

# Consolidated Financial Statements

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# Consolidated Financial Statements

## Income Statement

Half Year Ended 31 December 2008

	Note	Consolidated	
		6 months December 2008 A\$m	6 months December 2007 <sup>1</sup> A\$m
<b>Revenue</b>			
Revenue from the sale of development properties	2a	129.9	517.0
Revenue from the provision of services	2b	7,555.5	6,900.1
Finance revenue	2c	56.6	46.4
Other revenue	2d	86.6	126.8
<b>Total revenue</b>		<b>7,828.6</b>	<b>7,590.3</b>
<b>Other Income</b>	3	<b>54.6</b>	<b>54.2</b>
<b>Expenses</b>			
Retail activities		(122.7)	(54.8)
Communities activities			
Cost of properties sold		(326.4)	(398.8)
Other expenses		(446.2)	(113.8)
Public Private Partnerships (PPP) activities			
Cost of inventories sold		(647.2)	(394.5)
Other expenses		(48.5)	(53.5)
Investment Management activities		(17.0)	(28.5)
Project Management and Construction activities			
Cost of inventories sold		(6,423.1)	(6,099.0)
Other expenses		(221.3)	(173.6)
Corporate and administrative activities		(128.7)	(41.5)
Finance costs	4	(50.9)	(43.7)
<b>Total expenses</b>		<b>(8,432.0)</b>	<b>(7,401.7)</b>
Share of (loss)/profit of associates accounted for using the equity method	10a	(75.0)	46.8
Share of (loss)/profit of joint venture entities accounted for using the equity method	10b	(49.0)	21.9
<b>(Loss)/profit before tax</b>		<b>(672.8)</b>	<b>311.5</b>
Income tax benefit/(expense)	5a	70.4	(63.2)
<b>(Loss)/profit after tax</b>		<b>(602.4)</b>	<b>248.3<sup>1</sup></b>
(Loss)/profit after tax attributable to:			
Members of Lend Lease Corporation Limited	21	(596.4)	250.9
Minority interests		(6.0)	(2.6)
<b>(Loss)/profit after tax</b>		<b>(602.4)</b>	<b>248.3</b>
<b>Basic / Diluted Earnings Per Share</b>			
Shares excluding treasury shares (cents)	6b	<b>(160.1)</b>	<b>67.7</b>
Shares on issue (cents)	6b	(148.2)	62.6

<sup>1</sup> December 2007 profit after tax of A\$257.0 million has been adjusted to A\$248.3 million to reflect the impact of adopting for the first time *AASB Interpretation 12* 'Service Concession Arrangements' (refer Note 1b. 'Significant Accounting Policies').

The accompanying notes form part of these consolidated financial statements.

## Consolidated Financial Statements continued

### Balance Sheet

As at 31 December 2008

		Consolidated	
	Note	December 2008 A\$m	June 2008 <sup>1</sup> A\$m
<b>Current Assets</b>			
Cash and cash equivalents	7	1,563.3	842.8
Loans and receivables	8	2,846.0	2,437.4
Inventories	9	753.5	773.1
Other financial assets	12	68.9	84.7
Other assets		88.5	43.2
<b>Total current assets</b>		<b>5,320.2</b>	<b>4,181.2</b>
<b>Non Current Assets</b>			
Loans and receivables	8	527.6	415.1
Inventories	9	1,287.6	1,332.3
Investments accounted for using the equity method	10	1,234.4	1,065.8
Investment properties	11	153.5	190.4
Other financial assets	12	430.5	391.4
Deferred tax assets	5c	221.5	121.5
Property, plant and equipment		144.3	145.2
Intangible assets	13	571.7	730.1
Defined benefit plan asset	14	29.1	28.7
Other assets		41.6	11.8
<b>Total non current assets</b>		<b>4,641.8</b>	<b>4,432.3</b>
<b>Total assets</b>		<b>9,962.0</b>	<b>8,613.5</b>
<b>Current Liabilities</b>			
Trade and other payables	15	4,529.7	3,717.9
Provisions	17	302.9	215.4
Current tax liabilities	5b	32.5	53.7
Other financial liabilities	18	75.9	0.1
Other non financial liabilities		0.2	0.3
<b>Total current liabilities</b>		<b>4,941.2</b>	<b>3,987.4</b>
<b>Non Current Liabilities</b>			
Trade and other payables	15	167.9	80.8
Borrowings and financing arrangements	16	1,777.4	929.3
Provisions	17	52.1	45.3
Deferred tax liabilities	5c	186.1	188.4
Other financial liabilities	18	194.8	200.8
Other non financial liabilities		0.7	0.8
Defined benefit plan liability	19	67.1	118.1
<b>Total non current liabilities</b>		<b>2,446.1</b>	<b>1,563.5</b>
<b>Total liabilities</b>		<b>7,387.3</b>	<b>5,550.9</b>
<b>Net assets</b>		<b>2,574.7</b>	<b>3,062.6</b>
<b>Equity</b>			
Issued capital	20	880.0	854.7
Treasury shares	20	(56.4)	(62.6)
Reserves		209.2	1.3
Retained earnings	21	1,491.7	2,213.2
<b>Total equity attributable to equity holders of the parent</b>		<b>2,524.5</b>	<b>3,006.6</b>
Minority interests		50.2	56.0
<b>Total equity</b>		<b>2,574.7</b>	<b>3,062.6</b>

<sup>1</sup> June 2008 balance sheet has been adjusted to reflect the impact of adopting for the first time AASB Interpretation 12 'Service Concession Arrangements' (refer Note 1b. 'Significant Accounting Policies').

The accompanying notes form part of these consolidated financial statements.

## Consolidated Financial Statements continued

### Statement of Changes in Equity

Half Year Ended 31 December 2008

	Note	Consolidated	
		6 months December 2008 A\$m	6 months December 2007 A\$m
<b>Issued Capital and Treasury Shares</b>			
<b>Issued Capital</b>			
Opening balance at beginning of financial period		854.7	854.4
Dividend Reinvestment Plan		25.3	
Closing balance at end of financial period	20	<b>880.0</b>	<b>854.4</b>
<b>Treasury Shares</b>			
Opening balance at beginning of financial period		(62.6)	(67.4)
Treasury shares acquired		(2.4)	(1.5)
Treasury shares vested		8.6	3.4
Closing balance at end of financial period	20	<b>(56.4)</b>	<b>(65.5)</b>
Total issued capital and treasury shares		<b>823.6</b>	<b>788.9</b>
<b>Reserves</b>			
<b>Fair Value Revaluation Reserve</b>			
Opening balance at beginning of financial period		81.1	130.2
Revaluation (loss)/gain taken to equity (net of tax)		(19.8)	15.3
Transfer of fair value revaluation reserve to income statement on asset disposal (net of tax)			(46.2)
Effect of foreign exchange rate/other movements		(0.2)	(0.3)
Closing balance at end of financial period		<b>61.1</b>	<b>99.0</b>
<b>Hedging Reserve</b>			
Opening balance at beginning of financial period <sup>1</sup>		(1.4)	(8.8)
Movements attributable to effective cash flow hedges taken to equity (net of tax) <sup>1</sup>		(39.9)	(3.8)
Effect of foreign exchange rate/other movements <sup>1</sup>		2.1	0.2
Closing balance at end of financial period		<b>(39.2)</b>	<b>(12.4)</b>
<b>Foreign Currency Translation Reserve</b>			
Opening balance at beginning of financial period <sup>1</sup>		(163.5)	(50.7)
Movements attributable to translation and hedging of foreign operations <sup>1</sup>		301.6	(56.5)
Transfer to income statement on return of capital		0.2	0.5
Closing balance at end of financial period		<b>138.3</b>	<b>(106.7)</b>
<b>Equity Compensation Reserve</b>			
Opening balance at beginning of financial period (Non vesting)/allocation of shares for equity related employee benefits		33.6	12.3
		(2.9)	17.0
Closing balance at end of financial period		<b>30.7</b>	<b>29.3</b>
<b>Other Compensation Reserve</b>			
Balance at beginning and end of financial period		<b>54.4</b>	<b>55.3</b>

