We are working harder to connect.

Annual Report 2009

Lend Lease Primelife Limited and its controlled entities
(formerly Babcock & Brown Communities Limited)
ABN 16 010 622 901

and

Lend Lease Primelife Trust
(formerly Babcock & Brown Communities Trust)
ARSN 124 896 733

together

Lend Lease Primelife Group

Lend Lease Primelife

Chairman's Report

On behalf of my fellow Directors, I am pleased to provide Securityholders with my perspective on the events of FY09 which have culminated in the restructuring of the Lend Lease Primelife Group (LLP or the Group).

Market Overview

The turmoil in the financial markets and the associated economic uncertainty they have created has compounded difficulties faced by the Group. This year has been difficult for the Group and this has been reflected in our security's trading price.

The financial year began with a strategic review by Babcock & Brown (B&B) which culminated in the recapitalisation of the business by Lend Lease Corporation (LLC), and the appointment of LLC as the new manager. The recapitalisation and replacement of manager was strongly supported by you, the Securityholders. The new manager's focus has been to consolidate a firm foundation upon which to operate the business with a clear focus on serving the needs of the 70's plus demographic group and delivering value to Securityholders. However, this is not a fast process nor is it easy given the inherent complexity embedded within a business that has grown so rapidly.

The economic stimulus has re-ignited market dynamics in the near term after a period of decline. Earlier in the year, we saw the time taken to convert registrations into unconditional contracts extending with corresponding impacts on turnover rates and cash flow. In addition, the rise of risk adjusted discount rates heavily affected the entire property sector weakening balance sheets and stripping back business models to their fundamentals.

Despite the uncertainty, the underlying demand for the products and services offered by the Group has remained steady with encouraging improvement in retirement village sales in the second half and occupancy rates at 95% approximately. The manager has consolidated the Aged Care operations and pushed ahead with integration processes creating a stabilising influence for the Group. The PTN transaction with LLC forms part of the manager's strategy of gaining greater control of cash flows generated by the business. The number of new bed licences increased through the grant of further licences from the Department of Health and Ageing. The opportunity to develop the "Continuum of Care" concept as part of a business model aimed at serving the needs of an ageing population is an opportunity for which the Group is well positioned.

Performance

The new manager has moved quickly, specifically the Group has:

1. Re-calibrated the balance sheet so as to reflect more conservative operating assumptions;
2. Re-packaged financing arrangements to eliminate exotic elements of interest rate derivatives and re-structure banking covenants;
3. Recapitalised the business enabling debt reduction;
4. In conjunction with LLC, resolved multiple ongoing legacy issues associated with Prime Retirement & Aged Care Property Trust (PTN);
5. Initiated and completed several non-core asset sales;
6. Reviewed all management agreements and joint ventures to ensure alignment of interests and begun the process to exit those with mis-alignment;
7. Selectively recommenced development activity; and
8. Re-branded the business.

The Group loss after tax of $246.7m for the year reflects the extent of the impact of both market conditions and shifting to a more conservative positioning for the business focussed upon improving cash flow. The improving underlying performance is masked by this reported loss.

Group Net Operating Cash Flow improved by A$10.1m or 34% to A$39.6m (A$29.5m FY08). Revenue from all sources increased 21% to A$218m, largely due to the inclusion of the Conform Aged Care business for the full year (A$179.7m FY08). Net Assets decreased by 13.7% to A$528.7m (A$612.8m - FY08) primarily driven by adjustments to asset values offset by capital raising from LLC.

Net debt gearing 32% (excluding LLC's convertible notes) continued to trend down. Excluding abnormal items, full year operating EBITDA was down 27% on FY08 to A$32.2m (A$44.1m FY08). However, on a positive note operating EBITDA in the second half is up 39% to A$18.7m (A$13.4m H1FY09).

The overall results are disappointing. However, the Board is confident that it can achieve acceptable returns for Securityholders over time through an orderly reduction of debt to a target range of 20% - 25%, improved corporate and operating structures and further consolidation of the Group's operating platform.

Impairments and other non-cash balance sheet adjustments have caused a breach of the Group's Interest Coverage Ratio covenant under its bank debt facilities. At the time of release of our accounts for FY09, formal approvals for waivers had not been achieved and as a consequence the Group's bank debt liabilities as at the 30 June 2009 are required to be recorded as current liabilities. As announced to the ASX on 17 September 2009, the banks have agreed to a waiver of the Interest Coverage Ratio covenant breach subject to certain conditions being satisfied and it is expected that the conditions will be satisfied before the end of September 2009.

The Board will continue to focus upon the strategic positioning of the business including its corporate and operating structure and in turn the most appropriate capital structure for the business going forward.

Management

Board

Changes to the Board introduced new skills and perspectives, including David Hutton and Anthony Lombardo, employees of LLC who were appointed as Non-Independent Non-Executive Directors on 30 December 2008.

The following employees of B&B resigned as directors, John Martin on 30 December 2008, Robert Topfer on 9 December 2008 and Andrew Schwartz on 15 September 2008.

Professor Judith Sloane and Graeme Martin resigned on 28 April 2009 to make way for Ian Crow and Gary Symons who were appointed Independent Non-Executive Directors on 28 April 2009.

Executive Team

On 27 November 2008, Rod Fehring was appointed Chief Executive Officer, Paul Walsh Chief Financial Officer and David Payne General Manager - Retirement Villages. This team are employees of LLC and are remunerated by LLC.

Pam Barry continued in her role as General Manager – Aged Care and Mark Mitchell continued as Chief Information Officer. Melissa Hennessy was appointed Company Secretary and General Counsel on 1 April 2009.

Chairman's Report

Strengths

The Group has confronted the financial crisis head on and has made significant progress in removing many of the constraints and complexities underlying the business. While the job is not completed yet, through focus and application material progress has been made. The Group's portfolio of assets are unique in terms of their scale, diversification, maturity and positioning within markets that will benefit from favourable demographic and urban development conditions going forward.

These factors need to be harnessed by the business through greater depth and breadth in management capability across the business so that the Group can build its reputation as market leader serving the needs of the 70 plus demographic group based on superior performance. Core strengths need to be enhanced in customer service, operating systems, marketing and sales as well as the refinement of skills required to meet the health care needs of our market in the most appropriate manner.

The actions taken by the Board over the last year, and briefly described below, are all aimed at positioning the Group to build on these strengths.

Recapitalisation

- Raising $149.7m in cash through the issue of LLP stapled securities to LLC;
- Acquisition of the Retirement by Design (RBD) portfolio from LLC which includes 7 mature retirement villages which strategically increased the Group's portfolio of retirement villages by approximately 18%;
- Issuing of $158.4m in convertible notes to LLC to provide additional funding to the Group; and
- Restructuring of existing corporate debt facilities and interest rate derivatives.

PTN Transaction

The Group entered into a transaction with PTN as part of a move towards a more efficient ownership structure for the Aged Care business, resolving long standing disputes, gaining control of cashflow and enabling pathways to re-position the business on more sustainable terms. The involvement of LLC in this transaction has demonstrated its ongoing support for LLP as the primary vehicle through which it will address the retirement living market.

Development Services

The development arm of the business has been restructured. LLC will provide these services going forward on an arms-length and "as needed" basis. LLC's property development and asset management expertise will form part of the Group's key competitive strengths over the long term.

Sales Momentum

The Group had 480 resales and 182 new sales in the retirement village sector in FY09. Momentum has been recovered in the last 4 months of FY09 as a result of improvements in sentiment and the Federal Government and States' stimulatory activities. Momentum has continued into the new financial year based on a more local and focussed sales strategy.

The Group also recommenced construction at several sites to complete units only partially finished when construction was curtailed by the Group mid 2008. LLC has brought a strong customer service focus to the Group which will, in time, differentiate the Group from its competitors once legacy issues have been worked through in the near term.

Aged Care Systems & Integration

The integration of the Conform Aged Care business has been a primary focus in the second half of the year involving both an operational restructure and roll out of the Group's IT systems – TRAX & Cognos. These systems are adding value to LLP's Aged Care business without compromising quality of care as confirmed by the businesses performance being positioned in the upper quartile of the Aged Care industry with Operating EBITDA/Bed $9,435 (excluding interest income on bonds received and rent on leased facilities). Along with a consistent compliance and accreditation track record, real potential exists for the Group to advance "Ageing in Place" and "Continuum of Care" strategies contributing to its unique positioning in the market.

The Group's pipeline of new beds rose to 217 after a further 158 beds were granted during the June 2009 ACAR funding round, representing a 9.4% increase for the portfolio. Quality of care will continue to be the cornerstone upon which our strategies to re-position the business are based. The Group acknowledges its ongoing responsibility in ensuring that our communities' most vulnerable members can depend on us for quality care.

Outlook

Whilst there remains work to be done, the Board is confident that clear pathways exist in each of our businesses for the Group to further reduce its debt in an orderly manner and do so without abandoning its core focus.

The Board is mindful of the need to ensure Securityholders are kept informed of our progress towards an optimum operating structure, one that consistently delivers value for all Securityholders. While market conditions are steadily improving, and the business increasingly becomes easier to operate, the Board will remain alert to the need to capture and retain maximum value within the Group.

Strategic issues will continue to be a key focus during FY10 as the coming year is pivotal in setting the course for the Group.

On behalf of the Board, I would like to thank all staff and management at the Group for their commitment to the continued development of the business during a difficult period and look forward to the year ahead.

Andrew Love

Chairman

September 2009.

We are working harder to connect. More strongly.

Board of Directors

1. Andrew J Love

Independent Non-Executive Chairman

Mr Love has more than 30 years experience in corporate recovery, reconstruction and insolvency practice in Australia. In addition he established Ferrier Hodgson in Hong Kong in 1985. He has been appointed across a broad range of industry sectors but in particular he has worked in the resources and mining industry. He is a Director of both public and private companies in the energy and mining industries. He has acted as an adviser or appointee in most of the major mining insolvencies and workouts in the gold, coal and base metal industries in Australia.

2. Gary J Symons

Independent Non-Executive Director

Mr Symons has extensive experience in property and financial markets. He is a former Head of Asset Management and Chief Investment Officer of BT Funds Management (formerly Bankers Trust Australia). In his time at BT he was also Head of Real Estate where he had overall responsibility for the group's listed property trusts and unlisted institutional property portfolios. More recently, Mr Symons developed, pioneered and later sold a leading alternative real estate management company (UniLodge), which specialised in student accommodation in Australia, New Zealand and Asia. Mr Symons is a non-executive director of National Wealth Management Holdings Limited and a number of its associated boards.

3. Ian K Crow

Independent Non-Executive Director

Mr Crow has over 40 years experience in property and financial services. Mr Crow has been the Chief Executive of MLC and an Executive Director of LLC. Mr Crow is currently a non-executive director of National Wealth Management Holdings Limited and a number of its associated boards. He is also a member of the Australian Prime Property Fund Investor Review Board.

4. David S Hutton

Non-Independent Non-Executive Director

Non-Independent Non-Executive Director since 30 December 2008. Mr Hutton is Chief Executive Office for Lend Lease Retail & Communities – Asia Pacific and is responsible for all LLC's development projects both in Australia and Singapore – including commercial offices, master planned communities, retail, retirement, apartments and large mixed use projects. He has significant experience in property development, fund, asset and property management, urban residential and mixed use project and has held numerous senior positions during his 20 year career at LLC.

