dec 09
June 2009		
Communities		
Lend Lease Villages Responsible Entity Limited	100	22 Oct 08

1 On 2 October 2009, Lend Lease Corporation Limited acquired 100% of the voting interests in Lend Lease Trust and Lend Lease Trust No. 2. Subsequent to the acquisition of Lend Lease Trust, the units of Lend Lease Trust were stapled to shares in Lend Lease Corporation Limited as set out in Note 1 'Significant Accounting Policies'.

2 At 30 June 2009, the Group owned 43.2% of Primelife which was classified as an equity accounted associate. Refer to Note 12 'Equity Accounted Investments'.

	Fair Value A$m
Acquisition of Lend Lease Responsible Entity Limited	
Acquisition Cost	
Cash paid for acquisition	**0.2**
Net Assets of Entity Acquired	
Intangible asset (Australian Financial Services Licence)	0.2
Net assets acquired	**0.2**

On 2 October 2009, the Group acquired all of the shares in Lend Lease Responsible Entity Limited for A$0.2 million in cash. The entity's principal activity is to be the responsible entity of Lend Lease Trust and Lend Lease Trust No. 2. From acquisition date to 30 June 2010, the revenue and profit contributed to the Group is immaterial.

Notes to the Consolidated Financial Statements continued

27. Consolidated Entities continued

b. Acquisitions continued

Acquisition of Lend Lease Primelife Group

Following court approval on 15 December 2009 ('acquisition date'), the Group obtained control of Lend Lease Primelife Group ('Primelife'), an owner and operator of senior living communities. This transaction resulted in the Group's equity ownership in Primelife increasing from 43.2% to 100%. The transaction was completed via a scheme of arrangement and trust scheme. The acquisition is in line with Lend Lease's strategy to increase the Group's exposure to the retirement sector.

An initial interest held by the Group in Primelife of 43.2% at 30 June 2009 was recorded as an equity accounted investment. At the date of acquiring the remaining 56.8%, this initial interest was remeasured to fair value in accordance with the Australian Accounting Standards.

	A$m
Carrying value of equity accounted investment as at acquisition date	(200.5)
Fair value of investment as at acquisition date	183.0
(Loss) on remeasurement to fair value	**(17.5)**

This loss has been recognised in 'Communities activities – Other expenses' in the Group income statement.

The carrying value of management agreements with Primelife of A$15.6 million was written off due to the acquisition. These agreements were previously recorded as intangible assets and the write off has been reflected in 'Communities activities - Other expenses' in the Group income statement.

Identifiable assets acquired and liabilities assumed	Fair Value A$m
Cash and cash equivalents	21.9
Receivables	24.5
Inventories	31.7
Property, plant and equipment	261.6
Investment properties	2,452.3
Deferred tax assets	29.3
Equity accounted investments	16.9
Intangible assets	159.9
Other assets	1.4
Resident and accommodation bond liabilities	(1,799.2)
Borrowings	(445.6)
Payables	(224.6)
Provisions	(34.4)
Other liabilities	(72.4)
Total net identifiable assets	**423.3**
Total consideration transferred	192.0
Fair value of previous interest in Primelife	183.0
Discount on acquisition	**48.3**

The fair value ascribed to the net identifiable assets of Primelife at 31 December 2009 were considered provisional, given the proximity of the acquisition to the half year reporting date. Fair values of these assets and liabilities have been reassessed throughout the six months to 30 June 2010 with no net impact on the discount on acquisition.

At 30 June 2010, the net identifiable assets remain provisional, as permitted by Australian Accounting Standards, whilst the integration of the Primelife business into the Group is finalised. This will be completed prior to 31 December 2010.
The discount on acquisition is based on the Group's assessment of the fair value of the identifiable net assets at acquisition date which exceeded the consideration paid to acquire the remaining 56.8% equity interest. This amount has been reflected in 'Other Income' in the Group income statement. The consideration of A$192.0 million paid to acquire this interest consisted entirely of cash. The net cash outflow for the Group due to the acquisition, excluding transaction costs, was as follows:

	A$m
Cash consideration	192.0
Cash acquired	(21.9)
Net cash outflow	**170.1**

Transaction costs of A$5.0 million have been included in 'Communities activities – Other expenses' in the Group income statement.

Gross contractual amounts due for receivables at acquisition of A$33.7 million comprised A$11.2 million of trade receivables and A$22.5 million of settlement funds receivables/sundry debtors. Of the total amount outstanding, A$9.2 million was expected to be uncollectible at the acquisition date.

In the period from 15 December 2009 to 30 June 2010, Primelife contributed revenue of A$143.8 million and profit after tax, excluding Corporate management fees, of A$16.1 million. The profit for the period is inclusive of investment property revaluation losses of A$8.1 million after tax. If the acquisition had occurred on 1 July 2009, management estimates that the Group's consolidated revenue and profit would not have been materially different from the actual results disclosed in the income statement.

Notes to the Consolidated Financial Statements continued

	Ownership Interest Disposed %	Date Disposed	Consideration Received A$m
27. Consolidated Entities continued			
c. Disposals			
June 2010			
During the year, the consolidated entity disposed of its interests in the following entity. The operating results to date of disposal have been included in consolidated profit.			
Communities			
First Base Adelaide Wharf	45	29 Jun 10	0.2
June 2009			
During the year, the consolidated entity disposed of its interest in the following entities. The operating results to that date were included in consolidated profit.			
Communities			
RBD Property Management Pty Ltd	100	30 Dec 08	14.4
Glenaeon Retirement Village Pty Ltd	100	30 Dec 08	41.9
Lutanda Manor Retirement Village Pty Ltd	100	30 Dec 08	18.5
Forest Hills Village Management Pty Ltd	100	30 Dec 08	11.7
Peppertree Hill Management Pty Ltd	100	30 Dec 08	24.0
P.V. Management Pty Limited	100	30 Dec 08	6.8
Retirement Village Properties Pty Ltd	100	30 Dec 08	3.3

	Consolidated	
	June 2010 A$m	June 2009 A$m
Details of the disposals of consolidated entities are as follows:		
Sale Proceeds		
Cash received	0.2	11.8
Convertible notes issued to Lend Lease		108.8
Total sale proceeds	**0.2**	**120.6**
Net Assets of Entities Disposed		
Cash and cash equivalents	0.2	0.2
Trade and other receivables	1.1	1.9
Inventories		0.7
Investment properties		6.8
Property, plant and equipment		3.8
Intangible assets		12.7
Other assets		28.3
Trade and other payables	(1.3)	(0.3)
Provisions		(0.9)
Other financial liabilities		(7.0)
Net assets disposed	**–**	**46.2**
Cash Flows Resulting from Sale		
Cash consideration	0.2	11.8
Cash disposed	(0.2)	(0.2)
Disposal costs		(1.5)
Net inflows of cash	**–**	**10.1**

Notes to the Consolidated Financial Statements continued

28. Segment Reporting

The segment results are discussed and analysed in the Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) included with this report.