1 The following adjustments reflect the impact of adopting for the first time *AASB Interpretation 12 'Service Concession Arrangements'* (refer Note 1b. 'Significant Accounting Policies'):

- At 1 July 2007 the hedging reserve of A\$(9.9) million, movements attributable to effective cash flow hedges taken to equity (net of tax) of A\$(13.1) million and the effect of foreign exchange rates of A\$1.0 million for six months to December 2007 have been adjusted to A\$(8.8) million, A\$(3.8) million and A\$0.2 million respectively.
- The December 2007 foreign currency translation reserve movements attributable to the translation and hedging of foreign operations of A\$(57.0) million has been adjusted to A\$(56.5) million.
- The hedging reserve A\$(13.4) million and foreign currency translation reserve A\$(162.2) million at 1 July 2008 have been adjusted to A\$(1.4) million and A\$(163.5) million respectively.

The accompanying notes form part of these consolidated financial statements.

## Consolidated Financial Statements continued

### Statement of Changes in Equity continued

Half Year Ended 31 December 2008

	Note	Consolidated	
		6 months December 2008 A\$m	6 months December 2007 A\$m
<b>Capital Reserve</b>			
Closing balance at beginning and end of financial period		<b>104.6</b>	<b>104.6</b>
<b>Minority Interest Acquisition Reserve</b>			
Opening balance at beginning of financial period		(107.7)	(124.7)
Effect of foreign exchange rate movements		(33.0)	8.8
Closing balance at end of financial period		<b>(140.7)</b>	<b>(115.9)</b>
Total reserves		<b>209.2</b>	<b>53.2</b>
<b>Retained Earnings</b>			
Opening balance at beginning of financial period		2,213.2	2,257.4
Adjustment on adoption of <i>AASB Interpretation 12</i> 'Service Concession Arrangements' (net of tax)			11.8
(Loss)/profit attributable to members of Lend Lease Corporation Limited <sup>1</sup>		(596.4)	250.9
Dividends paid		(111.1)	(168.5)
Dividends on treasury shares		9.5	12.3
Dividends forgone pursuant to Dividend Reinvestment Plan		(25.3)	
Gain on utilisation of treasury shares recognised directly in retained earnings		1.8	0.1
Other			(3.6)
Closing balance at end of financial period	21	<b>1,491.7</b>	<b>2,360.4</b>
<b>Minority Interests</b>			
Opening balance at beginning of financial period		56.0	81.5
Share of movement in loss for financial period		(6.0)	(2.6)
Movements attributable to capital contributions/acquisitions			3.1
Effect of foreign exchange rate/other movements		0.2	(3.5)
Closing balance at end of financial period		<b>50.2</b>	<b>78.5</b>
Total equity		<b>2,574.7</b>	<b>3,281.0</b>
<b>Total Recognised Income and Expense for Financial Period</b>			
Non profit items recognised directly in equity		241.9	(45.0)
(Loss)/profit after tax for financial period		(602.4)	248.3
		<b>(360.5)</b>	<b>203.3</b>
Total income and expense for financial period attributable to:			
Members of Lend Lease Corporation Limited		(355.7)	208.0
Minority interests		(4.8)	(4.7)
Total recognised income and expense for financial period		<b>(360.5)</b>	<b>203.3</b>

<sup>1</sup> The profit for 31 December 2007 has been adjusted from A\$259.6 million to A\$250.9 million to reflect the impact of *AASB Interpretation 12* 'Service Concession Arrangements' (refer Note 1b. 'Significant Accounting Policies').

The accompanying notes form part of these consolidated financial statements.

## Consolidated Financial Statements continued

### Statement of Cash Flows

Half Year Ended 31 December 2008

	Note	Consolidated	
		6 months December 2008 A\$m	6 months December 2007 A\$m
<b>Cash Flows from Operating Activities</b>			
Cash receipts in the course of operations <sup>1</sup>		7,104.9	6,979.7
Cash payments in the course of operations		(6,782.9)	(6,937.6)
Property development receipts		236.0	516.8
Property development expenditure		(300.0)	(516.7)
Interest received		36.9	103.8
Interest paid		(60.9)	(60.5)
Dividends/distributions received		46.9	87.8
Income tax (paid)/received in respect of operations		(85.9)	11.7
<b>Net cash provided by operating activities</b>		<b>195.0</b>	<b>185.0</b>
<b>Cash Flows from Investing Activities</b>			
Sale/redemption of investments		48.0	685.4
Acquisition of investments		(244.0)	(451.7)
Acquisition of investment properties		(0.2)	(0.7)
Acquisition of other assets			(4.6)
Disposal of other assets		1.6	
Loans to related parties		(54.2)	(38.3)
Acquisition of minority interest		(1.0)	(17.7)
Acquisition of consolidated entities (net of cash acquired)	23	(0.2)	
Disposal of consolidated entities (net of cash disposed)		10.8	
Disposal of property, plant and equipment		1.0	
Acquisition of property, plant and equipment		(14.8)	(12.3)
Acquisition of intangible assets		(24.9)	(1.3)
<b>Net cash (used in)/provided by investing activities</b>		<b>(277.9)</b>	<b>158.8</b>
<b>Cash Flows from Financing Activities</b>			
Net proceeds from borrowings		810.8	
Dividends paid		(101.6)	(156.2)
Increase in capital of minority interest			3.1
<b>Net cash provided by/(used in) financing activities</b>		<b>709.2</b>	<b>(153.1)</b>
<b>Other Cash Flow Items</b>			
Effect of foreign exchange rate movements on cash and cash equivalents <sup>1</sup>		94.2	(13.4)
<b>Net increase in cash and cash equivalents</b>		<b>720.5</b>	<b>177.3</b>
<b>Cash and cash equivalents at beginning of financial period</b>		<b>842.8</b>	<b>550.1</b>
<b>Cash and cash equivalents at end of financial period</b>	7	<b>1,563.3</b>	<b>727.4</b>

<sup>1</sup> In December 2007 A\$53.4 million relating to foreign exchange movements has been reallocated within the statement of cash flows from other cash flow items to cash receipts in the course of operations.

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 interim financial report of the Company for the six months ended 31 December 2008 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity' or the 'Group') and the consolidated entity's interest in associates and jointly controlled entities.

The consolidated interim financial report was authorised for issue by the Directors on 26 February 2009.

### a. Statement of Compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with *AASB 134 'Interim Financial Reporting'* and the *Corporations Act 2001*. The consolidated interim financial report of the Group also complies with the recognition and measurement requirements of International Financial Reporting Standards (IFRS) and Interpretations adopted by the International Accounting Standards Board.

The consolidated interim financial report should be read in conjunction with the 30 June 2008 Annual Consolidated Financial Report and any public announcements by the Company and its consolidated entities during the half year in accordance with continuous disclosure obligations arising under the *Corporations Act 2001*. The consolidated interim financial report does not include all of the information required for a full financial report.

Certain comparative amounts have been reclassified to conform with the current period presentation.