5. Anthony P Lombardo

Non-Independent Non-Executive Director

Non-Independent Non-Executive Director since 30 December 2008. Mr Lombardo is Global Head of Strategy and Mergers & Acquisitions (M&A) for LLC. Mr Lombardo joined LLC from GE Capital where he worked for 10 years with cross-functional experience, having held roles in Strategy, Mergers and Acquisitions and Finance, across both GE Consumer Finance and GE Corporate. In his last 3 years of this role, Mr Lombardo was based in Connecticut USA where he was Vice President – Strategy of GE Money. Prior to this, he worked at KPMG in Audit for a period of 5 years.

Financial Report

For The Year Ended 30 June 2009

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Financial Report

For The Year Ended 30 June 2009

Directors' Report

The Directors of Lend Lease Primelife Limited ACN 010 622 901 (LLPL) and Lend Lease Villages Responsible Entity Limited ACN 099 064 141 (LLVRE) in its capacity as responsible entity of Lend Lease Primelife Trust ARSN 124 896 733 (LLPT or the Trust) and its consolidated entities, (together LLP or the Group) present their Directors' Report together with the consolidated financial statements for the year ended 30 June 2009.

Year in Review

OPERATING ENVIRONMENT & RISKS

The last year has been unprecedented both in terms of the operating environment and its effect on LLP. The year unfolded with:

- Strategic review undertaken by the Board in conjunction with the previous manager;
- Lend Lease Corporation (LLC) becoming the Manager of the business and the re-capitalisation of the business that is now Lend Lease Primelife (LLP);
- Significant revaluations down and impairments for the period to 31 December 2008, resulting in a loss after income tax of $204m;
- Entering into the transaction with Prime Retirement & Aged Care Property Trust and LLC to reduce the complexity and risk surrounding these arrangements and provide pathways for the Aged Care business;
- Further revaluations down and impairments in the six months to 30 June 2009, resulting in a loss after income tax of $247m for the year; and
- Breach of Interest Coverage Ratio as at 30 June 2009, in regard to the bank debt facilities.

LLP disclosed to the market on 9 June 2009, that as a result of a potential breach of the Interest Coverage Ratio (ICR) for the year ended 30 June 2009, arising from movements in asset carrying values, it was seeking a waiver from its financiers. LLP remains in positive discussions with its financiers and is confident that a waiver will be granted. An agreed position will likely include a reduction in the facility limit by, in excess of $100 million by June 2010 and changing to a cashflow based ICR.

The Board was restructured from December 2008 to April 2009. The priority for the Board looking forward is to get the balance between debt, equity and earnings right. The many initiatives taken to remove complexity from the business and improve control over operating income are a good start. The contribution of the management, staff and employees of LLP are to be thanked for keeping focussed while uncertainty swirled around them.

DISTRIBUTIONS

No distributions were declared for FY09.

UNDERLYING OPERATIONS & OUTLOOK

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

Directors' Report

DIRECTORS' CONCLUSIONS

After considering all information currently available and advice of management, the Directors have concluded that there are reasonable grounds to believe:

- The Group will obtain a waiver on its ICR financial covenant for the 30 June 2009 year end;
- The Group will be able to successfully refinance its bank debt facilities prior to the December 2010 maturity of the first tranche;
- The Group will be able to pay its debts as and when they become due and payable; and
- The basis of preparation of this general purpose financial report on a going concern basis is appropriate. No adjustments have been made relating to the recoverability and classification of recorded amounts or to the amounts of liabilities that might be necessary if the Group does not continue as a going concern.

The Directors have formed this view based on a number of factors including:

- An expectation that based on discussions and correspondence with the Banks, LLP's cashflow projections, and the banks' understanding of the plans that LLP has, that the Banks' will not accelerate the debt repayment;
- A review of the Budget, including the key assumptions and an assessment of the reasonable likelihood of future transactions occurring as estimated;
- The improved performance of the Group's business since LLC became manager as detailed in the Management Discussion & Analysis section of the Directors' Report;
- Since LLC became manager, working closely with the Group's Board and management, it has conducted a thorough and detailed review of all aspects of the business so as to ensure LLP is positioned to deal with the prevailing market and economic conditions. This review has included a complete overhead review, deferral of various development projects, cash flow management initiatives, identification of potential asset divestments and a detailed balance sheet review; and
- Expectations that the Group will be able sell sufficient assets or source available funds such that post these asset realisations the Group's overall level of gearing will be sufficiently reduced and the debt be refinanced.

DIRECTORS

The Directors of LLP who held office during the whole of the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

The Directors of LLP were at all times identical to the Directors on the board of the responsible entity of the Trust (currently LLPT and formally Babcock & Brown Communities Trust). The responsible entity changed on 31 December 2008 from Babcock & Brown Responsible Entity No. 1 Pty Ltd to LLVRE.

Board Members	Role on the Board	Date of Appointment	Date of Resignation
Andrew J Love	Independent Non-Executive Chairman	1 July 2005	
Ian K Crow	Independent Non-Executive Director	28 April 2009	
Gary J Symons	Independent Non-Executive Director	28 April 2009	
David S Hutton	Non-Independent Non-Executive Director	30 December 2008	
Tony P Lombardo	Non-Independent Non-Executive Director	30 December 2008	
Judith Sloan	Independent Non-Executive Chairman	30 May 2006	Resigned on 28 April 2009
John D Martin	Managing Director	16 October 2006	Resigned on 30 December 2008
Graeme J Martin	Independent Non-Executive Director	1 June 2005	Resigned on 28 April 2009
Robert N Topfer	Non-Executive Director	16 December 2003	Resigned on 9 December 2008
Andrew J Schwartz	Non-Executive Director	28 May 2007	Resigned on 15 September 2008

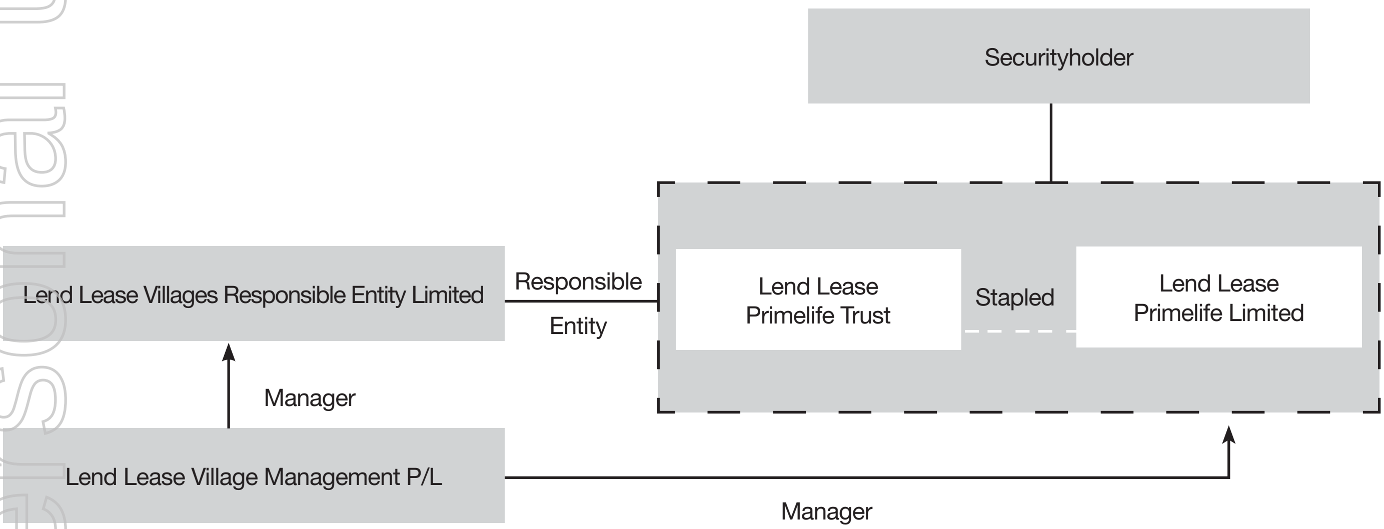
Directors' Report

RESTRUCTURE

By 30 December 2008, the restructure of Babcock & Brown Communities Limited Group to Lend Lease Primelife Limited Group (the Restructure) became effective. The Restructure included:

- LLC acquiring the management rights from the Babcock & Brown Group to provide LLP with property, development, asset management, financial advisory and investment banking services on a preferred basis;
- Raising $149,723,000 in cash through the issue of LLP stapled securities to LLC;
- The acquisition of the Retirement by Design (RBD) portfolio from LLC;
- Issuing $158,400,000 in convertible notes to LLC to provide additional funding to the Group;
- Change of names to Lend Lease Primelife Limited (LLPL) and Lend Lease Primelife Trust (LLPT) (formerly Babcock & Brown Communities Limited and Babcock & Brown Communities Trust);
- Change of responsible entity of LLPT; and
- Restructuring of existing bank debt facilities and interest rate derivatives.

The following diagram provides an overview of the Group's structure.



Directors' Report

Nature of Operations and Principal Activities

The principal activities of the Group consisted of the continuing management, ownership and development of senior living facilities which provide accommodation and/or care to individuals primarily in the over 70 years demographics in retirement village or aged care facility configurations.

There have been no other significant changes in the nature of those activities during the year.

Review of Operating Results

A summary of consolidated results for the period by significant industry segment is set out below:

	30 June 2009			30 June 2008
$'000	H1	H2	FY09	
Retirement Living	22,549	22,981	45,530	62,777
Residential Aged Care	8,519	11,231	19,750	10,365
Development	566	3,706	4,272	6,306
Corporate / Other	(11,502)	(11,961)	(23,463)	(22,355)
Annual fees to facility owners	(6,696)	(7,223)	(13,919)	(13,009)
Total Operating EBITDA	13,436	18,734	32,170	44,084
Fair value adjustments to retirement villages - gain / (loss)	(49,886)	(20,703)	(70,589)	70,889
Mark to market on interest rate swaps	(40,196)	14,942	(25,254)	(3,466)
Impairments and related provisions	(87,686)	(30,260)	(117,946)	(5,999)
Restructure costs	(6,770)	(510)	(7,280)	-
Depreciation and amortisation	(5,200)	(4,902)	(10,102)	(9,389)
Interest expense	(23,292)	(22,330)	(45,622)	(40,198)
Profit / (loss) before income tax	(199,594)	(45,029)	(244,623)	55,921
Income tax (expense) / benefit	(4,650)	2,595	(2,055)	(14,848)
Profit / (loss) attributable to security holders of LLPG	(204,244)	(42,434)	(246,678)	41,073

Directors' Report

Management Discussion and Analysis

RETIREMENT LIVING

Financials

- The Retirement Living Business contributed Operating EBITDA of $23.0m for H2, up 2% on the $22.5m for H1 of FY09 despite difficult market conditions.
- A total of 480 resales were achieved for FY09 across the owned and managed villages.
- For sites where LLP is entitled to 100% of the deferred management fee (DMF), 419 resales were achieved generating $28.1m in deferred management fee cash. This compares to 425 resales and $33.3m in FY08.
- During FY09 resales increased by 79% in H2 to 269 compared to 150 in H1 for sites where LLP is entitled to 100% of the DMF.
- The Retirement Living Business also derived $7.4m in management fee revenue for the period.

Village Portfolio and Operations

	Valuation $'000		Villages	Units
	30-Jun-09	30-Jun-08		
Owned Villages*	620,564	578,788	36	6,031
Managed Villages - Leased	57,483	70,828	10	1,206
Joint Ventures	n/a	n/a	3	230
Managed Villages - Profit Share	n/a	n/a	12	3,745
Total	678,047	649,616	61	11,212

** Represents investment properties, less resident loans, less deferred revenue in respect of investment properties.*

- The acquisition of 7 retirement villages from Retirement By Design (RBD) on 30 December 2008 has increased LLP's portfolio by 18% to include a further 7 villages and 1,154 residences.
- Village occupancy as at 30 June 2009 was 95% across the owned villages, leased villages and joint venture villages, up by 1.6% compared to 31 December 2008.
- The RBD acquisition increases the geographic diversity of LLP's portfolio particularly in metropolitan Sydney.