The group has identified various operating segments based on the internal reports that are reviewed and used by the Group Chief Executive Officer and Managing Director (the chief operating decision maker) in assessing performance and determining the allocation of resources. The operating segments have been aggregated into five reportable segments, being the Group's five strategic business units as shown below. The operating segments have been aggregated on the basis that they exhibit similar long term financial performance and have similar economic characteristics, such as similar operating and competitive risks.

The following summary describes the operations in each of the Group's reportable segments.

Retail

Retail relates to retail property management, asset management and development. This segment also includes the Group's ownership interest in direct property investments including those held via limited partnerships.

Communities

Communities relates to the development of master-planned urban communities, inner city mixed used developments, apartments and the retirement sector.

Public Private Partnerships

Public Private Partnerships relates to privatisation services in various sectors, including health, education, waste, defence estates and accommodation.

Investment Management

Investment Management relates to real estate investment management services. This segment also includes the Group's ownership interests in property investments held indirectly through investments in Lend Lease managed funds.

Project Management, Design and Construction

This business segment relates to construction, project management and design services.

Segment performance is based on operating profit after tax. Operating profit after tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain reportable segments relative to other entities that operate within these industries. The Group does not consider corporate activities to be an operating segment. Financial information regarding the performance of each reportable segment and a reconciliation of these reportable segments to the statutory results is included below.

	Operating Result Before Tax		Income Tax Expense		Operating Result After Tax	
	June 2010 A$m	June 2009 A$m	June 2010 A$m	June 2009 A$m	June 2010 A$m	June 2009 A$m
Segment						
Retail	94.9	97.7	(28.6)	(37.4)	66.3	60.3
Communities	167.3	84.7	(2.6)	3.6	164.7	88.3
Public Private Partnerships	97.6	87.7	(38.5)	(13.3)	59.1	74.4
Investment Management	76.5	35.0	(23.4)	(6.1)	53.1	28.9
Project Management, Design and Construction	131.9	236.8	(45.7)	(67.9)	86.2	168.9
Total segment	**568.2**	**541.9**	**(138.8)**	**(121.1)**	**429.4**	**420.8**
Corporate activities	(154.1)	(149.1)	48.3	35.8	(105.8)	(113.3)
Property investment revaluations	33.7	(325.7)	(11.7)	62.7	22.0	(263.0)
Inventory provisions raised		(226.1)		37.8		(188.3)
Goodwill impairments		(252.9)				(252.9)
Other carrying value adjustments		(233.0)		28.3		(204.7)
Restructure and employee termination costs		(120.8)		36.9		(83.9)
Net gain on Bovis UK pension scheme curtailment		44.3		(12.6)		31.7
Statutory result attributable to security holders	**447.8**	**(721.4)**	**(102.2)**	**67.8**	**345.6**	**(653.6)**
Other non controlling interests	3.0	(11.7)	(0.4)	(0.6)	2.6	(12.3)
Statutory result	**450.8**	**(733.1)**	**(102.6)**	**67.2**	**348.2**	**(665.9)**

Notes to the Consolidated Financial Statements continued

28. Segment Reporting continued

The following table sets out other financial information by reportable segment.

	Segment Revenue		Interest Revenue		Interest Expense		Depreciation and Amortisation		Material Non-Cash Items (Other Than Depreciation and Amortisation)		Share of Profit/(Loss) of EAIs[1]		Group Total Assets	
	June 2010 A$m	June 2009 A$m	June 2010 A$m	June 2009 A$m	June 2010 A$m	June 2009 A$m	June 2010 A$m	June 2009 A$m	June 2010 A$m	June 2009 A$m	June 2010 A$m	June 2009 A$m	June 2010 A$m	June 2009 A$m
Retail	107.5	125.8					(1.6)	(1.8)	10.1	(144.8)	54.9	(143.7)	1,317.0	1,251.5
Communities	733.9	586.4	7.4	16.8	(2.2)	(1.0)	(13.3)	(7.4)	(15.5)	(555.1)	46.1	(27.9)	5,281.2	1,993.2
Public Private Partnerships	1,069.0	1,507.0	15.8	19.3	(1.5)	(2.3)	(2.1)	(1.3)	(16.4)	(4.2)	4.3	16.4	433.8	504.0
Investment Management	73.2	69.1	0.1				(1.7)	(0.2)	2.3	(21.4)	32.2	(51.6)	452.5	573.1
Project Management, Design and Construction	8,530.8	12,422.0		0.6			(13.0)	(14.1)	(70.1)	(132.7)	31.9	46.3	2,348.9	2,971.3
Total segment	**10,514.4**	**14,710.3**	**23.3**	**36.7**	**(3.7)**	**(3.3)**	**(31.7)**	**(24.8)**	**(89.6)**	**(858.2)**	**169.4**	**(160.5)**	**9,833.4**	**7,293.1**
Corporate activities	55.6	74.7	41.5	53.1	(78.5)	(92.3)	(8.1)	(7.8)	(40.9)	0.4			1,537.7	1,026.3
Statutory result	**10,570.0**	**14,785.0**	**64.8**	**89.8**	**(82.2)**	**(95.6)**	**(39.8)**	**(32.6)**	**(130.5)**	**(857.8)**	**169.4**	**(160.5)**	**11,371.1**	**8,319.4**

1 Equity accounted investments.

Geographic Segments

Revenue is attributed to geographic locations based on the location of customers. Non current segment assets exclude deferred tax assets, financial instruments and pension assets and are allocated based on the geographical location of assets. The analysis of the location of revenue and non current segment assets is as follows:

	Revenue		Non Current Segment Assets	
	June 2010 A$m	June 2009 A$m	June 2010 A$m	June 2009 A$m
Asia Pacific[1]	4,202.7	3,646.0	4,764.4	1,309.0
Europe[2]	2,499.7	3,731.7	1,268.4	1,482.1
Americas[3]	3,867.6	7,407.3	771.0	799.0
Total	**10,570.0**	**14,785.0**	**6,803.8**	**3,590.1**

1 The majority of revenue for Asia Pacific is derived from Australia and Singapore. The majority of non current assets for Asia Pacific are attributable to Australia.
2 The majority of revenue and non current assets from Europe are attributable to the UK.
3 The majority of revenue and non current assets from the Americas are attributable to the USA.

No revenue from transactions with a single external customer amount to 10% or more of the Group's revenue.

Notes to the Consolidated Financial Statements continued

29. Capital Risk Management

The Group assesses capital management as part of its broader strategic plan. The Group focuses on interrelated financial parameters, including return on equity, earnings growth and borrowing capacity. These are taken into account when the Group makes decisions on how to invest its capital and evaluate its existing investments.