### b. Basis of Preparation

The interim 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, investments available for sale, investment properties 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.

The preparation of an interim financial report that complies with *AASB 134* 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.

The accounting policies have been consistently applied by all entities in the consolidated entity and are consistent with those applied in the 30 June 2008 Annual Consolidated Financial Report. The Group has adopted for the first time *AASB Interpretation 12 'Service Concession Arrangements'*. The Group has revised its policy for Service Concession Arrangements (SCA) and applied the revised policy retrospectively with comparative information restated in line with the transitional requirements of *AASB Interpretation 12*.

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

The method by which the Group equity accounts its investment in each project company holding the SCA has not changed.

The adoption of *AASB Interpretation 12* impacted the following areas:

- Retained earnings: As at 1 July 2007 A\$11.8 million increase; six months ended 31 December 2007 A\$8.7 million decrease; 12 months ended 30 June 2008 A\$4.1 million decrease; six months ended 31 December 2008 A\$2.3 million increase.
- Hedging reserve: As at 1 July 2007 A\$1.1 million increase; 31 December 2007 A\$9.6 million increase; 30 June 2008 A\$12.0 million increase; 31 December 2008 A\$11.8 million increase.
- Foreign currency translation reserve: As at 1 July 2007 A\$nil; 31 December 2007 A\$0.5 million increase; 30 June 2008 A\$1.3 million decrease; 31 December 2008 A\$1.4 million decrease.
- Investments accounted for using the equity method: As at 1 July 2007 A\$12.9 million increase; 31 December 2007 A\$13.2 million increase; 30 June 2008 A\$18.6 million increase; 31 December 2008 A\$20.6 million increase.

The impact on the Group's basic and diluted earnings per share for shares on issue was 0.6 cents for the half year ended 31 December 2008 (December 2007: 2.1 cents) and earnings per share for shares excluding treasury shares was 0.6 cents for the half year ended 31 December 2008 (December 2007: 2.3 cents).

## Notes to the Consolidated Financial Statements continued

	Consolidated	
	December 2008 A\$m	December 2007 A\$m
<b>2. Revenue</b>		
Total comprising:		
<b>a. Revenue from the Sale of Development Properties</b>	<b>129.9</b>	<b>517.0</b>
<b>b. Revenue from the Provision of Services</b>		
Retail	30.5	29.0
Communities	41.3	27.7
Public Private Partnerships	701.5	468.6
Investment Management	28.9	23.2
Project Management and Construction	6,753.3	6,351.6
<b>Total revenue from the provision of services</b>	<b>7,555.5</b>	<b>6,900.1</b>
<b>c. Finance Revenue</b>		
<b>Interest Income</b>		
Related parties	14.3	9.6
Other corporations	35.2	31.5
	<b>49.5</b>	<b>41.1</b>
Interest discounting	7.1	5.3
<b>Total finance revenue</b>	<b>56.6</b>	<b>46.4</b>
<b>d. Other Revenue</b>		
<b>Dividend Income</b>		
Other corporations	<b>1.3</b>	<b>45.7</b>
<b>Other</b>		
Rental income	39.3	39.7
Hotel revenue	26.5	27.8
Distributions received	7.3	7.6
Other	12.2	6.0
	<b>85.3</b>	<b>81.1</b>
<b>Total other revenue</b>	<b>86.6</b>	<b>126.8</b>
<b>Total revenue</b>	<b>7,828.6</b>	<b>7,590.3</b>

## Notes to the Consolidated Financial Statements continued

	Note	Consolidated	
		December 2008 A\$m	December 2007 A\$m
<b>3. Other Income</b>			
Net gain on disposal/redemption of available for sale financial assets			54.1
Net gain on disposal of other assets and liabilities		54.6	0.1
<b>Total other income</b>		<b>54.6</b>	<b>54.2</b>
<b>4. Other Operating (Income) and Expenses</b>			
Loss/(profit) before income tax has been determined after:			
Finance costs			
Non interest finance costs		<b>1.9</b>	<b>1.9</b>
Interest finance costs			
Related parties		0.6	0.7
Other corporations		48.2	40.8
Less: Capitalised interest finance costs			(1.3)
		<b>48.8</b>	<b>40.2</b>
Interest discounting		0.2	1.6
<b>Total interest finance costs</b>		<b>49.0</b>	<b>41.8</b>
<b>Total finance costs</b>		<b>50.9</b>	<b>43.7</b>
Depreciation and amortisation			
		<b>15.7</b>	<b>12.9</b>
Net defined benefit plan (income)/expense	14,19	<b>(37.7)</b>	<b>16.3</b>
Net foreign exchange loss		<b>14.4</b>	<b>0.9</b>
Fair value loss on remeasurement of investment properties		<b>32.3</b>	<b>17.7</b>
Fair value loss on equity derivative swap		<b>51.2</b>	<b>-</b>
Expenses include impairments/provisions raised/(written back) relating to:			
Loans and receivables			
Related party entities <sup>1</sup>		82.8	(0.5)
Other		11.0	3.9
Property inventories <sup>2</sup>		229.1	(2.3)
Investments accounted for using the equity method		33.2	(4.2)
Property, plant and equipment		4.8	
Other financial assets		3.0	2.8
Goodwill	13	252.9	
Employee benefits		28.0	19.0
Construction risks		24.1	7.6
Employee terminations		40.4	0.1
Other provisions		7.1	(2.3)

1 Relates to the write off of loans where the Group's interest in a development was via an equity accounted investment.

2 Represents a reduction in the carrying value of inventory in Crosby Lend Lease (A\$100.4 million), Australian Communities (A\$97.1 million), Americas Communities (A\$20.8 million) and UK Retail (A\$10.8 million) due to the recent deterioration in market conditions.



## Notes to the Consolidated Financial Statements continued

	Consolidated			
	December 2008		June 2008	
	Assets A\$m	Liabilities A\$m	Assets A\$m	Liabilities A\$m
<b>5. Taxation continued</b>				
<b>c. Deferred Tax Assets and Liabilities</b>				
<b>Recognised Deferred Tax Assets and Liabilities</b>				
Deferred tax assets and liabilities are attributable to the following:				
Loans and receivables	20.4	(17.4)	11.4	(30.4)
Inventories	42.5	(208.4)	25.3	(176.0)
Other financial assets	22.3	(44.5)	0.6	(38.0)
Other assets		(0.1)		
Investments accounted for using the equity method	16.0	(192.3)	4.4	(171.1)
Investment properties				(2.0)
Property, plant and equipment	15.0		12.8	(0.3)
Intangible assets	0.1	(0.2)		
Defined benefit plan asset		(8.7)		(8.6)
Trade and other payables	88.1	(2.8)	72.4	(0.6)
Provisions	78.9		66.2	
Other financial and non financial liabilities	15.5		4.1	(0.1)
Defined benefit plan liability	18.8		33.1	
Unused revenue tax losses recognised	175.5		112.0	
Items with a tax base but no carrying value	46.5	(29.8)	35.4	(17.5)
<b>Total deferred tax assets/(liabilities)</b>	<b>539.6</b>	<b>(504.2)</b>	<b>377.7</b>	<b>(444.6)</b>
Deferred tax set off	<b>(318.1)</b>	<b>318.1</b>	<b>(256.2)</b>	<b>256.2</b>
<b>Net deferred tax assets/(liabilities)</b>	<b>221.5</b>	<b>(186.1)</b>	<b>121.5</b>	<b>(188.4)</b>

	Consolidated	
	December 2008 A\$m	June 2008 A\$m
	<b>Unrecognised Deferred Tax Assets</b>	
Deferred tax assets have not been recognised in respect of the following items:		
Capital losses	73.3	92.1
Revenue losses	131.4	97.6
Deductible temporary differences	131.7	57.6
<b>Total unrecognised deferred tax assets</b>	<b>336.4</b>	<b>247.3</b>

Temporary differences associated with investments in subsidiaries of the Company have not been recognised. The unrecognised deferred tax asset of A\$336.4 million includes A\$66.2 million that will expire by 2027.