Retirement Village Portfolio

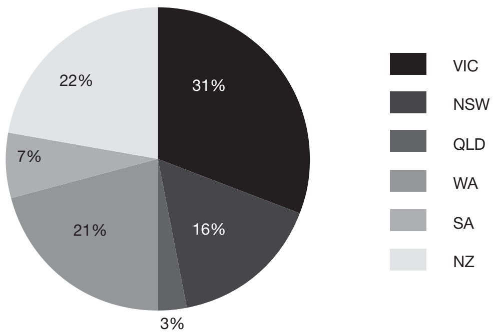
Village	Region	No of Units	DMF Exposure	Established (E) / Development (D)
Owned				
Allora Gardens	QLD	240	100%	E
Annesley	NSW	72	100%	E
Bayside	NSW	250	100%	E
Bibra Lake	WA	288	100%	E
Burwood Terrace	VIC	107	100%	E
Camberwell Green	VIC	36	100%	E
Coastal Waters	NSW	76	100%	D
Eaglemount	QLD	96	100%	E
Elliot Gardens	SA	149	100%	D
Evelyn Ridge	VIC	29	100%	D
Forest Hills	VIC	162	100%	E
Glenaeon	NSW	270	100%	E
Goodwin Close	VIC	43	100%	E
Harbourside Mindarie	WA	141	100%	E
Henry Kendall	NSW	640	100%	E
Highvale	VIC	190	100%	E
Homestay	WA	81	100%	E
Knightsbridge	NZ	245	100%	E
Lexington	VIC	294	100%	E
Lutanda Manor	NSW	134	100%	E
Mayfair	NZ	168	100%	E
Ocean Shores	NZ	206	100%	E
Parkland Mandurah	WA	121	100%	E
Parkland Booragoon	WA	185	100%	E
Parkland Ellenbrook	WA	33	100%	D
Parkland Woodlands	WA	240	100%	E
Parklane	NZ	155	100%	E
Peninsula Club	NZ	206	100%	E
Peppertree Hill	VIC	210	100%	E
Pittwater	NSW	85	100%	E
The Lakes - Bundaberg	QLD	282	100%	D
The Pines Ellenbrook	WA	139	100%	E
Timberside Woodvale	WA	140	100%	E
Waterford Park	VIC	75	100%	D
Waterford Valley Lakes	VIC	185	100%	E
Woodlands Park	VIC	58	100%	D
Total		**6,031**		

Directors' Report

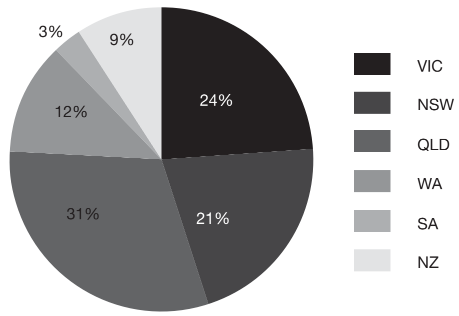
Village	Region	No of Units	DMF Exposure	Established (E) / Development (D)
Joint Venture				
Brighton on the Bay	VIC	76	50%	E
Claremont Terrace	VIC	79	50%	E
Martha's Point	VIC	75	50%	D
Total		**230**		
Managed - Leased				
Geelong-Tannoch Brae	VIC	88	100%	E
Glen Woodley	SA	75	100%	E
Heathglen - Village	VIC	114	100%	E
Koorootang Court	VIC	122	100%	E
Meadowvale	VIC	204	100%	E
Port Phillip	VIC	162	100%	E
Riverwood	NSW	130	100%	E
Vermont	SA	118	100%	E
Viewbank	VIC	52	100%	E
Williamstown	VIC	141	100%	E
Total		**1,206**		
Managed - Profit Share				
Argyle Gardens	QLD	401	12%	E
Ashton	NSW	61	12%	E
Bellflower	QLD	461	12%	E
Brentwood	NSW	601	12%	E
Buderim Gardens	QLD	401	12%	E
Carlyle Gardens - Mackay	QLD	283	12%	D
Carlyle Gardens - Townsville	QLD	458	12%	D
Hibiscus Buderim Meadows	QLD	204	12%	E
Hibiscus Chancellor Park	QLD	404	12%	E
Hibiscus Nambour	QLD	56	12%	E
Hibiscus Noosa Outlook	QLD	235	12%	E
Lindfield	QLD	180	12%	D
Total		**3745**		

Directors’ Report

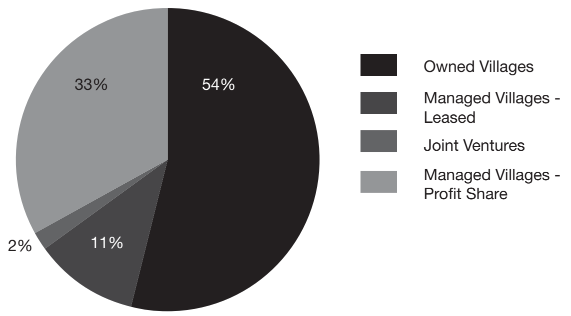
Resales by Region - FY09



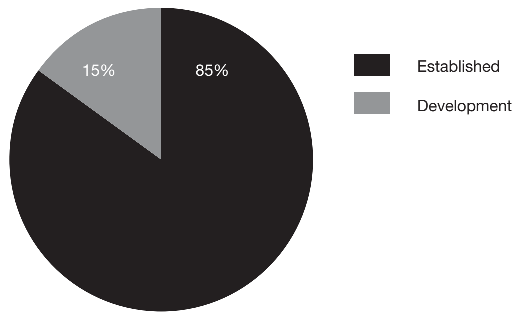
Retirement Villages - Units by Region



Retirement Villages - Ownership Structure



LLP Units: Established & Development



Directors' Report

DEVELOPMENT

Financials

- Gross sales proceeds of $53m for FY09 (excluding $20m from divestment of non-core land bank), compared to $60m for FY08.
- Operating EBITDA increased in H2 to $3.7m compared with $0.6m for H1 of FY09 (excluding revaluations on 1st time loan/license).
- Short term cashflow benefit for the next 12-24 months – due to the sell down of completed stock, completion of the development phase on several projects (Martha's Point (Vic) & Elliott Gardens (SA)) and divestment of non-core land bank.

Sales and Marketing

- Despite challenging market conditions, LLP achieved 182 first time settlements (including managed joint venture developments) in FY09 compared to 250 for FY08.
- First time settlements average margin for H2 of 16% (not including future DMF values).
- FY10 first time settlements pipeline includes 21 Contracted and 35 Reserved from carry-over and new sales. This represents more than 30% of the FY09 settlements achieved, reflecting the strengthening new sales trend experienced in recent months.

Strategic Restructure of Development Business

LLP has restructured the Development business following completion of the Group's strategic review and business plan in April 2009. Development services are now performed by LLC and delivered in accordance with Development Briefs issued by LLP's Retirement Living & Aged Care Teams.

This will enable the Group to:

- Leverage off LLC's property development and asset management expertise in combination with the Group's Retirement and Aged Care experience;
- Increase/decrease development activity and mix without carrying a large overhead;
- Retain market knowledge & IP within the LLP Group;
- Have activities occur across Aged Care and Retirement Villages businesses and capital investment processes developed to interface with business budgets; and
- Have 2 clear service lines being Aged Care and Retirement Villages.

Two dimensions of LLC Development Services include:

- Development and project management services for new projects and major re-development activity; and
- Asset management services focused on assets lifecycle planning and value enhancement over the planned asset lifecycle underpinning ongoing property asset growth.

The provision of development services by LLC to LLP is subject to annual review to ensure terms reflect the market. Each year an annual review will be prepared for the Board to ensure that the development services are being performed satisfactorily. All terms, including fees paid to LLC, have been independently market tested and approved by the Independent Non-Executive Directors.

LLP has:

- Reduced inventory on hand from 217 to 133 units (excluding managed joint ventures) as at 30 June 2009, representing a 40% decrease;
- Divested non-core land bank - $20m in proceeds already achieved in H2 of FY09, with a further $10-15m planned over the next 12-24 months;
- Re-commenced development at Woodlands Park in Berwick and Waterford Park in Knoxfield (both Vic). These projects have secured pre-commitments in excess of construction cost and accordingly represent relatively low risk of adding to inventory in any material way; and
- Reduced stage sizes on specific development projects to improve capital management and ensure stock is kept to a minimum.

Other development projects will be recommenced selectively in response to market demand.

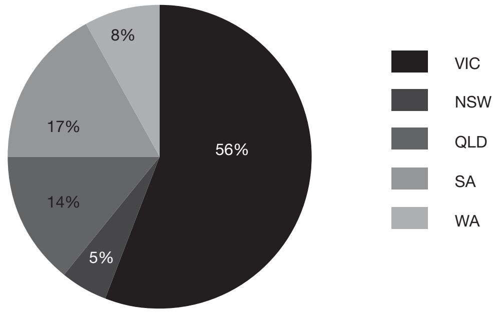
Directors’ Report

Development Pipeline - Retirement Village Units (including Joint Ventures)

Completed Units

Project	Stock on Hand	Future Stock	Expected year of sales completion
Bayside	2	0	2009/10
Lexington Gardens	8	0	2010/11
Camberwell Green	10	0	2010/11
Brighton on the Bay	26	0	2011/12
Claremont Terrace	15	0	2011/12
Mindarie	9	0	2010/11
TOTAL	70	0	
			$’000
Gross Sales			23,500
Average Sales Price			335

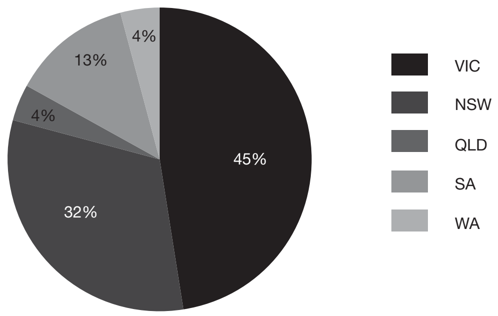
First Time Settlements FY09



Urban Infill

Project	Stock on Hand	Future Stock	Expected year of sales completion
Martha's Point	8	35	2011/12
The Lakes	19	27	2012/13
Evelyn Ridge	10	83	2013/14
Elliot Gardens	18	30	2011/12
Waterford Park	6	61	2012/13
Woodlands Park	1	170	2015/16
Ellenbrook	26	92	2014/15
Coastal Waters	24	231	2018/19
TOTAL	112	729	
			$’000
Gross Sales			320,000
Average Sales Price			385

Urban Infill Development Pipeline



Directors' Report

AGED CARE

Financials

- Aged Care generated operating EBITDA of $11.2m for H2.
- Operating EBITDA (excluding interest income on bonds received and rent on leased facilities) per occupied bed was $9,435 for FY09, up 80% from $5,239 in FY08 (in part due to Conform acquisition).
- Net accommodation bonds received (including 1st time bonds) for FY09 were $9.3m, $3.5m excluding first time bonds. This compares to net accommodation bonds (including 1st time bonds) of $14.3m, or $3.4m excluding first time bonds for FY08.
- FY09 average bond amount received increased by 6%.
- LLP expect these margin improvements to consolidate in FY10.
- In the recent Aged Care Approval Rounds (ACAR), LLP were granted an additional 158 Bed Licenses, representing 100% of the applied number of beds. As a result LLP now has a pipeline of 217 Beds, representing a 9.4% increase for the portfolio.
- Comparisons between FY09 and FY08 should take note of the acquisition of the Conform portfolio on 27 November 2007, in which LLP effectively doubled the number of beds under management.