The Group's capital includes total equity, borrowings, and other interest bearing liabilities. When investing capital, the Group's objective is to deliver strong total shareholder returns and to maintain an investment grade credit rating by maintaining an appropriate financial profile. The S&P/Moody's long term credit rating at 30 June 2010 is BBB-/Baa3 (June 2009: BBB-/Baa3).

There has been no significant change to the objectives, policies and processes for managing capital from the previous year.

The capital structure of the Group can be changed by equity issuance, such as the A$806.6 million (excluding costs) raised in March and April 2010, paying dividends, the dividend reinvestment plan and changing the level of debt.

30. International Currency Management and Financial Instruments

The Group operates across numerous jurisdictions and markets. The Financial Markets Risk Committee oversees the management of the Group's foreign currency, credit, interest rate and liquidity risk exposures, within the parameters of a Board approved policy.

The Lend Lease Risk Management and Audit Committee maintains a Group-wide framework for risk management and reviews issues of material risk exposure.

a. Foreign Currency

Foreign Currency Risk

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

The Group is exposed to foreign currency risk primarily from foreign currency earnings, net investments in foreign operations, and transactions settled in foreign currency.

The Group's policy is to manage currency risk so as to minimise any adverse impact of this risk and associated costs on the Group's consolidated profit. The Group's exposure is primarily to the United States Dollar (USD), Great British Pound (GBP), Singapore Dollar (SGD) and Euro (EUR).

The Group uses both physical and derivative financial instruments (mainly forward foreign exchange contracts) to hedge its foreign currency exposures. This includes borrowings in the relevant foreign currencies, which act as a natural hedge of net investments in foreign operations.

The majority of forward foreign exchange contracts hedge specific foreign currency exposures, including receivables, payables, certain revenues and expenses, and intercompany transactions and loans. The contracts are marked to market at balance dates with unrealised gains and losses recorded in the income statement or the hedge reserve when the derivative is used in a hedging relationship that satisfies AASB 139 *Financial Instruments: Recognition and Measurement* criteria. Exchange gains and losses on these contracts are accounted for in accordance with the Group's accounting policy for foreign currency (refer to Note 1.21 'Foreign Currency Translation').

Certain derivative transactions are treated as cash flow hedges, fair value hedges, or hedges of net investments in foreign operations when they meet the appropriate hedge accounting criteria outlined in Note 1.22 'Derivative Financial Instruments and Hedging Activities'.

Fair Value Hedges

The Group's fair value hedges consist of forward foreign exchange contracts used as hedging instruments to protect against changes in the fair value of specific foreign denominated available for sale financial assets, due to movements in foreign exchange rates.

Changes in the fair value of the hedging instrument are recognised in the income statement in the period in which it occurs and are offset against the change in the fair value of the hedged item as shown below.

	June 2010 A$m	June 2009 A$m
Gain/(loss) on hedging instrument	0.3	(6.0)
(Loss)/gain on hedged item	(0.3)	3.9

There are no fair value hedges outstanding at 30 June 2010 (30 June 2009: A$2.5 million).

Notes to the Consolidated Financial Statements continued

30. International Currency Management and Financial Instruments continued

a. Foreign Currency continued

Cash Flow Hedges

The Group's cash flow hedges protect against foreign exchange rate fluctuations on highly probable forecast transactions using forward foreign exchange contracts. There are no cash flow hedges outstanding at 30 June 2010 (30 June 2009: A$nil).

Net Investments in Foreign Operations

Net investments in foreign operations are exposed to foreign currency translation risk. Foreign currency gains and losses arising from translation of net investments in foreign operations are recognised in the Foreign Currency Translation Reserve until realised. The Group does not generally use derivatives to hedge net investments in foreign operations.

The net asset exposure by currency is detailed below:

June 2010	AUD m	USD m	GBP m	SGD m	EUR m	Other m
Net asset exposure (local currency)	2,100.1	46.8	226.9	327.2	88.7	436.0[1]
June 2009						
Net asset exposure (local currency)	1,483.0	24.8	227.0	209.2	84.7	137.7

1 Included in other currency net asset exposure is A$300.0 million denominated in New Zealand dollars representing the net assets of the Primelife business acquired in December 2009 and the retail centres acquired in April 2010 from ING Retail Property Fund.

Foreign Currency Hedges (Not Hedge Accounted)

The Group's foreign exchange cash flow and fair value hedges by currency are as follows.

	Weighted Average Exchange Rate		Gross Receivable/(Payable) Under Contracts	
	June 2010 (A$1=)	June 2009 (A$1=)	June 2010 A$m	June 2009 A$m
Contracts to buy GBP at an agreed exchange rate	0.60	0.48	(69.9)	(99.3)
Contracts to sell GBP at an agreed exchange rate	0.59	0.49	450.1	608.3
Contracts to buy USD at an agreed exchange rate	0.86	0.76	(328.5)	(406.6)
Contracts to sell USD at an agreed exchange rate	0.88	0.78	38.0	85.2
Contracts to buy EUR at an agreed exchange rate	0.71	0.56	(32.0)	(64.1)
Contracts to sell EUR at an agreed exchange rate	0.70	0.57	70.0	80.7
Contracts to buy SGD at an agreed exchange rate	1.20	1.13	(32.4)	(27.3)
Contracts to sell SGD at an agreed exchange rate	1.21		16.6	
Contracts to sell New Zealand dollars at an agreed exchange rate	1.27		205.9	
Contracts to sell Canadian dollars at an agreed exchange rate	0.90		6.8	
Contracts to buy Japanese yen at an agreed exchange rate		68.89		(9.4)
Total A$			**324.6**	**167.5**

All contracts to buy or sell foreign currency mature within one year.

Notes to the Consolidated Financial Statements continued

30. International Currency Management and Financial Instruments continued

a. Foreign Currency continued

Sensitivity Analysis

The sensitivity of the Australian dollar to movement in foreign currencies is based on a 10% fluctuation (June 2009: 10% fluctuation) in the blended rates during the financial year and the spot rate at balance date. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% movement in the blended foreign exchange rates would have impacted the Group's profit/(loss) after tax as follows:

	10% Weakening		10% Strengthening	
	Increase/ (Decrease) in Profit After Tax June 2010 A$m	Increase/ (Decrease) in Profit After Tax June 2009 A$m	Increase/ (Decrease) in Profit After Tax June 2010 A$m	Increase/ (Decrease) in Profit After Tax June 2009 A$m
USD	2.4	2.6	(1.9)	(2.1)
GBP	10.7	(64.7)	(8.8)	53.0
SGD	7.2	1.8	(5.9)	(1.5)
EUR	(0.8)	(0.6)	0.7	0.5
	19.5	**(60.9)**	**(15.9)**	**49.9**

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

	10% Weakening		10% Strengthening	
	Increase in Net Assets		Decrease in Net Assets	
	June 2010 A$m	June 2009 A$m	June 2010 A$m	June 2009 A$m
USD	6.2	3.4	4.9	2.8
GBP	45.0	51.5	36.9	42.0
SGD	29.6	19.9	24.2	16.3
EUR	14.1	17.1	11.5	14.0
	94.9	**91.9**	**77.5**	**75.1**

b. Credit Risk

Credit risk represents the risk that a counterparty will not be able to complete its obligations under a financial instrument resulting in a financial loss to the Group. The Group has exposure to credit risk from all recognised financial assets.