## Notes to the Consolidated Financial Statements continued

	Cents Per Share	Franked Amount Per Share %	Company	
			December 2008 A\$m	December 2007 A\$m
<b>6. Dividends and Earnings Per Share</b>				
<b>a. Dividends<sup>1</sup></b>				
<b>Interim Dividend</b>				
December 2008 – declared subsequent to reporting date (payable 1 April 2009) <sup>2</sup>	25	60	113.5	
December 2007 – paid 26 March 2008	43	40		172.5
			<b>113.5</b>	<b>172.5</b>

- 1 Includes dividends paid on treasury shares. Refer to Note 21. 'Retained Earnings' for further details regarding the impact of treasury shares on dividend payments and retained earnings.
- 2 Calculated with reference to shares on issue at 31 December 2008 (403.8 million) plus 50.0 million new shares issued on 11 February 2009 via an institutional placement which are fully entitled to the December 2008 interim dividend (refer Note 26. 'Events Subsequent to Balance Date').

		Consolidated			
		December 2008 <sup>1</sup>		December 2007 <sup>2</sup>	
		Shares Excluding Treasury Shares	Shares on Issue	Shares Excluding Treasury Shares	Shares on Issue
<b>b. Earnings Per Share</b>					
Weighted average number of ordinary shares	m	<b>372.5</b>	<b>402.5</b>	<b>370.7</b>	<b>401.1</b>
Basic/diluted earnings per share	cents	<b>(160.1)</b>	<b>(148.2)</b>	<b>67.7</b>	<b>62.6</b>

- 1 December 2008 excludes the institutional placement on 11 February 2009.
- 2 December 2007 has been adjusted to reflect the impact of adopting for the first time AASB Interpretation 12 'Service Concession Arrangements' (refer Note 1b. 'Significant Accounting Policies').

	Consolidated	
	December 2008 A\$m	June 2008 A\$m
<b>7. Cash and Cash Equivalents</b>		
Cash	403.4	281.9
Short term investments	1,159.9	560.9
<b>Total cash and cash equivalents</b>	<b>1,563.3</b>	<b>842.8</b>

Short term investments earn variable rates of interest which averaged 4.5% per annum during the half year ended 31 December 2008 (31 December 2007: 6.1%).

Negotiable instruments with a maturity greater than three months but less than 12 months (December 2008: A\$26.4 million; June 2008: A\$28.5 million) are classified as 'Other Financial Assets' (refer to Note 12). These negotiable instruments have an average maturity of seven months.

## Notes to the Consolidated Financial Statements continued

	Consolidated	
	December 2008 A\$m	June 2008 A\$m
<b>8. Loans and Receivables</b>		
<b>Current</b>		
Trade debtors	1,867.5	1,555.8
<i>Less: Impairment</i>	(29.2)	(19.3)
	<b>1,838.3</b>	<b>1,536.5</b>
Related parties	67.9	77.8
<i>Less: Impairment</i>	(14.6)	
Managed property funds	22.4	29.4
Retentions	675.5	538.8
Other receivables	258.8	257.2
<i>Less: Impairment</i>	(2.3)	(2.3)
	<b>2,846.0</b>	<b>2,437.4</b>
<b>Non Current</b>		
Related parties	509.7	327.6
<i>Less: Impairment</i>	(83.9)	(16.0)
Other receivables	102.4	103.7
<i>Less: Impairment</i>	(0.6)	(0.2)
	<b>527.6</b>	<b>415.1</b>
<b>Total loans and receivables</b>	<b>3,373.6</b>	<b>2,852.5</b>

## Notes to the Consolidated Financial Statements continued

		Consolidated	
	Note	December 2008 A\$m	June 2008 A\$m
<b>9. Inventories</b>			
<b>Current</b>			
Construction work in progress		362.1	335.9
Development properties at the lower of cost and net realisable value	9a	391.4	437.2
<b>Total current</b>		<b>753.5</b>	<b>773.1</b>
<b>Non Current</b>			
Development properties at the lower of cost and net realisable value	9a	1,287.6	1,332.3
<b>Total inventories</b>		<b>2,041.1</b>	<b>2,105.4</b>
<b>a. Development Properties (Completed and Work in Progress)</b>			
Total development properties comprises:			
Bluewater, Kent		523.4	520.7
Urban Communities, Australia		511.6	448.8
Urban Communities (Crosby), UK		327.0	386.7
Victoria Harbour, Melbourne		121.1	96.2
Hyatt Coolum, Sunshine Coast		54.9	57.3
Senior Living Projects, Australia		59.4	51.1
Stratford, UK		12.5	95.8
Other		69.1	112.9
<b>Total development properties</b>		<b>1,679.0</b>	<b>1,769.5</b>

## Notes to the Consolidated Financial Statements continued

	Note	Consolidated	
		December 2008 A\$m	June 2008' A\$m
<b>10. Investments Accounted for Using the Equity Method</b>			
<b>Non Current</b>			
<b>Associates</b>			
Investment in associates		1,099.9	840.8
Less: Impairment		(5.1)	(5.4)
	10a	<b>1,094.8</b>	<b>835.4</b>
<b>Joint Venture Entities</b>			
Investment in joint venture entities		190.6	247.2
Less: Impairment		(51.0)	(16.8)
	10b	<b>139.6</b>	<b>230.4</b>
<b>Total investments accounted for using the equity method</b>		<b>1,234.4</b>	<b>1,065.8</b>

	Interest		Consolidated Share of Profit/(Loss) After Tax <sup>1,2</sup>		Consolidated Net Book Value <sup>1</sup>	
	December 2008 %	June 2008 %	December 2008 A\$m	December 2007 A\$m	December 2008 A\$m	June 2008 A\$m
<b>a. Associates</b>						
<b>Retail</b>						
King of Prussia	50.0	50.0	(58.9)	23.1	499.0	421.7
Performance Retail Limited Partnership	33.3	33.3	(15.6)	(3.5)	60.6	80.1
CDR JV Ltd (313@Somerset, Singapore)	25.0	25.0			59.0	43.6
Other			(0.2)	(0.2)	8.3	6.6
			<b>(74.7)</b>	<b>19.4</b>	<b>626.9</b>	<b>552.0</b>
<b>Communities</b>						
Lend Lease Primelife Limited (LLPL) <sup>3</sup>	43.2				192.6	
Other			(1.9)	(2.2)		1.4
			<b>(1.9)</b>	<b>(2.2)</b>	<b>192.6</b>	<b>1.4</b>
<b>Public Private Partnerships</b>						
Catalyst Healthcare (Manchester)	50.0	50.0	2.5	2.2	13.6	11.1
Lancashire Waste	50.0	50.0	2.6	0.6		18.6
Catalyst Investment Holdings Limited	50.0	50.0	6.3	2.2		
Other			2.9	2.9	11.4	9.6
			<b>14.3</b>	<b>7.9</b>	<b>25.0</b>	<b>39.3</b>
<b>Investment Management</b>						
Asia Pacific Investment Company						
No. 2 Limited	21.1	21.1	2.7	15.7	137.7	107.1
Lend Lease Overgate Partnership	30.7	30.7	(19.7)	2.6	93.1	114.0
Lend Lease Communities Fund 1	20.8	20.8	(0.5)	0.5	17.6	18.0
Other			(0.2)	0.1	5.1	6.1
			<b>(17.7)</b>	<b>18.9</b>	<b>253.5</b>	<b>245.2</b>
<b>Project Management and Construction</b>						
Other			5.0	2.8	1.9	2.9
<b>Total</b>			<b>(75.0)</b>	<b>46.8</b>	<b>1,099.9</b>	<b>840.8</b>
<b>Less: Impairment</b>					<b>(5.1)</b>	<b>(5.4)</b>
<b>Total associates</b>			<b>(75.0)</b>	<b>46.8</b>	<b>1,094.8</b>	<b>835.4</b>