Operational Efficiencies / Strengths

- Average occupancy rates remained strong for the 2009 year:
  - At end of H2, occupancy was 94.1% excluding ramp up facilities and 90.5% when ramp up facilities are included, compared to H1 of 93.3% excluding ramp up facilities and 89.6% when ramp up facilities are included; and
  - Improvement on FY08 level of 89.4% including ramp up facilities.
- Staff cost as a percentage of revenue was 67.3% for FY09, compared to 68.4% at FY08. Further efficiency gains are expected through the continued implementation of LLP's proprietary operating systems across the Conform portfolio during FY10.
- Workcover trends in LLP continued to show positive year on year improvements. Integration of the Conform Group of Aged Care facilities and growing pipeline of beds now allows sufficient scale for an effective comparison of performance in managing Occupational Health & Safety compared against industry benchmarks.
- Appointment of 2 Regional Training and Education Managers as part of a continued focus on enhancing quality of care and to ensure the Group's internal training and education programmes are structured and focused on adding relevant skills to our Aged Care workforce.
- The implementation of new operating systems (Kronos and TRAX), have been completed across Victorian and South Australian facilities as well as 50% of the New South Wales (NSW) and Queensland sites. Rollout across the remaining NSW sites is expected by the end of FY10. Synergies and other operational integration initiatives are expected to be realised during FY10.

Facilities

- The portfolio consists of 33 facilities, with a total of 2,313 beds under management plus a pipeline of 217 beds.
- The portfolio of facilities maintained 100% accreditation by the Department of Health & Ageing, with the 13 facilities assessed and accredited in FY09, including 9 in H2, passing all 44 standards. As a result 39% of LLP's facilities were accredited in FY09. The accreditation process is required every 3 years.
- 38% of LLP's facilities are co-located with LLP retirement villages. Co-location is a key advantage of the portfolio, enabling a continuum of care offering "ageing in place" to prospective residents.

Directors' Report

Aged Care Statistics as at 30 June 2009

Aged Care Portfolio Statistics	
No. of facilities	33
No. of operating beds	2,313
No. of beds in pipeline	217
Portfolio occupancy	90.5%*
Average age of residents	84 years

**Figure includes ramp-up facilities.*
**Portfolio occupancy is 94.1% excluding ramp-up facilities.*

Directors' Report

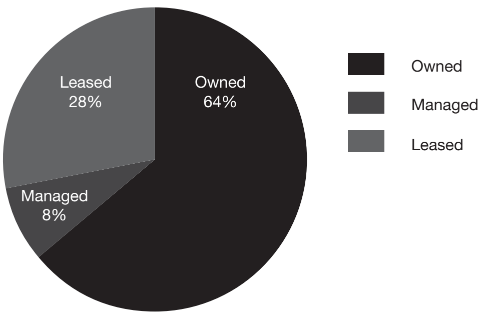
LLP Aged Care Portfolio

Facility	Location	Number of beds* LC	HC	ExS	RACs ID
Owned					
Avonlea	VIC	70			3551
Bass Hill	NSW		78		2534
Bayside (Conform)	NSW	40	84		0528
Beechwood	NSW	40	70		2580
Brentwood	NSW		84		2600
Calare	NSW		66		2591
Coastal Waters (Jervis Bay)	NSW	42	84		0583
Greenwood	NSW		53		2509
Henry Kendall (Wyoming)	NSW		110		2745
Highwood Court	VIC	75			3593
Lexington	VIC	60			3640
Montclaire Hostel	VIC			36	3604
Pendle Hill	NSW		84		2596
Princeton View	VIC	69	37		3792
Redleaf Manor	NSW			65	0698
Rosemore	NSW		90		2574
Sylvan Woods	QLD		89		5937
Willandra	NSW		64		2341
Total Owned		396	993	101	
Facility					
Leased					
Bayside (Primelife)	VIC	41			3539
Cumberland NH	VIC		30		4432
Glendale	VIC	120	15		3130
Lilydale Nursing Home	VIC		30		4389
Little Para	SA	62			6205
Orden on Glendale	VIC	105			3733
Riddell Gardens	VIC	74			3674
Riverwood	NSW	29			0340
Summerwood	VIC	31			3651
Tannoch Brae	VIC	50			3174
Trevi Court	VIC	52			3589
Total Leased		564	75	0	
Managed					
Claremont Terrace	VIC	57			3592
Keperra	QLD	30			5293
Medina Manor	VIC	45			3597
Villa del Sole	VIC	52			3544
Total Managed		184	0	0	
Totals		1,144	1,068	101	
Total Number of Beds		2,313			

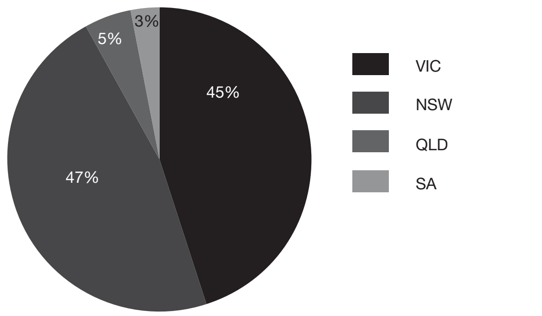
** LC = Low Care, HC = High Care, ExS = Extra Services*

Directors' Report

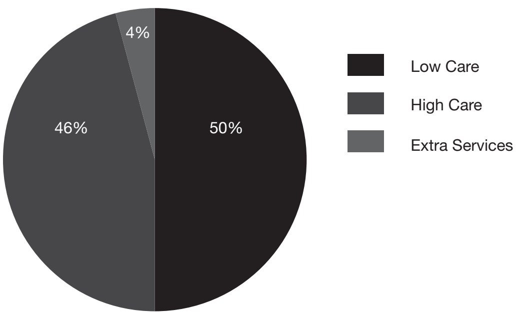
Ownership Structure



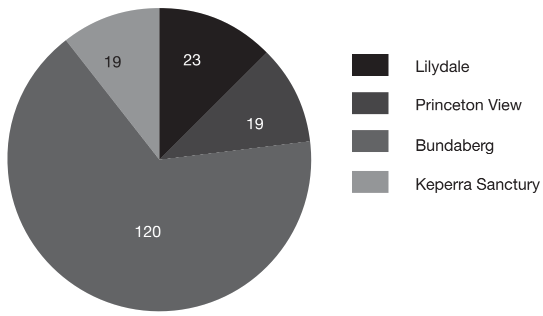
Bed Licenses by State



Bed License Mix



Aged Pipeline - Bed Licenses



Directors' Report

VALUATIONS – RETIREMENT VILLAGE INVESTMENT PROPERTIES

Individual Village Valuations

- The Group has a policy of obtaining independent valuations for all its owned retirement villages on a rolling basis every 3 years.
- For year-end purposes approximately 39% of the retirement villages (by value) in the portfolio were independently valued, with the remainder subject to internal valuations approved by the directors. In addition, as at the end of H1 approximately 36% were independently valued.
- During FY08 approximately 94% of the portfolio was independently valued however the significant change in market conditions justified bringing forward valuations to more accurately reflect actual market conditions.
- Adjustments to LLP's valuation assumptions given the current market climate has resulted in a reduction in the valuation of retirement villages (fair value adjustment) totalling $70.6m (excluding the impact on accrued DMFs) as a result of:

1. Growth Rate Reduction – taking into account growth rates achieved on resales in the year and the expectation of reduced growth in the short term, long term average future growth rates were reduced by 0.58% for the in H1, it was deemed reasonable for no further reduction in H2.
2. Discount Rate Increase – The following were taken into account:

- Risk free rates have fallen sharply in recent months while risk premiums, although difficult to assess in the current climate of uncertainty, have increased;
- The valuers appointed to value LLP's New Zealand villages, increased discount rates across the portfolio;
- Discussions with valuers in Australia suggest that discount rates have increased in the year;
- Various listed companies in FY09 have all pointed to an increase in discount rates applicable to this asset class; and
- With minimal transaction activity and it being assessed as distressed transactions, it is difficult to include those transactions in the decision set.

Taking all the above into account, and reviewing and adjusting discount rates and growth rates on the villages not independently valued, resulted in an average increase in discount rates of 0.39% across our portfolio as at 31 December 2008, followed by a further increase of 0.41% as at 30 June 2009 to a weighted average of 12.93% for the portfolio.

Market Outlook

The fundamentals of the Australian residential property market (as a proxy for the Retirement Village market) remains strong (source: ANZ Housing Snapshot, June 2009):

- Australia is under built currently by approximately 200,000 dwellings. By the end of FY10, the housing shortage is expected to be in the region of 280,000 dwellings.
- Rental vacancy rates remain low across the nation, currently sitting at an average of 1.5%.
- Housing affordability is currently at its highest level since the start of the decade, driven by low interest rates.

Australia's changing demographics also confirm the long term fundamentals for retirement remain strong, with the next 15 years set to see:

- Australian population projected to grow by 23%;
- 65+ age group population projected to grow by 64%;
- 65+ age group is the fastest growing segment of population; and
- Life expectancy continued increases.

A solid upward trend in sales during the last 4 month of FY09 reflect an improving outlook which LLP expect to continue in FY10.

Directors' Report

CORPORATE

Financials

- Operating EBITDA for Corporate in FY09, while consistent with FY08 levels, in real terms once factoring in the significant acquisitions in the middle of FY08 and FY09, reflect management's focus on containing costs. FY09 H2 and FY10 H1 will see overheads peak as restructuring works are completed.
- Corporate's operating EBITDA includes salary and wages of Group level management, listing and legal costs, administration and back office, management fees paid to LLC under the terms of the management agreement approved by securityholders, and other Group level costs.

Interest

- Interest revenue was largely sourced from interest charged on overdue Aged Care accommodation bonds and Retirement Living.
- Interest expense of $38m (excluding the LLC convertible notes) comprises primarily the interest on the bank debt facilities, including the effect of hedges. Interest incurred on the LLC convertible notes was only $7.6m as the majority were issued on 30 December 2008.

Hedging

- LLP hedges interest rate risk in accordance with Board approved hedging policies. At 30 June 2009, 33% of debt was hedged (excluding the LLC convertible notes).
- The mark to market of the structured interest rate hedging instruments put in place under the previous manager in early 2008 increased significantly in the period to 30 June 2009 due to the rapid reduction in market interest rates. A reduced level of hedging and the closeout of various exotic components of hedges in place is anticipated to reduce this volatility.
- Prior to 30 June 2009, LLP closed out $150m of hedges effective 16 January 2009 resulting in cash payment of $16.5m as it was deemed uneconomic to keep these hedges in place. In addition on 13 March 2009 LLP restructured a $50.0m interest rate hedge to remove the exotic components and convert it to a fixed rate swap of 5.25%. This resulted in a payment of $1.9m.
- Average interest rate from hedging was 6.75% on $150m or 33% of debt (excluding the LLC convertible notes) at 30 June 2009, compared with 6.02% on $371.2m or 65% of debt at 30 June 2008. As a result 67% of debt was unhedged at 30 June 2009 (compared to 35% at June 2008) with the Group benefiting from the current low variable rates.