On Balance Sheet Financial Instruments

The maximum exposure to credit risk at balance date on financial instruments recognised in the balance sheet (excluding investments of the Group) equals the carrying amount, net of any impairment.

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

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

Foreign exchange contracts are subject to credit risk in relation to the counterparty failing to deliver the contracted amount of currency at settlement date. The full amount of the Group's exposure at 30 June 2010 is disclosed in Note 30a 'Foreign Currency'.

There was an impairment of A$8.1 million recorded during the year against other financial assets (June 2009: A$16.5 million).

Refer to Note 10 'Loans and Receivables' for information relating to impairment on loans and receivables.

Notes to the Consolidated Financial Statements continued

30. International Currency Management and Financial Instruments continued

b. Credit Risk continued

Collateral

In certain circumstances, the Group will hold either financial or non financial assets as collateral to further mitigate the potential credit risk on selected transactions. The Group currently holds the following collateral as security for certain credit risk exposures:

– A trade debtor of A$27.0 million is secured by a first registered mortgage over land parcels (30 June 2009: A$24.3 million).

The Group did not obtain financial or non financial assets as collateral during the period as a result of default by a counterparty (30 June 2009: A$nil).

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 the market interest rates.

The Group's policy is to manage interest rate risk that impacts directly on the Group's assets and liabilities. The Group uses physical and derivative financial instruments to assist in managing its interest rate risk. Speculative trading is not undertaken.

The Group's exposure to interest rate risk on financial instruments is set out below.

	Carrying Amount	
	June 2010 A$m	June 2009 A$m
Fixed Rate Instruments		
Financial assets	239.7	394.3
Financial liabilities	(902.4)	(995.9)
	(662.7)	**(601.6)**
Variable Rate Instruments		
Financial assets	1,661.6	1,102.2
Financial liabilities	(728.6)	(339.4)
	933.0	**762.8**

Sensitivity Analysis

At 30 June 2010 it is estimated that an increase of one percentage point in interest rates would have increased the Group's profit after tax and retained earnings by A$4.4 million (2009: A$7.1 million decrease in the Group's loss after tax and retained earnings). A one percentage point decrease in interest rates would have decreased the Group's profit after tax and retained earnings by A$4.1 million (2009: A$7.1 million increase in the Group's loss after tax and retained earnings). The increase or decrease in interest income/expense is proportional to the increase or decrease in interest rates. Interest rate derivatives have been included in this calculation.

Notes to the Consolidated Financial Statements continued

30. International Currency Management and Financial Instruments 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 Group 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 maturity profiles of short term investments with cash flow requirements, and timely review and renewal of credit facilities.

The Group's main liquidity risk is the ability to refinance its current borrowings. At 30 June 2010 all borrowings are non current. In May 2010 the £350.0 million syndicated facility in the UK maturing in November 2010 was replaced by a new £360.0 million facility maturing in July 2013.

The Group has provided collateral of A$114.1 million (June 2009: A$57.5 million) against letter of credit facilities.

The following are the contractual cash flow maturities of financial liabilities (excluding financial guarantees), including estimated interest payments and excluding the impact of netting agreements.

	Note	Carrying Amount A$m	Contractual Cash Flows A$m	Six Months or Less A$m	Six to Twelve Months A$m	One to Two Years A$m	Two to Five Years A$m	More than Five Years A$m
June 2010								
Non Derivative Financial Liabilities								
Trade and other payables – current	18[1,2]	2,012.1	2,017.8	1,755.0	262.8			
Trade and other payables – non current	18[1,2]	587.6	703.1			136.4	253.9	312.8
Resident and accommodation bond liabilities[3]	19	1,995.8	1,995.8	1,995.8				
Borrowings and financing arrangements	20	1,446.6	2,018.3	65.3	32.6	650.2	259.4	1,010.8
Other financial liabilities	22	170.4	179.7	2.1	25.2	2.6	149.8	
Total		**6,212.5**	**6,914.7**	**3,818.2**	**320.6**	**789.2**	**663.1**	**1,323.6**
Derivative Financial Liabilities								
Foreign exchange contracts:	22							
Outflow		(36.5)	(850.8)	(850.8)				
Inflow		16.9	832.9	832.9				
Interest rate derivatives:	22							
Outflow		(8.4)	(9.5)	(1.4)	(1.3)	(2.3)	(4.5)	
Total		**(28.0)**	**(27.4)**	**(19.3)**	**(1.3)**	**(2.3)**	**(4.5)**	**–**
June 2009								
Non Derivative Financial Liabilities								
Trade and other payables – current	18[2]	2,364.9	2,364.9	2,204.3	160.6			
Trade and other payables – non current	18[2]	220.2	220.2			139.8	63.5	16.9
Borrowings and financing arrangements	20	1,125.0	1,742.6	48.6	10.4	211.5	288.4	1,183.7
Other financial liabilities	22	191.6	210.2	1.8	1.8	30.8	175.8	
Total		**3,901.7**	**4,537.9**	**2,254.7**	**172.8**	**382.1**	**527.7**	**1,200.6**
Derivative Financial Liabilities								
Foreign exchange contracts:								
Outflow		(34.2)	(842.4)	(836.1)	(6.0)	(0.3)		
Inflow		7.8	817.0	810.3	6.3	0.4		
Total		**(26.4)**	**(25.4)**	**(25.8)**	**0.3**	**0.1**	**–**	**–**

1 The carrying amount of trade and other payables excludes A$1,259.2 million of current and A$121.9 million of non current amounts as they do not meet the definition of a financial liability under the Australian Accounting Standards.
2 The repayment of these amounts will be funded through collection of outstanding loans and receivables: June 2010: A$2,139.6 million (June 2009: A$2,760.1 million).
3 Resident and accommodation bond liabilities are required to be classified as six months or less as any resident may depart at any time. The balance includes retirement village total resident liabilities of A$1,856.7 million, which is net of deferred management fees receivable, and is repayable out of the amounts paid to the Group by incoming retirement village residents for the right to occupy Senior Living Properties. (Refer Note 13 'Investment Properties' and Note 19 'Resident and Accommodation Bond Liabilities').

Details of other contractually committed cash flows the Group is exposed to are in Note 31 'Commitments'.

Notes to the Consolidated Financial Statements continued

30. International Currency Management and Financial Instruments continued

e. Fair Values of Financial Assets and Liabilities

Financial Instruments

All financial instruments recognised on the balance sheet, 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 non current borrowings.