1 Lend Lease has adopted AASB Interpretation 12 'Service Concession Arrangements' with effect from 1 July 2007. The December 2007 share of profit after tax of A\$55.5 million has been adjusted to A\$46.8 million and the June 2008 net book value of A\$816.8 million adjusted to A\$835.4 million to reflect the impact of AASB Interpretation 12 (refer Note 1b. 'Significant Accounting Policies').

2 Reflects the contribution to profit after tax and includes pre tax fair value revaluation for King of Prussia A\$76.4 million loss (December 2007: A\$7.8 million gain), Lend Lease Overgate Partnership A\$22.9 million loss (December 2007: A\$0.6 million loss), Performance Retail Limited Partnership A\$17.5 million loss (December 2007: A\$4.6 million loss) and Asia Pacific Investment Company No. 2 A\$0.7 million loss (December 2007: A\$13.5 million gain).

3 Includes final 2.2% interest in LLPL acquired on 20 February 2009 following New Zealand regulatory approval. Refer Note 25. 'Related Party Information'. The carrying value has been tested for impairment and is recoverable on a value in use basis.

## Notes to the Consolidated Financial Statements continued

	Interest		Consolidated Share of Profit/(Loss) After Tax <sup>1</sup>		Consolidated Net Book Value	
	December 2008 %	June 2008 %	December 2008 A\$m	December 2007 A\$m	December 2008 A\$m	June 2008 A\$m
<b>10. Investments Accounted for Using the Equity Method continued</b>						
<b>b. Joint Venture Entities</b>						
<b>Retail</b>						
Warrington Retail Limited Partnership	50.0	50.0	(67.8)	0.3	12.2	90.8
Preston Tithebarn Unit Trust	50.0	50.0		0.9	37.9	33.1
			<b>(67.8)</b>	<b>1.2</b>	<b>50.1</b>	<b>123.9</b>
<b>Communities</b>						
Caroline Springs	50.0	50.0	4.9	5.8	19.8	23.9
Pymont Trust (Jacksons Landing)	50.0	50.0	2.0	0.3	14.9	18.9
Casey 2	50.0				13.8	
Mawson Lakes	50.0	50.0	0.7	5.8	13.7	14.0
Other			2.1	4.2	28.3	35.5
			<b>9.7</b>	<b>16.1</b>	<b>90.5</b>	<b>92.3</b>
<b>Project Management and Construction</b>						
Majadahonda Hospital	25.0	25.0	0.1	1.0	13.5	12.0
Hunt – Mets Stadium	45.0	45.0	1.6	0.9	10.2	5.8
Waste 2 Resources Project Lancashire	50.0	50.0	1.3		9.2	6.6
Other			6.1	2.7	17.1	6.6
			<b>9.1</b>	<b>4.6</b>	<b>50.0</b>	<b>31.0</b>
Total			<b>(49.0)</b>	<b>21.9</b>	<b>190.6</b>	<b>247.2</b>
Less: Impairment					<b>(51.0)</b>	<b>(16.8)</b>
Total joint venture entities			<b>(49.0)</b>	<b>21.9</b>	<b>139.6</b>	<b>230.4</b>

<sup>1</sup> Reflects the contribution to profit after any tax paid by the joint venture entities and includes pre tax fair value revaluation for Warrington Retail Limited Partnership A\$66.5 million loss (December 2007: A\$nil).

	Consolidated	
	December 2008 A\$m	June 2008 A\$m
<b>11. Investment Properties</b>		
Senior Living Properties	–	6.8
<b>Retail Properties</b>		
Chelmsford Meadows Shopping Centre	140.3	169.2
Pakenham Place Shopping Centre	13.2	14.4
	<b>153.5</b>	<b>183.6</b>
Total investment properties	<b>153.5</b>	<b>190.4</b>

## Notes to the Consolidated Financial Statements continued

		Consolidated	
	Note	December 2008 A\$m	June 2008 A\$m
<b>12. Other Financial Assets</b>			
<b>Current</b>			
<b>Available for Sale</b>			
Lend Lease Global Properties, SICAF		4.7	15.5
Lend Lease Primelife Limited (formerly Babcock & Brown Communities Group)	25		17.3
Other		11.2	14.7
		<b>15.9</b>	<b>47.5</b>
<b>Fair Value Through Profit or Loss</b>			
Negotiable instruments		<b>24.7</b>	<b>23.1</b>
<b>Derivatives</b>			
		<b>26.6</b>	<b>8.7</b>
<b>Held to Maturity</b>			
Negotiable instruments		<b>1.7</b>	<b>5.4</b>
Total current		<b>68.9</b>	<b>84.7</b>
<b>Non Current</b>			
<b>Available for Sale</b>			
Australian Prime Property Fund		210.2	207.5
Lend Lease Retail Partnership		51.5	62.7
Lend Lease Core Plus Fund		53.4	38.2
Other		97.0	71.6
		<b>412.1</b>	<b>380.0</b>
<b>Fair Value Through Profit or Loss</b>			
Unlisted equity investments		13.0	7.0
Negotiable instruments		5.4	4.4
		<b>18.4</b>	<b>11.4</b>
Total non current		<b>430.5</b>	<b>391.4</b>
Total other financial assets		<b>499.4</b>	<b>476.1</b>

## Notes to the Consolidated Financial Statements continued

	Note	Consolidated	
		December 2008 A\$m	June 2008 A\$m
<b>13. Intangible Assets</b>			
Goodwill	13a	520.0	683.4
Management agreements		31.2	31.4
Other intangibles		20.5	15.3
<b>Total intangible assets</b>		<b>571.7</b>	<b>730.1</b>
<b>a. Goodwill</b>			
Bovis Lend Lease Group		520.0	449.4
Delfin Lend Lease Group			64.7
Lend Lease Development Group			15.8
Crosby Lend Lease Group			153.5
<b>Total goodwill</b>		<b>520.0</b>	<b>683.4</b>

During the period, the Group assessed the recoverable amount of goodwill and determined that the carrying amount of goodwill allocated to the Group's Europe and Asia Pacific Communities Cash Generating Units (CGUs), which comprises operations of the Communities segment (refer Note 24. 'Segment Reporting'), were fully impaired (A\$252.9 million). The impairment loss is included in 'other expenses' in Communities activities in the income statement.

The main contributing factor to the impairment of the CGUs was the significant deterioration of the residential property market in the UK and Australia which has impacted projects in the Lend Lease Development and Delfin Lend Lease businesses and has caused further deterioration within the Crosby Lend Lease business.