Debt and Gearing

- Net debt (excluding LLC convertible notes) reduced by $149m down to $423.4m as at 30 June 2009 and net debt including convertible notes increased by $7m to $579.5m.
- As a result of the LLC transaction:
  - The balance outstanding and commitment available under LLP's bank debt facilities (refer Note 24 for further details) was reduced by $75m down to $525m in the year ended 30 June 2009; and
  - Convertible notes with a face value of $158.4m and 5 year term were issued to LLC (refer to Note 41 for details of the AIFRS split accounting treatment).
- Bank debt facilities are in 2 tranches and are due to mature in December 2010 and December 2012, currently on a net debt basis this debt is $423.4m.
- Gearing on bank debt facilities and hire purchase loans reduced by 10% over the year to 32% (based on total assets less resident loans and accommodation bonds) as at 30 June 2009.
- Including the LLC convertible notes, gearing on a total debt basis is 44% as at 30 June 2009.
- On 9 June 2009, and 11 August 2009, the Group advised the market that it was in a potential event of default and was at risk of not meeting its interest coverage ratio for the 30 June 2009, calculation. LLP is still in negotiations with its financiers to have a waiver granted with respect to this covenant. The other key financial covenant is the leverage ratio which is able to be satisfied at 30 June 2009.

Directors' Report

GROUP

Net Asset Backing (NAB) per security

The statutory NAB at 30 June 2009 was $0.55 per security. This represents a $0.05 decrease from the statutory NAB at 31 December 2008 of $0.60 per security.

Distribution

Consistent with prior advice no distribution has been proposed (2008: An interim distribution of 4.2 cents per stapled security and a final distribution via a Distribution Reinvestment Plan of 2.1 cents per stapled security).

Earnings Per Security

LLPG	30 June 2009 Cents	30 June 2008 Cents
Basic earnings/(loss) per security	(30.38)	6.71
Diluted earnings/(loss) per security	(30.38)	6.71

Directors' Report

Information on Directors

Name, independence status and special responsibilities	Qualifications and experience
Andrew J Love Independent Non-executive Chairman BCOM, FCA, MAIDC Chairman of the Board Member of the Audit, Risk & Compliance Committee Chairman of People, Strategy & Remuneration Committee	Experience and expertise Mr Love has more than 30 years experience in corporate recovery, reconstruction and insolvency practice in Australia. In addition he established Ferrier Hodgson in Hong Kong in 1985. He has been appointed across a broad range of industry sectors but in particular he has worked in the resources and mining industry. He is a Director of both public and private companies in the energy and mining industries. He has acted as an adviser or appointee in most of the major mining insolvencies and workouts in the gold, coal and base metal industries in Australia. Other current listed company directorships Non-Executive Director of ROC Oil Company Limited Non-Executive Director of Riversdale Mining Limited Non-Executive Director of Eircom Holdings Limited Former listed company directorships in last 3 years None
Ian K Crow Independent Non-Executive Director BCOM, MBA, CPA Chairman of the Audit, Risk & Compliance Committee Member of People, Strategy & Remuneration Committee	Experience and expertise Mr Crow has over 40 years experience in property and financial services. Mr Crow has been the Chief Executive of MLC and an Executive Director of LLC. Mr Crow is currently a non-executive director of National Wealth Management Holdings Limited and a number of its associated boards. He is also a member of the Australian Prime Property Fund Investor Review Board. Other current listed company directorships Cambridge Industrial Property Trust (Singapore) Former listed company directorships in last 3 years Calliden Group Limited (Retired May 2008)
Gary J Symons Independent Non-Executive Director B. Comm, B. Acc, CA, Member of the Audit, Risk & Compliance Committee Member of People, Strategy & Remuneration Committee	Experience and expertise Mr Symons has extensive experience in property and financial markets. He is a former Head of Asset Management and Chief Investment Officer of BT Funds Management (formerly Bankers Trust Australia). In his time at BT he was also Head of Real Estate where he had overall responsibility for the group's listed property trusts and unlisted institutional property portfolios. More recently, Mr Symons developed, pioneered and later sold a leading alternative real estate management company (UniLodge), which specialised in student accommodation in Australia, New Zealand and Asia. Mr Symons is a non-executive director of National Wealth Management Holdings Limited and a number of its associated boards. Other current listed company directorships None Former listed company directorships in last 3 years Mariner Financial Limited (resigned January 2008)

Directors' Report

David S Hutton
Non- Independent Non-Executive Director
BBus

Experience and expertise

Non-Independent Non-Executive Director since 30 December 2008. Mr Hutton is Chief Executive Office for Lend Lease Retail & Communities – Asia Pacific and is responsible for all LLC's development projects both in Australia and Singapore – including commercial offices, master planned communities, retail, retirement, apartments and large mixed use projects. He has significant experience in property development, fund, asset and property management, urban residential and mixed use project and has held numerous senior positions during his 20 year career at LLC.

Other current listed company directorships

None

Former listed company directorships in last 3 years

None

Anthony P Lombardo
Non- Independent Non-Executive Director
BBus, CA

Experience and expertise

Non-Independent Non-Executive Director since 30 December 2008. Mr Lombardo is Global Head of Strategy and Mergers & Acquisitions (M&A) for LLC. Mr Lombardo joined LLC from GE Capital where he worked for 10 years with cross-functional experience, having held roles in Strategy, Mergers and Acquisitions and Finance, across both GE Consumer Finance and GE Corporate. In his last 3 years of this role, Mr Lombardo was based in Connecticut USA where he was Vice President – Strategy of GE Money. Prior to this, he worked at KPMG in Audit for a period of 5 years.

Other current listed company directorships

None

Former listed company directorships in last 3 years

None

INFORMATION ON SECRETARIES

Name, independence status and special responsibilities	Qualifications and experience
Simone Lander Company Secretary	Simone Lander was appointed Company Secretary of LLP on 10 August 2007 and resigned on 1 April 2009. Experience and expertise Ms Lander joined Babcock & Brown in August 2006 as Company Secretary for a number of the Group's listed and unlisted specialised funds and is responsible for the Company Secretarial function and corporate governance for the boards and committees of these Group entities. Prior to joining Babcock & Brown, Simone held Company Secretarial positions within the Investa Property Group from August 2001 and the position of Assistant Company Secretary of the Mirvac Group from 1998.

Melissa S Hennessy

General Counsel and Company Secretary
BA, LLB

Melissa Hennessy was appointed General Counsel and Company Secretary of LLP on 1 April 2009.

Experience and expertise

Ms Hennessy is responsible for legal and compliance issues as well as communications to the Manager Board and coordinating regular Board and Audit, Risk and Compliance Committee meetings. Other responsibilities include advising on structure and transactions and ensuring compliance with the terms of relevant licences, the ASX Listing Rules, the Corporations Act and the constitution documents. Prior to joining Lend Lease Primelife, Ms Hennessy was with Lend Lease Investment Management for three years and prior to that with Freehills, Melbourne and Sydney offices.

DIRECTORS' MEETINGS

	Director's Meetings		Audit Risk & Compliance Committee Meetings	
	Held	Attended	Held	Attended
Andrew J Love	15	14	5	5
Ian K Crow	2	2	1	1
Gary J Symons	2	2	1	1
David S Hutton	6	6	*	*
Anthony P Lombardo	6	6	*	*
Judith Sloan (a)	14	9	4	4
John D Martin (b)	9	9	*	*
Graeme J Martin (a)	14	13	4	4
Robert N Topfer (c)	6	5	*	*
Andrew J Schwartz (d)	3	1	*	*

** Not a member of the ARC Committee*

(a) Resigned on 28 April 2009

(b) Resigned on 30 December 2008

(c) Resigned on 9 December 2008

(d) Resigned on 15 September 2008

Independent Non-Executive Directors frequently attended general business and transaction specific updates to maintain an understanding of business progress and activities.

Remuneration Report

The Remuneration Report provides an overview of the remuneration policies and practices of the Group. The report also provides details of the remuneration of the Directors and key management personal, including executives provided by the external manager and executives employed by the Group. These details are summarised in Table 1 Remuneration of the Directors and Executives for the Year Ended 30 June 2009 on page 37 in this report (Table 1).

The change in management has resulted in two distinct sets of remuneration policies and practices for executives provided by the external manager:

- 1 July 2008 to 27 November 2008 – under the management of Babcock & Brown Communities Management Pty Ltd (BBCM) (Period 1); and
- 28 November 2008 to 30 June 2009 – under the management of Lend Lease Village Management Pty Limited (LLVM Period 2).

Under the external management arrangements in place during Periods 1 and 2, the manager was required to provide the core management team. The core management team comprises individuals performing the following functions:

- Chief Executive Officer;
- Chief Financial Officer; and
- Chief Operations Officer/General Manager.

These executives are referred to in this report as the BBCM Executives or the LLPG Executives depending on the relevant management period.

All other executives are employed and remunerated by the Group, these executives are referred to as the BBCG Group Executives or the LLPG Group Executives depending on the relevant management period. The remuneration policies and practices for staff employed by the Group during Periods 1 and 2 remain unchanged, except as where identified.

The Group recognises that its success is ultimately dependent on its people. In light of this, the Group aims to attract, retain and motivate highly specialised and skilled employees from a diverse pool of talent who have the expertise to manage the Group in the best interests of its stakeholders.

REMUNERATION COMMITTEES FOR PERIODS 1 AND 2

Period 1

Role of the Babcock & Brown Remuneration Committee (BBLRC)

BBLRC assisted the BBCG Board in achieving fairness and transparency in relation to remuneration issues whilst overseeing the remuneration and human resources policies and practices of BBCG.

The BBLRC endeavoured to ensure BBLG remuneration outcomes struck an appropriate balance between the interests of BBCG's stakeholders and rewarding and motivating its executives and employees.

Membership of the BBLRC

The BBLRC consisted of five Directors, of whom three were Independent Non-Executive Directors. Its members throughout 2007/2008 were:

- Ian Martin (Chair)
- James Babcock
- Phillip Green
- Elizabeth Nosworthy
- Michael Sharpe

Period 2

Role of the LLPG People, Strategy & Remuneration Committee (PSRC)

The BBLRC was replaced by the PSRC on 30 December 2008.

PSRC was established to replace the BBLRC and assist the LLPG Board in achieving fairness and transparency in relation to remuneration issues and overseeing the remuneration and human resources policies.

Membership of the PSRC

PSRC consists of three Directors, who are Independent Non-Executive Directors. These are:

- Andrew Love (Chair)
- Ian Crow
- Gary Symons

Executives Provided by the External Manager for Period 1 And 2

Period 1

The following persons were the BBCG Executives during Period 1:

- John Martin, Managing Director/Chief Executive Officer (ceased 31 December 2008)
- Joanna Wakefield, Chief Financial Officer (ceased 15 July 2008)
- Deborah Kelly, Chief Financial Officer (commenced 15 July 2008 – ceased 19 December 2009)
- Gregor Dixon, General Manager Corporate (ceased 31 December 2008)

These persons were employed and remunerated by Babcock & Brown Australia Pty Limited (B&B).

Period 2

The following persons were the LLPG Executives during Period 2:

- Rodney Fehring, Chief Executive Officer (appointed 27 November 2008)
- Paul Walsh, Chief Financial Officer (appointed 27 November 2008)
- David Payne, General Manager Operations - Retirement Villages (appointed 27 November 2008)

These persons are employed and remunerated by LLC.

a) REMUNERATION STRUCTURE

Period 1

1. BBCG Directors

BBCG Directors were remunerated by the Group on the same basis as the LLPG Directors. For further information refer to the section titled LLPG Directors and Table 1.

2 BBCG Executives

The BBCG Executives were remunerated in accordance with B&B's remuneration policies.