	Note	June 2010 Carrying Amount A$m	June 2010 Fair Value A$m	June 2009 Carrying Amount A$m	June 2009 Fair Value A$m
Liabilities					
Non Current					
Commercial notes	20	**879.9**	**904.6**	**971.9**	**772.9**

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

Basis of Determining Fair Value

The determination of fair values of financial instruments that are not measured at cost or amortised cost in the financial report are summarised as follows.

- The fair value of unlisted equity investments is determined by an assessment by the Directors based on the underlying net assets, future maintainable earnings and any special circumstances pertaining to the particular investment;
- The fair value of the unlisted investments in property funds has been determined by reference to the fair value of the underlying properties which are valued by independent appraisers; and
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted valuation models based on discounted cash flow analysis and compared to observable current market transactions for reasonableness. Derivative instruments comprise forward foreign exchange contracts, which are valued using forward rates at balance date, and interest rate swap contracts, which are measured at the present value of future cash flows estimated and discounted based on applicable yield curves derived from quoted interest rates.

Notes to the Consolidated Financial Statements continued

30. International Currency Management and Financial Instruments continued

e. Fair Values of Financial Assets and Liabilities continued

Financial Instruments continued

Fair Value Measurements

As of 1 July 2009 the Group has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure by the level of the following fair value measurement hierarchy:

- Level 1: The fair value is determined using the unadjusted quoted price for an identical instrument 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 instrument; and
- Level 3: The fair value is calculated using inputs that are not based on observable market data.

		Consolidated Carrying Amount			
June 2010	Note	Level 1 A$m	Level 2 A$m	Level 3 A$m	Total A$m
Financial Assets					
Available for sale		9.8	1.9	240.0	251.7
Fair value through profit and loss - negotiable instruments		75.8			75.8
Fair value through profit and loss - unlisted equity investments				33.7	33.7
Derivatives			3.9		3.9
	14	**85.6**	**5.8**	**273.7**	**365.1**
Financial Liabilities					
Derivatives	22	**–**	**28.0**	**–**	**28.0**

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

Reconciliation

Reconciliation of the carrying amount for Level 3 financial instruments is set out below:

	Available for Sale A$m	Unlisted Equity Investments A$m
Carrying amount at beginning of financial year	372.0	12.4
Additions	20.9	27.7
Disposals	(153.1)	
Revaluation gain to other comprehensive income	9.2	
Effect of foreign exchange rate/other movements	(9.0)	(6.4)
Carrying amount at end of financial year	**240.0**	**33.7**

f. Equity Price Risk

Equity price risk is the risk that the fair value of either a traded or non traded equity investment, derivative equity instrument, or a portfolio of such financial instruments, increases or decreases in the future. The Group is exposed to equity price risk on all traded or non traded financial instruments measured at fair value. Refer to Note 30e 'Fair Values of Financial Assets and Liabilities' for the sensitivity analysis in respect of the Group's equity investments classified as financial assets.

Notes to the Consolidated Financial Statements continued

	June 2010 A$m	June 2009 A$m
31. Commitments[1]		
The Group leases various land and buildings, and plant and equipment under non cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.		
a. Operating Lease Commitments		
The estimated aggregate amount of non cancellable operating lease expenditure agreed or contracted but not provided for in the financial statements is as follows.		
Land and buildings – self occupied	187.4	184.2
Plant and equipment	11.4	14.4
	198.8	**198.6**
At balance date, commitments in relation to non cancellable operating leases are payable as follows.		
Due within one year	47.6	53.4
Due between one and five years	114.7	112.9
Due later than five years	36.5	32.3
	198.8	**198.6**
b. Finance Lease Commitments		
At balance date commitments in relation to the finance leases are payable as follows.		
Due within one year	0.2	0.1
Due between one and five years	146.8	167.7
Due later than five years	0.1	
Recognised as a liability	**147.1**	**167.8**
Lease liabilities provided for in the financial statements are as follows.		
Current	0.2	0.1
Non current	146.9	167.7
	147.1	**167.8**
c. Investments		
At balance date capital commitments existing in respect of interests in equity accounted investments and other investments contracted but not provided for in the financial statements are as follows.		
Due within one year	111.1	21.2
Due between one and five years	117.8	173.9
Due later than five years	4.3	4.7
	233.2	**199.8**

1 The commitments outlined in this note do not include the commitments of the entities accounted for using the equity method (refer to Note 12 'Equity Accounted Investments').

Notes to the Consolidated Financial Statements continued

	June 2010 A$m	June 2009 A$m
32. Notes to the Statements of Cash Flows		
Reconciliation of Profit/(Loss) After Tax to Net Cash Provided by Operating Activities		
Profit/(Loss) After Tax (Including Minority Interest)	**348.2**	**(665.9)**
Amortisation and depreciation	39.8	32.6
Net gain on sale of financial assets	(24.0)	
Net gain on sale of other assets	(53.2)	(46.6)
Net (write back)/impairment on investments accounted for using the equity method	(12.6)	34.6
Impairment of property, plant and equipment		20.3
Impairment of other financial assets	12.1	16.5
Net unrealised foreign exchange loss/(gain) and currency hedging costs	18.3	71.6
Net fair value (gain)/loss on equity derivative swaps	(8.7)	48.4
(Profit)/loss of equity accounted investments	(169.4)	160.5
Discount on acquisition of Primelife business	(48.3)	
Dividends/distributions from equity accounted investments	99.2	91.7
Impairment of goodwill and intangibles	0.5	253.5
Fair value loss on investment properties	31.8	62.2
Other	2.3	32.1
Net cash provided by operating activities before changes in assets and liabilities	**236.0**	**111.5**
Changes in Assets and Liabilities Adjusted for Effects of Purchase and Disposal of Subsidiaries and Operations During the Financial Year		
Decrease in receivables	622.4	144.4
(Increase)/decrease in inventories	(366.0)	338.6
Increase in other assets	(52.5)	(71.7)
Decrease in defined benefit plan assets/liabilities	(25.0)	(73.7)
(Decrease)/increase in payables	(120.1)	2.7
(Decrease)/increase in other liabilities	(48.4)	27.2
Decrease/(increase) in deferred tax items	46.1	(119.8)
Decrease in current tax liability/asset	(37.5)	(26.0)
(Decrease)/increase in other provisions	(28.7)	49.0
Decrease in other intangibles	1.7	
Net cash provided by operating activities	**228.0**	**382.2**

Notes to the Consolidated Financial Statements continued

33. Employee Benefits

a. Lend Lease Employee Security Plans

Currently employees own approximately 6.1% of the issued capital of Lend Lease Corporation through various Lend Lease employee security plans, details of which are outlined below.