	Consolidated	
	December 2008 A\$m	June 2008 A\$m
<b>14. Defined Benefit Plan Asset<sup>1</sup></b>		
<b>a. Balance Sheet Amounts</b>		
The amounts recognised in the balance sheet are determined as follows:		
Fair value of plan assets	124.5	156.3
Present value of defined benefit obligations	(142.3)	(126.4)
Unrecognised actuarial loss/(gain)	46.8	(1.4)
Unrecognised past service cost	0.1	0.2
<b>Recognised asset for defined benefit obligations</b>	<b>29.1</b>	<b>28.7</b>
<b>b. Movement in Defined Benefit Plan Asset Recognised in the Balance Sheet</b>		
Net asset for defined benefit obligation at beginning of financial period	28.7	23.1
Contributions received	2.9	6.4
Expense recognised in the income statement	(2.5)	(0.8)
<b>Net asset for defined benefit obligation at end of financial period</b>	<b>29.1</b>	<b>28.7</b>
<b>c. Expense Recognised in the Income Statement</b>		
Current service cost	3.2	2.9
Interest on obligation	3.3	3.0
Expected return on plan assets	(4.1)	(4.5)
Actuarial gain recognised		(1.2)
Past service cost	0.1	0.2
<b>Net defined benefit plan expense</b>	<b>2.5</b>	<b>0.4</b>

<sup>1</sup> Relates to the Lend Lease Superannuation Fund (Australia).

## Notes to the Consolidated Financial Statements continued

	Consolidated	
	December 2008 A\$m	June 2008 A\$m
<b>15. Trade and Other Payables</b>		
<b>Current</b>		
Trade creditors	3,018.7	2,348.9
Construction revenue – amounts due to customers	1,330.3	1,157.3
Deposits received in advance	5.8	7.2
Related parties	21.0	18.9
Deferred land payments	75.6	93.2
Other	78.3	92.4
	<b>4,529.7</b>	<b>3,717.9</b>
<b>Non Current</b>		
Related parties	19.1	19.2
Deferred land payments	58.4	11.2
Other	90.4	50.4
	<b>167.9</b>	<b>80.8</b>
<b>Total trade and other payables</b>	<b>4,697.6</b>	<b>3,798.7</b>
<b>16. Borrowings and Financing Arrangements</b>		
<b>a. Borrowings</b>		
<b>Non Current</b>		
Commercial notes	1,048.2	929.3
Bank credit facilities	729.2	
<b>Total borrowings</b>	<b>1,777.4</b>	<b>929.3</b>
<b>b. Finance Facilities</b>		
Lend Lease operating businesses have access to the following lines of credit:		
<b>Commercial Notes</b>		
Facility available	1,048.2	929.3
Amount of facility used	(1,048.2)	(929.3)
Amount of facility unused	–	–
<b>Bank Credit Facilities</b>		
Facility available	770.9	788.6
Amount of facility used	(729.2)	
Amount of facility unused	<b>41.7</b>	<b>788.6</b>
<b>Bank Overdrafts</b>		
Facility available	20.0	20.0
Amount of facility used		
Amount of facility unused	<b>20.0</b>	<b>20.0</b>

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 issued into the US Private Placement debt market maturing in October of 2012, 2015 and 2017. Lend Lease intends to hold these commercial notes to maturity.

Bank credit facilities include a committed syndicated bank facility maturing in November 2010 of £350.0 million (A\$729.2 million) in the UK, of which £350.0 million was drawn at 31 December 2008 (June 2008: £nil).

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.

## Notes to the Consolidated Financial Statements continued

### 16. Borrowings and Financing Arrangements continued

The following schedule profiles the 31 December 2008 borrowings by currency and interest exposure.

	Interest Exposure			Currency		
	Fixed A\$m	Floating A\$m	Total A\$m	US\$ A\$m	£ A\$m	Total A\$m
Less than one year						
Between one and five years	144.4	729.2	873.6	144.4	729.2	873.6
More than five years	903.8		903.8	288.9	614.9	903.8
<b>Total</b>	<b>1,048.2</b>	<b>729.2</b>	<b>1,777.4</b>	<b>433.3</b>	<b>1,344.1</b>	<b>1,777.4</b>

	Consolidated	
	December 2008 A\$m	June 2008 A\$m
<b>17. Provisions</b>		
<b>Current</b>		
Employee benefits	118.7	100.4
Construction risks <sup>1</sup>	89.0	73.2
Restructure (including employee terminations)	53.5	3.2
Other	41.7	38.6
	<b>302.9</b>	<b>215.4</b>
<b>Non Current</b>		
Employee benefits	11.6	9.9
Other	40.5	35.4
	<b>52.1</b>	<b>45.3</b>
<b>Total provisions</b>	<b>355.0</b>	<b>260.7</b>

<sup>1</sup> Represents maintenance, warranty and construction risk 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.

	Consolidated	
	December 2008 A\$m	June 2008 A\$m
<b>18. Other Financial Liabilities</b>		
<b>Current</b>		
Derivatives		
Forward foreign exchange contracts	6.2	0.1
Equity derivative swap – held for trading	47.4	
Lend Lease Primelife Limited <sup>1</sup>	22.3	
<b>Total current</b>	<b>75.9</b>	<b>0.1</b>
<b>Non Current</b>		
Bluewater lease liability	171.1	171.1
Other	23.7	29.7
<b>Total non current</b>	<b>194.8</b>	<b>200.8</b>
<b>Total other financial liabilities</b>	<b>270.7</b>	<b>200.9</b>

<sup>1</sup> Final 2.2% interest in Lend Lease Primelife Limited acquired on 20 February 2009 following New Zealand regulatory approval.

## Notes to the Consolidated Financial Statements continued

	Consolidated	
	December 2008 A\$m	June 2008 A\$m
<b>19. Defined Benefit Plan Liability<sup>1</sup></b>		
<b>a. Balance Sheet Amounts</b>		
The amounts recognised in the balance sheet are determined as follows:		
Present value of defined benefit obligations	616.3	686.2
Fair value of plan assets	(579.6)	(627.7)
Unrecognised actuarial gain	30.4	59.6
<b>Recognised liability for defined benefit obligations<sup>2</sup></b>	<b>67.1</b>	<b>118.1</b>
<b>b. Movement in Defined Benefit Plan Liability Recognised in the Balance Sheet</b>		
Net liability for defined benefit obligation at beginning of financial period	118.1	156.4
Contributions received	(14.2)	(46.7)
(Income)/expense recognised in income statement	(40.2)	28.5
Foreign exchange translation movement	3.4	(20.1)
<b>Net liability for defined benefit obligation at end of financial period</b>	<b>67.1</b>	<b>118.1</b>
	<b>December 2008 A\$m</b>	<b>December 2007 A\$m</b>
<b>c. (Income)/Expense Recognised in the Income Statement</b>		
Current service cost	12.2	18.3
Interest on obligation	23.8	21.0
Expected return on plan assets	(20.9)	(23.4)
Curtailment gain <sup>3</sup>	(55.3)	
<b>Net defined benefit plan (income)/expense</b>	<b>(40.2)</b>	<b>15.9</b>

1 Relates to the Bovis UK Pension Scheme.

2 The plan's actuary is in the process of carrying out the tri-annual valuation of the plan. As part of this valuation, key assumptions will be updated. Any change in assumptions, including mortality rates, will result in a change to the net position of the plan. It is expected that the valuation will be completed by 30 June 2009 and that the financial statements for the full year will reflect these updated assumptions.

3 The closure of the Bovis UK Pension Scheme to future accrual, effective 31 August 2008, has contributed to a decrease in the plan's defined benefit obligation as the plan is no longer exposed to future service salary increases. The curtailment of the plan has resulted in a curtailment gain to the income statement of A\$55.3 million before tax.