LLP has made enquiries with B&B to obtain information regarding the B&B remuneration policies and practices during Period 1 for these employees. However, as at the date of publication of this report, LLP has not been able to obtain this information. In addition, B&B was placed into voluntary administration on 13 March 2009 and did not publish full year financial results for the year ending 31 December 2008. These financials if published would have contained relevant information. Accordingly, LLP is unable to publish details as to the B&B remuneration policies and practices during Period 1.

The BBCG Executives were employed under service agreements better described as employment contracts (agreements). The remuneration of these executives is shown on Table 1. The other major provisions of these agreements relating to remuneration are set out below.

Directors' Report

John Martin (former Chief Executive Officer/Managing Director)

- Employed by B&B.
- Term of Agreement – open-ended commenced 15 August 2007 and ceased 30 December 2008.
- Mr Martin was entitled to participate in BBCG benefit plans that were made available.
- Early termination benefit paid, terminated effective 31 December 2008.

Deborah Kelly (former Chief Financial Officer)

- Employed by B&B.
- Term of Agreement – open-ended commenced from 15 July 2008 and ceased 30 December 2008.
- Payment of termination benefit on early termination by the Group other than for gross misconduct, equal to three months base salary.
- Early termination benefit paid terminated effective 19 December 2008.

J Wakefield – (former Chief Financial Officer)

- Employed by B&B.
- Term of agreement – open-ended commenced 13 November 2006 and ceased 15 July 2008.
- Ms Wakefield was entitled to participate in BBLG benefit plans that were made available.
- Payment of termination benefit on early termination by the Group other than for gross misconduct, equal to three months base salary.

Gregor Dixon (former General Manager - Corporate)

- Employed by B&B.
- Term of Agreement – open-ended commenced 15 August 2007 and ceased 30 December 2008.
- Mr Dixon was entitled to participate in BBLG benefit plans that are made available.
- Payment of termination benefit on early termination by the Group other than for gross misconduct, equal to three months base salary.
- Early termination benefit paid, terminated effective 31 December 2008.

3. BBCG Group Executives

- BBCG Group Executives were employees of the Group and were remunerated on the same basis as LLPG Group Executives. For further information refer to the section titled LLPG Group Executives.

Period 2

1. LLPG Directors

LLPG Directors are remunerated by the Group as disclosed in this section.

Independent Non-Executive Directors' fees reflect the demands which are made on, and the responsibilities of the Directors. Independent Non-Executive Directors' fees and payments are reviewed annually by the Board. Independent Non-Executive Directors are not eligible to receive equity options.

Independent Non-Executive Directors receive a base remuneration and additional yearly fees are also payable to directors for relevant Board committee membership. The current maximum aggregate amount which may be paid to all Independent Non-Executive Directors is $650,000 per annum.

Independent Non-Executive Directors receive a cash fee for their services. They do not receive any performance-based remuneration or any retirement benefits, other than receiving statutory superannuation. Fees payable to Independent Non-Executive Directors during the year ended 30 June 2009 are set out as follows:

Board / Committee	Role	Fee
Board	Chair	$ 150,000
	Member	$ 75,000
Audit & Risk Committee	Chair	$ 15,000
	Member	$7,500
Member other Committees	Member	$5,000

The Non-Independent Non-Executive Directors of the Group are:

- David Hutton (appointed 30 December 2008)
- Tony Lombardo (appointed 30 December 2008)

The Non-Independent Non-Executive Directors of the Group are employed by LLC and do not receive any remuneration for their role as directors as this is part of their wider responsibilities under their employment with LLC.

2. LLPG Executives

LLPG Executives are employees of LLC and, during Period 2, were remunerated in accordance with LLC remuneration policies. The performance of the LLPG Executives is scrutinised by the Independent Non-Executive Directors and the Independent Non-Executive Directors may, at any time, request LLVM to replace a member of the core management team.

To ensure the retention, motivation and alignment of interests of the LLPG Executives with LLPG's performance, the LLPG Executives long and short term incentives will be directly related to the performance of LLPG. The long-term LLP incentives will be in place effective from 1 July 2009. The long and short term incentives, and the key performance indicators which support them, will be approved by the Independent Non-Executive Directors.

The above incentives were not fully in place during Period 2, as it only related to part of a financial year and LLVM was not in a position to fully determine those incentives and the key performance indicators, until the strategic review and the transition of management was complete.

This section of the report details the philosophy and framework which was applicable to the LLPG Executives during Period 2.

The approach of LLC's executives dedicated to LLP is to provide a balance of fixed and performance based remuneration. Remuneration is designed to be appropriate and competitive, having regard to base pay, incentives, retirement contributions and other benefits.

Remuneration Structure

LLC's executives dedicated to LLP remuneration framework consists of three principal elements:

Component	Comprises	'At risk'
Fixed Remuneration	Base salary, retirement and other benefits	No
Short Term Incentive	Annual cash with equity related deferral	Yes
Long Term Incentive	Cash or equity based multi year reward	Yes

'At risk' implies an absence of certainty of collection of a particular component of remuneration should agreed-upon performance hurdles or employment conditions not be met during the reporting period.

Directors' Report

Fixed Remuneration

The salaries of these executives are set by reference to the PSRC. Salary changes usually take effect from September of each year.

Certain elements of fixed remuneration include those typically or legally required to be provided in the geography where the executive is employed. These may include car, medical cover, employee equity plan subscriptions, retirement contributions, life and/or disability cover.

Short Term Incentives (STI)

Under the STI arrangement, executives may receive benefits dependent on the achievement of business unit financial targets, incident and injury free, sustainability and individual targets. The total value of the potential benefit (target opportunity) varies by executive, but is linked to salary.

Arrangements for the June 2009 Financial Year

The following table sets out the criteria required to be achieved for the current year STI.

Financial Element	Strategic, Business Unit, Functional and Cultural Element
60% of target opportunity for business unit CEOs.	40% of target opportunity for business unit CEOs.
Measured against financial value drivers under the themes of profitability, growth and capital efficiency at Group, business unit level, or a combination depending on role.	Measured against strategic, business unit, functional and cultural goals in a mix relevant to the individual.
Upside opportunity for out performance on financial measures.	

Total package value equates to base salary plus superannuation. Cash incentives are paid in September of each year. Deferred benefits are delivered in LLC shares or equivalent share value in cash based on the Lend Lease Corporation share price at the date of release of the bonuses. The shares (or share value if shares are not practicable) are then held in trust on behalf of the executive for the deferral period. For executives to receive the full deferral they must be employed by LLC at the date of vesting of the deferral element. The usual deferral period will be one year from the date of the grant.

Future Arrangements

A portion of STI awards is delivered as deferred equity to executives. Due to the Australian Government announcements regarding the taxation of equity remuneration, the Lend Lease Corporation Board (LLC Board) may amend the operation of the deferral in the coming period.

Long Term Incentives (LTI)

The objectives of the LTI are essentially twofold:

- Aligning executives with the long term interests of securityholders; and
- Attracting and retaining executives of high calibre by providing competitive rewards that relate to the performance of both the individual executive and the security price.

3. LLPG Group Executives

LLPG Group Executives were employees of the Group and remunerated in accordance with the remuneration of the policies of the Group.

The objective of the LLPG Group Executives' Remuneration Framework (Framework) is to ensure reward for performance is competitive and appropriate for the results delivered. The Framework aligns executive reward with:

- Achievement of strategic objectives;
- The creation of value for securityholders; and
- Market best practice for delivery of reward.

The Board ensures that the Framework conforms with the following key governance practices:

- Competitiveness;
- Acceptability to securityholders;
- Performance linkage/alignment of executive compensation;
- Transparency; and
- Capital management.

In consultation with external remuneration consultants, the Framework is market competitive and complementary to reward strategy of the organisation. The alignment with securityholders' interests means a focus on sustained growth in securityholders wealth, which consists of, in the short term, growth in equity price and in the longer term, delivering constant return on assets. The alignment to a particular participant's interests:

- Rewards capability and experience;
- Reflects competitive reward for contribution to growth in securityholder wealth;
- Provides a clear structure for earning rewards; and
- Provides recognition for contribution.

Executive Remuneration

The framework has three components:

- Base pay and benefits;
- Short-term performance incentives; and
- Other remuneration such as superannuation.

The aggregate of these components comprises the LLPG Group Executives' total remuneration.

Executive Base Pay

Base pay is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits on a case-by-case basis depending on the particular executive. LLPG Group Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion. There are no guaranteed base pay increases included in any LLPG Group Executives' contracts.

Benefits

LLPG Group Executives may receive benefits including car allowance, car parking and salary sacrificing.

Retirement Benefits

No retirement benefits are payable to any LLPG Group Executive.

STI

Should the LLPG Group Executive achieve targeted KPI set by the PSRC, STIs (cash bonuses) are payable annually.

Each LLPG Group Executive has a target STI opportunity depending on the accountabilities of the role and impact on organisation or business unit performance. The Board will approve the appropriate targets and KPIs to link the STI plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan, and minimum levels of performance to trigger payment of STI. For the year ended 30 June 2009, the KPIs linked to STI plans were based on group, individual business and personal objectives.

LLPG Group Executive - Service Agreements

Remuneration of employment for the following key management personnel were formalised through service agreements better described as employment contracts (agreements). The major provisions of the agreements relating to remuneration for the following are set out below. All agreements with executives, may be terminated early by either party with three months notice, subject to termination payments as detailed below.

P Barry - General Manager Operations - Aged Care (Current)

- Employed by the Group.
- Term of agreement – ongoing commenced 1 June 2006.
- Ms Barry was entitled to participate in benefit plans that were made available.
- Payment of a termination benefit on early termination by the Group, other than for gross misconduct, equal to six months base salary.

M Mitchell - Chief Information Officer (Current)

- Employed by the Group.
- Term of agreement - ongoing commenced 11 January 2006.
- Payment of a termination benefit on early termination by the Group, other than for gross misconduct, equal to four weeks base salary.

M Horwood – (former General Manager Development)

- Employed by the Group.
- Term of agreement – commenced 14 January 2008.
- Payment of a termination benefit on early termination by the Group, other than for gross misconduct, equal to three months base salary.
- Early termination benefit paid, terminated effective 31 May 2009.