– Australia: Employee Share Acquisition Plan ('ESAP'): ESAP was established in December 1988 for the purpose of employees acquiring shares in Lend Lease Corporation and is funded by Lend Lease subscriptions. Those subscriptions have been used to acquire shares in Lend Lease Corporation at market value on behalf of employees, who may be nominated as members of ESAP. Employees may also be allocated securities by way of bonus arrangements on the basis of individual, corporate and business unit performance.

– UK/Europe/Asia: Employee Share Plan: The European (Guernsey based) Restricted Share Plan ('the Restricted Share Plan') was established in 1998. The Plan is similar in operation to the Australia-based ESAP. Securities in the Restricted Share Plan may be allocated to employees in the UK, Europe and Singapore based on individual and business unit performance. The Restricted Share Plan can acquire Lend Lease Corporation securities at market value on behalf of employees. The value of allocations to employees is ultimately based on a combination of the Lend Lease Corporation security price and the respective currencies and Australian dollar exchange rates.

– In 2002, two UK based Inland Revenue approved Share Incentive Plans ('SIP') were established for the acceptance of employee profit share contributions used to acquire Lend Lease Corporation securities for UK based Lend Lease Group employees. These plans are currently not accepting new contributions whilst Lend Lease makes all profit share payments to employees in cash.

Eligibility

The rules for eligibility for particular plans are determined by reference to the regulatory, legal and tax rules of each country in which the Group operates.

Dividends and/or Voting Rights

Generally, employees in the various operating security plans are entitled to dividends and voting rights for allocated securities. The plans reflect this intention subject to regulatory, legal and tax constraints. Voting and dividend rights on any unallocated securities reside with the trustees of the relevant security plan trusts. The trustee may exercise these rights in accordance with any fiduciary or governance rules pertaining to the deed or trust laws in the legal and tax jurisdiction within which the trust operates.

b. Lend Lease Employee Benefit Vehicles

In addition to the plans discussed above, Lend Lease has established a range of employee share ownership vehicles, which includes Lend Lease Retirement Benefit Fund ('RBF') and the Lend Lease Employee Investment Trust ('EIT').

RBF was established in 1984 with shareholder approval for the benefit of employees. The balance of the assets of RBF at 30 June 2010 was 14.9 million (June 2009: 14.1 million) Lend Lease Group stapled securities. The Lend Lease securities in RBF are not available for allocation to employees other than in the event of a change of control of Lend Lease Corporation and, in accordance with RBF's trust deed, the capital of the trust is not available to Lend Lease Corporation.

The RBF trustees are independent of Lend Lease Corporation. In the event of a change of control, the RBF Trustees may distribute RBF funds to employees who cease to be employees during the 12 months after a change of control. The RBF trustees have discretion as to how RBF funds are distributed following a change of control. Under Australian Accounting Standards, RBF, while not legally controlled, is required to be consolidated for accounting purposes and payments from it on a change of control will impact the Group's financial statements. Any payments that the RBF trustees may make as a result of a change of control of Lend Lease Corporation are an obligation of RBF and not the Company. Any payments made will need to be funded by RBF and therefore cannot exceed the value of the assets of RBF, which was A$117.5 million at 30 June 2010 (June 2009: A$112.3 million). However, as RBF is consolidated by the Group, this potential obligation is disclosed as a contingent liability.

EIT was established in 1985 to enable employees to invest in the Company. At 30 June 2010, 11.6 million (June 2009: 11.6 million) Lend Lease Group securities were held by EIT, of which 11.3 million securities were available for allocation to employees. In accordance with EIT's trust deed, the capital of the EIT is not available to Lend Lease Corporation.

As with RBF, Australian Accounting Standards require consolidation of EIT for accounting purposes, regardless of the control of EIT by independent trustees. Therefore payments from EIT impact the Group's financial statements. On a change of control, the EIT trustees may (but are not required to) terminate the trust and distribute allocated proceeds to employees and unallocated proceeds to the Lend Lease Superannuation Fund or to RBF. Any payments are an obligation of EIT and not the Company, and cannot exceed the assets of the EIT of A$92.1 million as at 30 June 2010 (June 2009: A$88.1 million). No contingency is recorded in these financial statements as the potential for such payments is remote, with any termination of EIT in such circumstances, and any subsequent distribution to other funds, entirely at the discretion of the EIT trustees.

It should be noted that given the timing and basis on which these vehicles purchased their Lend Lease Group securities, any capital gains tax payable on the Lend Lease securities sold by these vehicles as a result of a change of control (or otherwise) may be recognised from an accounting viewpoint as a tax expense of the consolidated entity.

Notes to the Consolidated Financial Statements continued

33. Employee Benefits continued

c. Share Based Payments

Short Term Incentives (STI)

The STI plan is an annual bonus plan where executives receive benefits dependent on the achievement of both Lend Lease financial targets and individual personal targets. The total value of the potential benefit (target opportunity) varies by executive, but is generally linked to salary.

The STI comprises a cash element paid in September following year end and a deferred element. The deferred element represents Lend Lease Group securities based on the security price at the date of determination of the bonuses. The securities are then held in trust on behalf of the executive for the deferred period. For executives to receive the full deferral they must be employed by the Group at the date of vesting, which will usually be one year from the date of grant.

Long Term Incentives (LTI)

The current LTIs of Lend Lease were introduced and approved by the Board in 1999 and updated and extended for awards from 2001 onwards. The objectives of the LTIs are essentially twofold:

– Align executives with the long term interests of Lend Lease and its security holders; and
– Attract and retain high calibre executives by providing competitive rewards that relate to the performance of the Group, the individual executive and the Lend Lease Group security price.

LTI grants are normally made in September each year. The Personnel and Organisation Committee intends that these awards will vest in Lend Lease Group securities rather than cash, with settlement occurring upon vesting if performance hurdles are met. Grants depend on personal contribution and potential, and are designed to retain and motivate high performing and key executives. The LTIs are in the form of an Australian dollar figure 'grant' (converted from local salary for overseas participants), which is 'invested' in performance securities over time to deliver value depending on:

– Whether the executive remains with the Group – if the executive resigns before vesting, the grant will lapse; and
– The performance of the Group.

In the event of a change in control of Lend Lease Corporation, all awards will vest upon change in control, to the extent that performance conditions have been met. Participants would then be entitled to a pro rata settlement, with the Board having discretion to allow the entitlement to exceed this pro rata amount, if circumstances so provide.

Arrangements for LTI Awards Granted in the June 2008 Financial Year

For awards granted 1 July 2007 the performance hurdle is based on two equal measures: long term profitability as measured by earnings per share ('EPS') and external total shareholder return ('TSR') compared with the TSR of the individual ASX100 listed companies as at the commencement of the performance period. The performance measures are:

– TSR measured against the ASX100 companies (with 50% vesting at median performance, rising proportionately to 100% on reaching top quartile performance); and
– EPS on the basis of EPS reported in the Company's financial statements adjusted for exclusion of treasury shares, and exclusion of unrealised revaluation gains or losses (unless assets are actually sold).