## Notes to the Consolidated Financial Statements continued

	Consolidated			
	December 2008		June 2008	
	No. of Shares m	A\$m	No. of Shares m	A\$m
<b>20. Issued Capital and Treasury Shares</b>				
<b>Issued Capital – Ordinary Shares</b>				
<b>Fully Paid</b>				
Ordinary shares issued at beginning of financial period	401.1	854.7	401.1	854.4
Movements during financial period				
Issues for:				
Dividend Reinvestment Plan (DRP)	2.7	25.3		
Other				0.3
<b>Ordinary shares issued at end of financial period</b>	<b>403.8</b>	<b>880.0</b>	<b>401.1</b>	<b>854.7</b>

The Company's DRP was reactivated in August 2008.

Holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at shareholders' meetings. Ordinary shareholders rank after all creditors in repayment of capital.

	Consolidated			
	December 2008		June 2008	
	No. of Shares m	A\$m	No. of Shares m	A\$m
<b>Treasury Shares<sup>1</sup></b>				
Treasury shares at beginning of financial period	30.1	62.6	30.5	67.4
Movements during financial period				
Treasury shares acquired	0.3	2.4	0.1	1.6
Treasury shares vested	(0.8)	(8.6)	(0.5)	(6.4)
<b>Treasury shares at end of financial period</b>	<b>29.6</b>	<b>56.4</b>	<b>30.1</b>	<b>62.6</b>

<sup>1</sup> Represents unallocated Lend Lease shares held by employee benefit vehicles, including employee share plans, which Lend Lease sponsors. The value reflects the original historical cost to the Lend Lease Group.

	Consolidated	
	December 2008	June 2008
	A\$m	A\$m
<b>21. Retained Earnings</b>		
Retained earnings at beginning of financial period	2,213.2	2,257.4
Adjustment on adoption of <i>AASB Interpretation 12</i> 'Service Concession Arrangements'		11.8
Adjusted retained earnings at beginning of financial period	<b>2,213.2</b>	<b>2,269.2</b>
(Loss)/profit attributable to members of Lend Lease Corporation Limited <sup>1</sup>	(596.4)	261.3
Gain on utilisation of treasury shares recognised directly in retained earnings <sup>2</sup>	1.8	1.8
Other		(3.6)
	<b>1,618.6</b>	<b>2,528.7</b>
Dividends paid	(111.1)	(341.0)
Dividends on treasury shares	9.5	25.5
Dividends forgone pursuant to Dividend Reinvestment Plan	(25.3)	
<b>Total retained earnings at end of financial period</b>	<b>1,491.7</b>	<b>2,213.2</b>

<sup>1</sup> The profit for June 2008 has been adjusted from A\$265.4 million to A\$261.3 million to reflect the impact of adopting for the first time *AASB Interpretation 12* 'Service Concession Arrangements' (refer Note 1b. 'Significant Accounting Policies').

<sup>2</sup> Difference between the cost of the treasury shares to the Group and the fair value expensed to the income statement on settlement.

# Notes to the Consolidated Financial Statements continued

## 22. Contingent Liabilities

Lend Lease has the following contingent liabilities:

There are a number of legal claims and exposures which arise 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 and Construction business as well as performance guarantees for certain Communities business commercial built-form development. 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.

Lend Lease has over the years established a range of employee share ownership vehicles which includes the Lend Lease Retirement Benefit Fund (RBF) and the Lend Lease Employee Investment Trust (EIT). In the event of a change of control, the RBF and EIT Trustees may distribute the funds of these Trusts to employees who cease to be employees during the 12 months after a change of control. Any payments made need to be funded by the Trusts and cannot exceed the value of the assets of the Trusts. As RBF and EIT are consolidated by the Company, this potential obligation is disclosed as a contingent liability. Full details are disclosed in the 30 June 2008 Consolidated Financial Report.

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.

In June 2006, Bovis Lend Lease and the other defendants brought an immunity motion in relation to the claims. The motion was brought on the basis that the defendants responded to a civic emergency and in that context should be immune from liability under applicable US laws. Judge Hellerstein handed down his judgement on 17 October 2006 and held that the "Defendants are benefited by limited immunity, limited according to time and activity". However, the Court denied the defendants' motion, concluding that such issues are "fact-intensive" questions which are "unsuitable for resolution by motion". Judge Hellerstein stated that the Court would need to assess further evidence before it could determine the extent to which the immunity laws are applicable to the claims.

Although the defendants were pleased that the 17 October 2006 decision recognised that the state and federal laws that provide immunity do protect the defendants against suit (to a presently undetermined extent), and while Judge Hellerstein's decision made no finding of liability in relation to Bovis Lend Lease or any of the defendants, the defendants have appealed against the motion on the basis that the Court should have granted the motion as presented. The United States Court of Appeal for the Second Circuit declined to overturn the lower court's ruling. The defendants requested a re-hearing by the full Appellate Court of the immunity motion, however, this was denied on 15 September 2008. The position remains that the extent of Bovis Lend Lease's entitlement to immunity will remain open, to be determined at a later date.

On 12 December 2008 Judge Hellerstein made orders that will bring 30 expedited cases to trial with an anticipated hearing date of May 2010. These cases will include cases selected by the parties, as well as by the Court. Preparation for these trials through discovery has commenced, although it is early in the process. Bovis Lend Lease is one of the beneficiaries of the approximately US\$1.0 billion captive insurance policy 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 also has other project specific insurance.

In addition, 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 will therefore need 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.

## Notes to the Consolidated Financial Statements continued

### 23. Consolidated Entities

	Ownership Interest Acquired %	Date Acquired
<b>a. Acquisitions</b>		
During the period, the consolidated entity acquired an interest in the following entity:		
<b>December 2008</b>		
<b>Communities</b>		
Lend Lease Villages Responsible Entity Ltd	100	22 Oct 2008

	December 2008		December 2007	
	Acquiree's Carrying Value A\$m	Total Fair Value on Acquisition A\$m	Acquiree's Carrying Value A\$m	Total Fair Value on Acquisition A\$m

#### Acquisition of Consolidated Entities

##### Acquisition Cost

Cash paid for acquisition	0.2	–
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##### Net Assets of Entities Acquired

Intangible asset (Australian Financial Services Licence)	0.2	
Net assets acquired	–	0.2

On 22 October 2008 the Group acquired all of the shares in Lend Lease Villages Responsible Entity Limited (formerly Barrakee Holdings Pty Ltd) for A\$0.2 million in cash. The Company's principle activity is to be the responsible entity of the Trust of Lend Lease Primelife Limited. From acquisition date to 31 December 2008, the revenue and profit contributed to the Group is immaterial.