Directors' Report

Table 1: Remuneration of the Directors and Executives for the Year Ended 30 June 2009

		Short-term employee benefit[1]			Post-employment benefits[2]			Long-term employment benefits[3]		
Remuneration figures are in A$ (audited)	Year	Salary $	STI plan relating to current period $	Non-monetary benefits $	Super $	Life Insurance $	Termination payments $	Share-based payments $	Long service leave	**Total $**
Independent Non-executive Directors										
Andrew Love	2009	95,891			8,484					104,375
(Chairman)	2008	78,559			1,858					80,417
Ian Crow	2009	15,833			1,425					17,258
(appointed 28/04/09)	2008									0
Gary Symons	2009	7,292			656					7,948
(appointed 28/04/09)	2008									0
Judith Sloan	2009	128,058			11,454					139,512
(ceased 28/04/09)	2008	148,318			13,349					161,667
Graeme Martin	2009	66,896			6,021					72,917
(ceased 28/04/09)	2008	77,981			7,018					84,999
Other Non-executive Directors										
David Hutton	2009									0
(appointed 30/12/08)	2008									0
Tony Lombardo	2009									0
(appointed 30/12/08)	2008									0
Robert Topfer	2009									0
(ceased 09/12/08)	2008									0
Andrew Schwartz	2009									0
(ceased 15/09/08)	2008									0
Total remuneration for Non-executive Directors										
	2009	313,970	0	0	28,040	0	0	0	0	342,010
	2008	304,858	0	0	22,225	0	0	0	0	327,083
Executive Directors										
John Martin	2009	182,500	166,404	1,248	6,872		638,686			995,710
(ceased 30/12/08)	2008	390,519	474,001		34,773		6,062	105,788		1,011,143
Total remuneration for Directors	2009	496,470	166,404	1,248	34,912	0	638,686	0	0	1,337,720
	2008	695,377	474,001	0	56,998	0	6,062	105,788	0	1,338,226

Directors' Report

Lend Lease Primelife Executives										
Rod Fehring - Chief Executive Officer (appointed 27/11/08)	2009	306,518	See note 8	16,039	28,899	2,771	n/a	See note 8	4,608	358,835
	2008									0
Paul Walsh - Chief Financial Officer (appointed 27/11/08)	2009	240,826	See note 8	0	21,674	984	n/a	See note 8	3,457	266,941
	2008									0
David Payne - General Manager Retirement Villages (appointed 27/11/08)	2009	163,945	See note 8	0	12,458	741	n/a	See note 8	2,332	179,476
	2008									0
Lend Lease Primelife Group executives										
P Barry - General Manager Operations	2009	321,005	237,500	2,496	14,890				3,576	579,467
	2008	271,123	125,000	0	19,342		0	105,788		521,253
M Mitchell - Chief Information Officer	2009	233,455	122,500	2,496	16,800				2,608	377,859
	2008	214,371	50,000	0	13,129		0			277,500
BBCG executives										
D Kelly (from 01/07/08 to 19/12/08)	2009	113,225		1,248	6,872				1,963	123,308
	2008									0
J Wakefield (ceased 15 July 2008)	2009	0	0	0	0		0	0	0	0
	2008	337,483	266,000		13,129			66,502		683,114
G Dixon (from 01/07/08 to 31/12/08)	2009	121,988			6,872		232,906			361,766
	2008	238,817	150,000		14,439		32,621	105,788		541,665
BBCG Group executives										
M Horwood (from 01/07/08 to 31/05/09)	2009	269,457	145,000	2,288	15,773		165,641			598,159
	2008	139,154			13,763					152,917
G Boyd (to 30 June 08)	2009									0
	2008	48,763	100,000		2,607		18,629	105,788		275,787
Total remuneration for executives and Group Executives	2009	1,770,419	505,000	24,567	124,238	4,496	398,547	0	18,544	2,845,811
	2008	1,249,711	691,000	0	76,409	0	51,250	383,866	0	2,452,236

1 Amounts for short term incentives are recognised on a cash basis where by only payments received by the individuals in the financial year are disclosed.

2 Includes motor vehicle and car parking costs.

3 Accrual of statutory employee entitlement, this is a first time disclosure.

4 Remuneration reflects only one month, subsequently to the financial year an additional month was paid representing June 2008.

5 Remuneration paid to Directors supplied by the management company (Tony Lombardo and David Hutton) is not paid by the Group. Their remuneration is paid in respect of their wider responsibilities relating to Lend Lease Corporation (Lend Lease), of which the directorship of LLP is a part. It is not practicable or meaningful to apportion the remuneration to the time spent directly on the Non-Executive Directorship supplied by the management company, for Tony Lombardo and David Hutton.

6 Remuneration paid to Directors supplied by the management company (Robert Topfer and Andrew Schwartz) is not paid by the Group. Their remuneration is paid in respect of their wider responsibilities relating to the Babcock & Brown Group (B&B), of which the directorship of (the then BBC) the Group was a part. It is not practicable or meaningful to apportion the remuneration to the time spent directly on Non-Executive Directorship supplied by the Management Company, for Robert Topfer and Andrew Schwartz.

7 John Martin's employment moved from the Group to Babcock & Brown on 13 August 2007. Amounts shown above include John Martin's remuneration for the entire period for 2008 comparative.

8 These LLP executives are paid by Lend Lease as part of the management agreement between LLP and Lend Lease. The amount of remuneration disclosed represent the total cost of employment from the start of the management agreement with Lend Lease. It should be noted that there are no incentives disclosed here as no incentives have been paid to these LLP executives in the period from the commencement of Lend Lease's management agreement to 30 June 2009. Any incentives in respect of FY09 will be determined by Lend Lease subsequent to these financial statements and as such will be included in the 30 June 2010 financial report disclosures.

9 The amount disclosed as remuneration represents the secondment fee paid by the Group (then BBC) to fully reimburse B&B for Joanne Wakefield's total cost of employment while she was seconded to the Group for the period ending June 2007. From 13 November 2006 to 30 June 2008 Joanne Wakefield's remuneration was paid by B&B. All amounts are disclosed. Joanne Wakefield subsequently resigned and left BBC on 15 July 2008.

b) EQUITY BASED COMPENSATION – ORDINARY STAPLED SECURITIES

Options were granted to BBCG Group Executives under the previous BBCG management.

Options were granted under the Senior Management Option Plan (the Plan) which was approved by the BBCG Board on 28 November 2005. Under the Plan, members of the senior management executive group ("Senior Management") who have been continuously employed by BBCG for a period of at least six months were eligible to participate in the Plan. The Plan is no longer in place however the some of the options granted under the Plan are outstanding.

Options were granted under the Plan for no consideration. Options were granted for a five year period.

Eligible participants are entitled to five tranches of options over ordinary stapled securities in LLPG. Each tranche of options, vests immediately upon grant and can be exercised for up to five years from the vesting date.

The Plan rules contain a restriction on removing the 'at risk' aspect of the instruments granted to participants of the Plan. Plan participants may not enter into any transaction designated to remove the 'at risk' aspect of the instrument before it vests.

The first tranche, consisting of 1,000,000 options, took effect as of 1 July 2005, with an exercise price of $1.15. It was determined that subsequent tranches would be granted on 1 July each year. The second tranche, consisting of 1,200,000 options, was issued on 3 July 2006, exercise price of $1.07. The third tranche, consisting of 800,000 options, was issued on 1 July 2007, exercise price of $1.12.

The terms and conditions of each grant of options affecting remuneration in the previous, current or future reporting periods and still exercisable are as follows:

J T Hazel – Former Managing Director (ceased 16 October 2006)

(Options issued to Mr J Hazel were issued during previous reporting periods)

Number	Grant Date	Expiry date	Exercise price $	Value per option at grant date $	Date Exercisable From	To
300,000	15/09/2004	22/10/2009	1.25	0.6008	22/10/2004	22/10/2009
300,000	10/02/2005	23/03/2010	1.38	0.5868	23/03/2005	23/03/2010
300,000	10/02/2005	23/03/2011	1.52	0.6065	23/03/2006	23/03/2011

P Barry – Current General Manager Aged Care

(Options issued to Ms Pam Barry were issued during previous reporting periods)

Number	Grant date	Expiry date	Exercise price $	Value per option at grant date $	Date Exercisable From	To
200,000	01/07/2007	01/07/2012	1.12	0.5289	01/07/2007	01/07/2012

Options granted under the Plan do not carry any dividend or voting rights.

When exercisable, each option is convertible into one stapled security.

The exercise price of options is based on the weighted average price of LLPG ordinary stapled securities traded on the ASX during the period nominated by the Board.

Details of options over ordinary stapled securities in the Group provided as remuneration to the Managing Director of BBCG and the other key management personnel of BBCG are set out below. Further information on the options is set out in Note 30 to the financial statements.

Name	Number of Options Granted during the Year		Number of Options Vested during the Year	
	2009	2008	2009	2008
J Martin Managing Director (ceased 30 December 2008)	Nil	200,000	Nil	200,000
G Dixon General Manager Corporate Services	Nil	200,000	Nil	200,000
P Barry General Manager Operations	Nil	200,000	Nil	200,000
G Boyd General Manager Development	Nil	200,000	Nil	200,000

The amounts disclosed for emoluments relating to options are the assessed fair values at grant date of options granted, allocated equally over the period from grant date to vesting date. The amount is included in the remuneration in Table 1.

Stapled Securities Under Option

Unissued ordinary stapled securities of LLPG under option at the date of this report are as follows:

Date Options Granted	Expiry Date	Issue Price of Stapled Securities	Number Under Option
15/09/2004	22/10/2009	$1.25	300,000
10/02/2005	23/03/2010	$1.38	300,000
10/02/2005	23/03/2011	$1.52	300,000
01/07/2007	01/07/2012	$1.12	200,000
TOTAL			1,100,000

STAPLED SECURITIES ISSUED ON THE EXERCISE OF OPTIONS

There were no ordinary stapled securities of LLPG issued during the year ended 30 June 2009 on the exercise of options granted under the Plan.

C) Loans to Directors and Executives

There were no loans made to any director or executive during Period 1 or Period 2.

INSURANCE OF OFFICERS

During the 2009 financial year, the Group incurred an insurance premium in respect of a contract insuring LLPL Directors, LLVRE Directors and directors of controlled entities against liabilities arising as a result of work performed in their capacity as directors of the Company and controlled entities respectively. Details and the nature of liabilities covered, or the amount of the premium paid in respect of the insurance contract are not detailed here, as such disclosure is prohibited under the terms of the contract (2008: consistent).

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's operations are subject to environmental regulations under relevant local laws, and local Council policies and relevant State and Federal Government legislation in relation to development and operating activities. The Group has a policy of complying with all relevant Federal, State and Local Law environmental performance obligations.

As part of the Group's development programs, the Group obtains development approvals from the respective local authorities in relation to the development of new senior living facilities and stages of senior living facilities. The development approvals include specific environmental regulations pertaining to earthworks, soil and sediment control, erosion and sediment management, damage and/or removal of trees, clearance of vegetation and excavation of materials.

Residential areas of occupied senior living facilities are closely monitored in accordance with operating procedures to ensure that the potential for environmental contamination is minimised.

No environmental breaches have been notified by any government agency during the financial year ended 30 June 2009 (2008: nil).

NON-AUDIT SERVICES

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out in Note 31. Tax advice matters continue to be handled by PricewaterhouseCoopers.

The Board of Directors has considered the position and in accordance with the advice received from the Risk Audit and Compliance Committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 (the Act). The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the Act for the following reasons:

- All non-audit related services have been reviewed by the Risk Audit and Compliance Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Directors' Report

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under the Act is set out on page 51.

Rounding of Amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the ''rounding off" of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

Signed in accordance with a resolution of the Directors.

A Love
Chairman

17 August 2009
Sydney New South Wales

Corporate Governance Statement

Introduction

This statement reflects the current Lend Lease Primelife Limited Group ("LLPG") corporate governance framework. A copy of this statement and relevant documents can be accessed or downloaded from LLPG's website at www.llprimelife.com

LLPG is a stapled structure comprised of the following entities:

- Lend Lease Primelife Limited ACN 010 622 9021 ("LLPL"), an Australian Securities Exchange ("ASX") listed company;
- Lend Lease Primelife Trust ASRN 124 896 733 ("LLPT"), an Australian trust of which Lend Lease Villages Responsible Entity Limited ACN 099 064 141, AFSL No: 238564 ("LLVRE") is the responsible entity; and
- Subsidiary entities of LLPL.

The issued units of LLPT and the issued shares of LLPL are stapled together and quoted jointly on the ASX under the market code ASX: LLP.

All references contained in this statement to LLVRE is in its capacity as responsible entity of LLPT, unless otherwise indicated.

The boards of LLPL and LLVRE ("the Boards"), place great importance on the corporate governance of LLPG and, in reflecting this commitment, continually review their corporate governance practices to promote shareholder value and long term prosperity, while meeting stakeholders' expectations of sound corporate governance practices.

An Audit, Risk and Compliance Committee ("ARC Committee") was established by the Boards to report on the quality and reliability of financial information and monitor the compliance of LLPG's obligations under its Australian Financial Services Licenses, LLPT's Compliance Plan, the ASX Listing Rules and the Corporations Act. The Board, in conjunction with the Audit Risk & Compliance Committee, determines the most appropriate corporate governance arrangements for LLPG.