Each of the two performance hurdles is measured and can vest independently. The executive must remain with the Company until vesting date for the award to vest. The period may be shortened if an executive is a 'good leaver', that is, an executive who leaves employment by reason of death, total and permanent disability, redundancy or other reason as determined by the Personnel and Organisation Committee. Performance conditions continue to apply.

Arrangements for LTI Awards Granted in the June 2009 Financial Year

For awards granted 1 September 2008 the performance hurdle is based on three equal measures: long term profitability as measured by EPS; external TSR compared to the TSR of the individual ASX100 listed companies as at the commencement of the performance period; and a retention component. The performance measures are:

– TSR measured against the ASX100 companies (with 50% vesting at median performance, rising proportionately to 100% on reaching top quartile performance);
– EPS on the basis of EPS reported in the Company's financial statements adjusted for exclusion of treasury shares, and exclusion of unrealised carrying value adjustments, write-off of goodwill, movements in the value of investment properties, savings implementation costs and one-off benefits from the UK Pension Plan; and
– Retention component which will vest if the executive remains in employment with Lend Lease for three years from the grant date.

Each of the three performance hurdles is measured and can vest independently. The executive must remain with the Company until vesting date for the award to vest. The period may be shortened if an executive is a 'good leaver'.

Notes to the Consolidated Financial Statements continued

33. Employee Benefits continued

c. Share Based Payments continued

Arrangements for LTI Awards Granted in the June 2010 Financial Years

For awards granted 1 September 2009 the performance hurdle is based on two equal measures: long term profitability as measured by EPS and external TSR compared with the TSR of the individual ASX100 listed companies as at the commencement of the performance period. The performance measures are:

– TSR measured against the ASX100 companies (with 50% vesting at median performance, rising proportionately to 100% on reaching top quartile performance); and
– EPS on the basis of EPS reported in the Company's financial statements adjusted for exclusion of treasury shares.

Each of the two performance hurdles is measured and can vest independently. 50% of the award vests after three years, the remaining 50% of the award vests after four years. The executive must remain with the Company until vesting date for the award to vest. The period may be shortened if an executive leaves employment by reason of death or total and permanent disability. Where employment ceases for redundancy or other circumstances as determined by the Personnel and Organisation Committee a pro-rata award may be retained subject to the original vesting date and performance conditions.

Other LTI Awards

During the June 2010 financial year bespoke LTI plans have been granted to certain executives by the Personnel and Organisation Committee. These awards tend to have performance hurdles based on internal business unit performance targets, such as net profit after tax, global operating margin and global funds under management. The relevant performance hurdles must be satisfied in order for awards to vest, but the hurdles can vest independently. The executive must remain with the Group until vesting date for the award to vest. The Personnel and Organisation Committee intends that these awards will vest in Lend Lease Group securities.

Retention Awards

When the Board believes an employee is an outstanding performer and Lend Lease and its security holders will gain from incentivising him or her to remain with Lend Lease, a retention award may be made. As an incentive to remain with the Group requires a degree of certainty of value delivered to the individual at the end of the retention period, performance conditions are not generally applied to the ultimate payment of such an award.

Amounts Recognised in the Financial Statements

LTI awards are valued using a Monte-Carlo simulation methodology where the security price can be projected based on the assumptions underlying the Black-Scholes formula. Retention awards are valued by discounting the security price by the expected dividends assumed to be paid from the valuation date until the vesting date (if applicable). The model inputs include the Lend Lease Group security price, a risk free interest rate, expected volatility and dividend yield.

During the financial year ended 30 June 2010, a A$17.5 million expense was recognised in the income statement in relation to equity settled security based payment awards (June 2009: A$19.2 million). This was partially offset by a net accrual reversal of A$0.1 million (June 2009: A$9.7 million) relating to previously accrued expenses for employees who left the Company during the year.

Notes to the Consolidated Financial Statements continued

34. Key Management Personnel Disclosures

Key Management Personnel compensation details are set out in Section 3 of the Directors' Report.

Equity Holdings and Transactions

Security Holdings Financial Year Ended 30 June 2010

	Year	Securities Held at Beginning of Financial Year	Securities Received During the Year[1,2]	Other Net Change to Securities	Securities Held at End of Financial Year
Non Executive Directors					
D Crawford	**2010**	48,128	25,465		73,593
	2009	33,895	14,233		48,128
P Colebatch	**2010**	10,891	7,432		18,323
	2009	5,767	5,124		10,891
G Edington	**2010**	31,323	8,745		40,068
	2009	26,484	4,839		31,323
P Goldmark	**2010**	20,703	4,091		24,794
	2009	15,579	5,124		20,703
J Hill	**2010**	10,233	4,091		14,324
	2009	5,109	5,124		10,233
D Ryan	**2010**	21,242	10,031		31,273
	2009	15,834	5,408		21,242
Former					
M Selway[3]	**2010**	6,488	4,089	(10,577)	
	2009	4,000	2,488		6,488
Executive Director					
S McCann	**2010**	73,301	112,508		185,809
	2009	2,367	70,934		73,301
Executive					
S Charlton	**2010**		5,000		5,000
B Soller	**2010**	12,407	25,417		37,824
	2009	3,445	8,962		12,407
Former					
G Clarke	2009	1,000	48,287	(49,287)	
R Taylor	2009	191,023	30,511	(221,534)	
Total	**2010**	**234,716**	**206,869**	**(10,577)**	**431,008**
Total	2009	304,503	201,034	(270,821)	234,716

1 Non Executive Directors' security allocations relating to retirement benefits are made in arrears on 1 January each year. Refer to Section 3i. of the Directors' Report for further details.
2 For Executive Director and executives, relates to security entitlements under employee benefit vehicles.
3 M Selway retired effective 10 February 2010.

Key Management Personnel Compensation

The key management personnel compensation included in 'Employee Benefit Expenses' (refer to Note 5 'Other Operating (Income) and Expenses') is as follows:

	June 2010 A$000s	June 2009 A$000s
Short term employee benefits	6,971	8,059
Post employment benefits	148	5,864
Share based payments	2,917	1,047
Other long term benefits	37	25
	10,073	**14,995**

Loans to Key Management Personnel

No loans were made to key management personnel or their related parties during the current year or prior year.

Other Transactions with Key Management Personnel

From time to time Directors and executives of the Company or its consolidated entities, or parties related to them, may purchase goods from the consolidated entity. These purchases are on terms and conditions no more favourable than those entered into by unrelated customers.