	Ownership Interest Disposed %	Date Disposed	Consideration Received A\$m
<b>b. Disposals</b>			
<b>December 2008</b>			
During the period, the consolidated entity disposed of its interests in the following entities. The operating results to date of disposal have been included in consolidated profit.			
<b>Communities</b>			
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 Pty Ltd	100	30 Dec 08	11.7
Peppertree Management Pty Ltd	100	30 Dec 08	24.0
PV Management Pty Ltd	100	30 Dec 08	6.8
Retirement Village Properties Pty Ltd	100	30 Dec 08	3.3

# Notes to the Consolidated Financial Statements continued

## 24. 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.

### Business Segment Summary

Segment	Segment Revenue <sup>1,2</sup>		Other Unallocated Revenue <sup>1</sup>		Group Revenue		Segment Result Before Tax <sup>1,2</sup>		Share of Profit of Investments Accounted for Using the Equity Method <sup>3</sup>		Other Unallocated Revenues, Other Income and Expenses <sup>4</sup>		Group (Loss)/Profit Before Tax <sup>5</sup>		Group (Loss)/Profit After Tax Including Minority Interests <sup>3</sup>		Group (Loss)/Profit Attributable to Members of Lend Lease Corporation Limited <sup>3</sup>		
	6 months December 2008	6 months December 2007	6 months December 2008	6 months December 2007	6 months December 2008	6 months December 2007	6 months December 2008	6 months December 2007	6 months December 2008	6 months December 2007	6 months December 2008	6 months December 2007	6 months December 2008	6 months December 2007	6 months December 2008	6 months December 2007	6 months December 2008	6 months December 2007	6 months December 2008
	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
Retail	69.6	67.9			69.6	67.9	(53.1)	13.1	(142.5)	20.6									
Communities	199.3	573.8	16.2	9.2	215.5	583.0	(573.3)	62.0	7.8	13.9	68.9	7.5	(195.6)	33.7	(174.5)	18.7	(167.7)	21.8	
Public Private Partnerships	701.5	469.7	11.2	7.9	712.7	477.6	5.8	21.6	14.3	7.9	10.2	7.1	(496.6)	83.4	(445.1)	56.9	(445.3)	56.7	
Investment Management	36.4	32.6	0.4	45.7 <sup>4</sup>	36.8	78.3	19.4	4.7	(17.7)	18.9	0.4	99.8 <sup>5</sup>	2.1	30.3	28.0	34.7	28.0	34.7	
Project Management and Construction	6,753.6	6,351.6	0.6		6,754.2	6,351.6	109.2	79.0	14.1	7.4	1.8		125.1	86.4	89.8	64.1	89.2	63.8	
<b>Total segment</b>	<b>7,760.4</b>	<b>7,495.6</b>	<b>28.4</b>	<b>62.8</b>	<b>7,788.8</b>	<b>7,558.4</b>	<b>(492.0)</b>	<b>180.4</b>	<b>(124.0)</b>	<b>68.7</b>	<b>81.3</b>	<b>114.4</b>	<b>(534.7)</b>	<b>363.5</b>	<b>(497.8)</b>	<b>287.4</b>	<b>(491.8)</b>	<b>290.0</b>	
<b>Unallocated</b>			<b>39.8</b>	<b>31.9</b>	<b>39.8</b>	<b>31.9</b>					<b>(138.1)</b>	<b>(52.0)</b>	<b>(138.1)</b>	<b>(52.0)</b>	<b>(104.6)</b>	<b>(39.1)</b>	<b>(104.6)</b>	<b>(39.1)</b>	
<b>Total Group</b>			<b>68.2</b>	<b>94.7</b>	<b>7,828.6</b>	<b>7,590.3</b>					<b>(56.8)</b>	<b>62.4</b>	<b>(672.8)</b>	<b>311.5</b>	<b>(602.4)</b>	<b>248.3</b>	<b>(596.4)</b>	<b>250.9</b>	

1 AASB 114 'Segment Reporting' does not permit certain items of revenue and expenses to be attributed to particular segments for the purposes of determining segment revenues and segment results. These include corporate expenses, interest and dividend revenue, proceeds on the sale of investments (unless the segment's operations are primarily of a financial nature) and income tax expenses.

2 Segment revenues, expenses and results do not include intersegment transfers between business segments. Intersegment transfers are priced on an arm's length basis.

3 December 2007 comparative amounts have been adjusted to reflect the impact of adopting for the first time AASB Interpretation 12 'Service Concession Arrangements' (refer Note 1b, 'Significant Accounting Policies').

4 Includes Lend Lease Global Properties, SICAF dividend income of A\$44.0 million.

5 Includes Lend Lease Global Properties, SICAF dividend income of A\$44.0 million, gain on sale of Australian Prime Property Fund of A\$45.5 million and gain on sale of Asia Pacific Investment Company of A\$8.1 million.

## Notes to the Consolidated Financial Statements continued

### 25. Related Party Information

Full details of the Group's related party information are disclosed in the 30 June 2008 Consolidated Financial Report.

There were no significant changes during the current financial period, with the exception of transactions relating to the Group's investment in the associate Lend Lease Primelife Limited (LLPL) (formerly Babcock & Brown Communities Group), an aged care owner and operator within the retirement sector.

At 30 June 2008, Lend Lease held a 6.2% interest in LLPL which was classified as an available for sale financial asset. At 31 December 2008, Lend Lease's equity interest increased to 41.0% and has been reclassified as an investment in an associate (refer Note 10. 'Investments Accounted for Using the Equity Method'). Lend Lease's final 2.2% interest in LLPL was acquired on 20 February 2009 following New Zealand regulatory approval.

Transactions that occurred during the financial period between the Group and LLPL, which are on normal arm's length terms and conditions, principally relate to the following:

- Lend Lease sold Retirement by Design villages and an aged care facility to LLPL for consideration of A\$133.4 million of which A\$120.0 million was settled via issue of a redeemable convertible note.
- In addition Lend Lease acquired the following redeemable convertible notes on 30 December 2008 issued by LLPL (refer Note 8. 'Loans and Receivables - non current related parties'):
  - First Notes A\$13.4 million (22,333,333 notes convertible at \$0.60 per security)
  - Second Notes A\$25.0 million (100,000,000 notes convertible at \$0.25 per security)
  - RBD Convertible Notes A\$120.0 million (200,000,000 notes convertible at \$0.60 per security)

These notes have five year terms and are interest bearing at a coupon rate of 9.5% per annum. The notes are able to be converted to LLPL stapled securites during certain periods within the five year term of the notes.

- Lend Lease became the manager of LLPL on 27 November 2008 and recognised A\$0.7 million pre tax in management fees for the period to 31 December 2008. Lend Lease is also the responsible entity of the trust of LLPL as of 22 October 2008. Fees for this service are A\$0.5 million per annum.

### 26. Events Subsequent to Balance Date

#### Institutional Placement of Shares

On 11 February 2009 Lend Lease issued 50 million new shares via an institutional placement which raised A\$302.5 million before costs associated with the placement. The new shares were issued at A\$6.05 per share and are fully entitled to the December 2008 interim dividend.

#### Acquisition of Final 2.2% Interest in Lend Lease Primelife Limited (LLPL)

On 20 February 2009 Lend Lease acquired for A\$22.3 million its final 2.2% interest in LLPL following New Zealand regulatory approval.

## Directors' Declaration

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

1. The financial statements and notes set out on pages 1 to 25 are in accordance with the *Corporations Act 2001*, including:
  - a. Giving a true and fair view of the Group's financial position as at 31 December 2008 and of its performance for the half year ended on that date; and
  - b. Complying with Australian Accounting Standard *AASB134 'Interim Financial Reporting'* and the *Corporations Regulations 2001*.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



**D A Crawford**  
Chairman

Sydney, 26 February 2009



**G A Clarke**  
Managing Director



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

We have reviewed the accompanying half year financial report of Lend Lease Corporation Limited, which comprises the consolidated balance sheet as at 31 December 2008, income statement, statement of changes in equity and statement of cash flows statement for the half year ended on that date, significant accounting policies and other explanatory notes 1 to 26 and the directors' declaration set out on page 26 of the Group comprising the company and the entities it controlled at the half year's end or from time to time during the half year.

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

The directors of the company are responsible for the preparation and fair presentation of the half year 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 control relevant to the preparation and fair presentation of the half year 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.

### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2008 and its performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Lend Lease Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Independence*

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



*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Lend Lease Corporation Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2008 and of its performance for the half year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Chris Hall  
*Partner*

Sydney

26 February 2009