Notes to the Consolidated Financial Statements continued

35. Non Key Management Personnel Related Party Information

Consolidated Entities

Lend Lease Corporation Limited

Lend Lease Corporation Limited provides a wide range of corporate services to its consolidated entities. Corporate management fees are charged to these entities for these services. These services principally relate to:

- Administration, company secretarial, accounting, legal, tax, insurance, information technology and public relations;
- Human resources and employee services including the administration of salaries and superannuation, the provision of a defined benefit plan for a number of Australian employees (refer to Note 17 'Defined Benefit Plan Asset') and security based payment plans (refer to Note 25 'Reserves' and Note 33 'Employee Benefits'); and
- Finance and treasury services, which includes working capital facilities and long term financing. Interest is earned or incurred only on long term loans provided to or drawn with subsidiaries based on project specific risks and returns. Outstanding balances arising from working capital facilities and long term financing are typically repayable on demand. In addition, financial guarantees are provided on the borrowings of subsidiaries for which guarantee fees are charged under normal terms and conditions.

The following represents the transactions that occurred during the financial year and the balances outstanding at the year end between Lend Lease Corporation Limited and its consolidated entities.

	Company	
	June 2010 A$m	June 2009 A$m
Transactions		
Corporate management fees	34.0	47.6
Guarantee fees	12.1	14.4
Dividend income	73.1	71.8
Outstanding balances (net of provisions raised)		
Receivables	4,084.6	3,536.4
Payables	1,353.3	1,882.4

Consolidated Entities

Transactions that occurred during the financial year between entities in the Lend Lease Group include:

- Provision of project management, design services, construction management and engineering services to development projects;
- Provision of payroll, transaction and management services;
- Provision of investment management services;
- Receipt and payment of superannuation contributions;
- Reimbursements of expenses made on behalf of subsidiaries;
- Loan advances and repayments between subsidiaries;
- Premium payments and receipts for the Group's insurance policies; and
- Dividends received or due and receivable from subsidiaries.

Notes to the Consolidated Financial Statements continued

35. Non Key Management Personnel Related Party Information continued

Associates and Joint Venture Entities

Interests held in associates and joint venture entities by Lend Lease are set out in Note 12 'Equity Accounted Investments' to the financial statements.

Transactions between the Lend Lease Group to its associates and joint venture entities principally relate to:

- Retail business: provision of retail property management, asset management and development services;
- Communities business: development management services and the sale and purchase of development properties with Lend Lease managed funds;
- Investment Management: provision of strategic investment advice, asset management and investment portfolio management services;
- Project Management, Design and Construction: provision of construction, project management and design services; and
- Public Private Partnerships business: provision of construction, project management and design services, asset and facilities management services. Loan stock is also provided to projects on which interest is earned based upon project specific risks and returns.

Lend Lease provides long term loans on which interest is earned based upon project specific risks and returns. A subordinated non interest bearing loan has been provided to an associate and at 30 June 2010 the loan balance was A$31.3 million. A non interest bearing loan has also been provided to a joint venture and at 30 June 2010 the loan balance was A$26.4 million.

Except as noted above, transactions and outstanding balances are typically on normal terms and conditions.

Revenue earned by Lend Lease during the year as a result of transactions with its associates and joint venture entities is as follows.

	June 2010 A$m	June 2009 A$m
Revenue		
Provision of services		
Associates	267.7	307.0
Joint venture entities	423.7	778.8

Other transactions and outstanding balances with associates and joint venture entities have been disclosed in Note 2 'Revenue', Note 3 'Other Income', Note 4 'Finance Costs', Note 5 'Other Operating (Income) and Expenses', Note 10 'Loans and Receivables' and Note 18 'Trade and Other Payables'.

Managed Funds

Lend Lease holds investments in a number of property funds for which it is also the fund manager. In addition to those property funds classified as associates and joint venture entities (refer to above and Note 12 'Equity Accounted Investments'), Lend Lease holds interests in property funds which are classified as available for sale financial assets (refer to Note 14 'Other Financial Assets').

Transactions between the Lend Lease Group and such property funds classified as available for sale are priced on a commercial basis. These transactions relate principally to:

- Investment management: provision of strategic investment advice, asset management and investment portfolio management;
- Asset management: provision of property management services, property portfolio advisory services, maintenance and insurances, strategic advice and management supervision services, administration, marketing and risk management services; and
- Communities businesses: provision of property capital works, design and construction services, development and refurbishment, and the sale of development properties.

During the year the following transactions occurred.

	June 2010 A$m	June 2009 A$m
Revenue		
Provision of services	51.2	60.3

Notes to the Consolidated Financial Statements continued

36. Parent Entity Disclosures

The following summarises the financial information of the Group's parent entity, Lend Lease Corporation Limited ('the Company'), as at and for the year ended 30 June 2010.

	Company	
	June 2010 A$m	June 2009 A$m
Results		
Loss after tax	(49.6)	(36.0)
Other comprehensive income after tax	(0.2)	1.0
Total comprehensive income after tax	**(49.8)**	**(35.0)**
Financial Position		
Assets/Liabilities		
Current assets	4,269.3	3,563.2
Non current assets	836.3	1,477.2
Total assets	**5,105.6**	**5,040.4**
Current liabilities	1,419.5	1,965.5
Non current liabilities	30.4	43.1
Total liabilities	**1,449.9**	**2,008.6**
Net assets	**3,655.7**	**3,031.8**
Issued capital	2,019.2	1,195.9
Treasury securities	(79.9)	(88.2)
Reserves	203.3	195.5
Retained earnings	1,513.1	1,728.6
Total equity	**3,655.7**	**3,031.8**

Parent Entity Contingencies

In respect of the contingent liabilities to the Group disclosed in Note 26 'Contingent Liabilities', the Company participates in the provision of guarantees of Group entities and manages the legal action in relation to the World Trade Center.

37. Event Subsequent to Balance Date

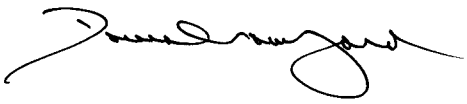
There were no material events subsequent to the end of the financial year.

Directors' Declaration

In the opinion of the Directors of Lend Lease Corporation Limited ('the Company'):

1. The financial statements and notes and the remuneration disclosures contained in the Remuneration Report in the Directors' Report are in accordance with the *Corporations Act 2001*, including:
   a. Giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2010 and of their 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 1.1.
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.
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

S B McCann
Managing Director

Sydney, 16 August 2010

KPMG

Independent auditor's report to the members of Lend Lease Corporation Limited

Report on the financial report

We have audited the accompanying financial report of the Group comprising Lend Lease Corporation Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the statement of financial position as at 30 June 2010, income statement, statement of comprehensive income, and statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 37 and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Group 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 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 control relevant to the entity'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 entity's internal controls. 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 (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Group'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 Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group'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.

Report on the remuneration report

We have audited the Remuneration Report included in pages 20 to 34 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Lend Lease Corporation Limited for the year ended 30 June 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Chris Hall
Partner

Sydney

16 August 2010