INTERACTION BETWEEN THE ROLES OF LLPL AND LLVRE

The relationship between LLPT and LLPL is governed by the terms of a stapling deed ("Stapling Deed").

LLPL is primarily responsible for conducting the day-to-day operations of LLPG during the 2009 Financial Year, it did and will continue to consult and exchange information with and seek the agreement of LLVRE when making decisions in relation to LLPG in accordance with the terms of the Stapling Deed.

LLVRE replaced Babcock & Brown Communities Investor Services Limited ACN 080 737 042 as the responsible entity for LLPT on 30 December 2008.

In summary, the Stapling Deed provides that each of LLPL and LLVRE must:

- Cooperate in respect of all matters relating to LLPG and consult with the other prior to causing any act to be done or omission to be made which may materially affect the value of LLPG stapled securities (including the announcement or payment of a dividend or trust distribution);
- Make available to the other all information in its possession necessary or desirable to fulfil its respective obligations under the Stapling Deed and make available to the other all information and provide all assistance in relation to the preparation of financial accounts;
- Cooperate with the other to ensure that each complies with its obligations under the ASX Listing Rules (including disclosure obligations), coordinate disclosure to the ASX and investors, and liaise with the ASX in relation to the ASX Listing Rule matters;
- Perform its obligations under the Stapling Deed and its respective constitution with a view to enhancing the market value of LLPG stapled securities;
- Act consistently with the investment strategy of LLPG as agreed between them and consult with the other on implementation of this strategy and any changes to its implementation;
- Not borrow or raise any money unless the other agrees; and
- Cooperate to ensure that LLPL Securityholder and LLPT Unitholder meetings are held concurrently or, where necessary, consecutively.
- Consult with the other in relation to any reorganisation or restructure of capital or any changes to stapling arrangements, and not cause a placement, rights issue, distribution or dividend reinvestment plan, buy-back repurchase or redemption without the prior consent of the other; and
- Cooperate with the other to ensure that LLPL has a common subgroup of directors with LLVRE.

Corporate Governance Statement

Therefore, as indicated, it is by operation of the Stapling Deed that the Boards of LLPL and LLVRE (as responsible entity of LLPT) are jointly responsible for overseeing the rights and interests of Securityholders in LLPG and accountable to Securityholders for the overall corporate governance and management of LLPG.

LLPG has posted copies of its corporate governance practices on its website at http://www.llprimelife.com/Corporate-Governance

This statement sets out the extent to which LLPG has followed the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations during the year to 30 June 2009, as required by the Australian Securities Exchange Limited (ASX) Listing Rules. This statement reports against the revised Recommendations released by the ASX in August 2007.

Principle 1

LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board Charter details the composition and role and responsibilities of the Board and their relationship with management. A copy of the Board Charter is available on LLPL's website at http://www.llprimelife.com/Corporate-Governance. (*ASX Recommendation 1.3*)

As set out in the Board Charter, the Boards are assisted in the management of LLPL and LLVRE by Lend Lease Village Management Pty Ltd ("LLVM"). LLVM provides comprehensive management services to LLPG and makes recommendations to the Boards in respect of various matters set out in separate long term management agreements ("Management Agreement").

The Boards have delegated specific authorities to the various Board Committees and LLVM. (*ASX Recommendation 1.1*)

The Boards have adopted a Code of Conduct for the Group and Directors are required to act in a manner which is consistent with the Code of Conduct, Board Charter and guidelines for declaring and dealing with potential conflicts of interest which include:

- Declaring their interests as required under the Corporations Act 2001 (Cth), ASX Listing Rules and general law requirements;
- Abstains from voting on any motion relating to the matter and absents himself or herself from all board deliberations relating to the matter, except in circumstances where the Corporations Act permits otherwise; and
- If a Director believes that he or she may have a conflict of interest or duty in relation to a particular matter, the Director should immediately consult with the Chairman.

The Boards have also established protocols for identifying, managing and highlighting conflicts within LLPG. A copy of the Code of Conduct is available on LLPL's website at http://www.llprimelife.com/Corporate-Governance. (*ASX Recommendation 1.3*)

Performance of Key Executives

LLVM under its Management Agreement supplies LLPG with a core management team comprising of the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer/General Manager.

The performance of LLPG's senior executives will be assessed within the first twelve months of their appointments and annually thereafter in accordance with the process adopted by the Board. (*ASX Recommendation 1.3*) Key aspects of the process are described below.

The performance of the Chief Executive Officer will be reviewed by the Chief Executive Officer, Asia Pacific and Global Head of Investment Management of Lend Lease Corporations Limited ("LLC").

The Chief Executive Officer will evaluate, at least annually, the performance of the following key executives: the Chief Financial Officer, General Counsel & Company Secretary, General Managers of Aged Care and Retirement Villages, including the Chief Information Officer. Both qualitative and quantitative measures are used, consistent with the dimensions for reviewing the Chief Executive Officer. The Chief Executive Officer reports to the Board of LLPL in conjunction with the remuneration review process on the performance on these key executives. In conjunction with the annual strategy review, the Board also considers key executive succession planning and their capabilities. (*ASX Recommendation 1.2*).

Principle 2

STRUCTURE THE BOARD TO ADD VALUE

The Boards consider that its membership should comprise directors with an appropriate mix of skills, experience and personal attributes that allow the directors individually and the Board collectively, to:

- Discharge their responsibilities and duties under the law effectively and efficiently;
- Understand the business of LLPG and the environment in which LLPG operates so as to be able to agree with management, the objectives, goals and strategic direction which will maximise shareholder value; and
- Assess the performance of management in meeting those objectives and goals.

The membership of the Boards is set out on Pages 27 to 28 of the LLPL's 2009 Directors' Report. Details of each individual Director's background are set out in the Information on Directors section of the LLPL's 2009 Directors' Report. (*ASX Recommendation 2.6*)

The LLPLs and LLVRE's constitutions provide that the minimum number of directors shall be three and the maximum number of directors shall be ten unless amended by a resolution of the Board.

LLPL's and LLVRE's Board Charters provide that the number of directors necessary to constitute a quorum at a Board meeting is two of whom one of those directors must be an Independent Non-Executive Director.

Independent Non-Executive Directors

LLPG recognises that independent non-executive directors are important in assuring shareholders that the Boards are properly fulfilling their roles and are diligent in holding senior management accountable for their performance. A majority of the Boards' members are Independent Non-Executive Directors. (*ASX Recommendation 2.1*)

The independence of directors is assessed upon initial appointment utilising the criteria set out in *ASX Recommendation 2.1* and Directors have the responsibility of advising the Boards should the circumstances affecting their independence changes and this is reviewed regularly.

Board Committee and Membership

The Boards have established committees to support an effective governance framework and to advise and support the Boards in carrying out their respective duties. The Chairman of each committee reports on any matters of substance at the next full Boards meeting and all committee minutes are provided to the Boards. The committees in existence at the date of this report are the LLPG Audit, Risk & Compliance Committee and the People, Strategy & Remuneration Committee.

Each committee has its own Charter setting out the authority under which each Committee operates and the responsibilities as delegated by the Boards. Charters are reviewed annually and membership criteria are based on a Director's skills and experience as well as their ability to add value to the Committee. The Charters are available in the Corporate Governance section of LLPL's website at http://www.llprimelife.com/Corporate-Governance. (*ASX Recommendation 2.6*)

The Chief Executive Officer, Chief Financial Officer and General Counsel are invited to attend all Committee meetings by invitation and Non-Executive Directors may attend any meeting of a Committee.

The membership of the Boards' Committees the Independent Non-Executive Directors of the Boards and are set out below. Attendance at Board and Committee meetings is set out in the Information on Directors section of the LLPL's 2009 Directors' Report. (*ASX Recommendation 2.6*)

Corporate Governance Statement

Current Committees Composition

Name	Audit, Risk & Compliance Committee	People, Strategy & Remuneration Committee
Andrew Love	Member	Chair
Ian Crow	Chair	Member
Gary Symons	Member	Member

Chairman

Mr Andrew Love was appointed Chairman on 28 April 2009 (*ASX Recommendation 2.2*).

To ensure that there is an appropriate balance in the manner in which the Directors discharge their responsibilities and an independent review of the performance of management, the Boards have:

- Established Board Committees comprising a majority of Independent Non-Executive Directors;
- Established protocols for dealing with conflicts of interest, in particular, the Boards have put in place a range of internal policies designed to ensure that the interests of Securityholders are at all times preferred to those of Directors and that any actual or potential conflicts of interest are promptly disclosed and dealt with by the Directors. These include the Board Charter, Code of Conduct and Security Trading Policy;
- Ensured that significant matters affecting LLPG are reserved for consideration by the full Boards, for example major strategic decisions, capital expenditure above specified thresholds and expenditure outside the ordinary course of business; and
- Any Director is entitled to seek independent professional advice (including, but not limited to, legal, accounting and financial advice) at the Company's expense on any matter connected with the discharge of his or her responsibilities, in accordance with the procedures set out in the Board Charter.

Performance of the Board

The Boards undertake a formal annual performance self-assessment, including an assessment of the Boards. Board Committees and individual Board members with emphasis on those individual Directors who are required to stand for re-election at the next AGM. The performance of the Board will be assessed in the following financial year in accordance with the process described below.

The process for conducting the Boards' performance review consists of the Chairman conducting individual interviews with each of the Directors and the Lead Independent Non-Executive Director discussing the performance of the Chairman with other Directors then with the Chairman. Prior to that, the Directors complete a questionnaire and are able to make other comments or raise any issue that they have relating to the Boards' or a Board Committee's operation. The results of the questionnaire and interviews are compiled by the Company Secretary and the Boards as a whole will review the findings. (*ASX Recommendation 2.5*)

Board Committees members also use a questionnaire as part of the Committee review process. The results of the questionnaire are compiled by the Company Secretary and a written report discussing the results is issued and presented to the relevant Committee, then discussed at a Committee meeting.

Principle 3

PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

The Boards and management are committed to delivering strong returns and Securityholder value whilst promoting Securityholder and general market confidence in LLPG and also fostering an ethical and transparent culture within LLPG, (*ASX Recommendation 3.1*).

The Boards have adopted a formal Code of Conduct which is designed to ensure that high standards of corporate and individual behaviour are observed by all Directors and LLC's employees seconded to LLVM.

The Code of Conduct requires Directors, employees and LLC employees seconded to LLVM, among other things, to:

- Avoid conflicts of interest between their personal interests and those of LLPG and its clients;
- Not take advantage of opportunities arising from their position for personal gain or in competition with LLPG; and
- Comply with LLPG's Security Trading Policy and other policies.

A copy of the Code of Conduct is available on the LLPL's website at http://www.llprimelife.com/Corporate-Governance (*ASX Recommendation 3.3*).

Security Trading Policy

LLPG has implemented a formal Securities Trading Policy which regulates the manner in which Directors and employees can trade LLPG securities, and requires that they conduct their personal investment activities in a manner that is lawful and avoids conflicts of interest between their own interest and those of LLPG (*ASX Recommendation 3.2*).

The policy is specifically designed to raise awareness and minimise any potential for breach of regulations relating to insider trading contained in the Corporations Act.

The policy specifies trading windows as the period during which trading in LLPG stapled securities can occur. These trading windows will generally be during the 6 weeks period commencing on the third business day after the:

- Announcement of the Annual Results;
- Announcement of the Half Year Results; and
- Annual General Meeting.

Trading is prohibited despite a window being open if the relevant person is in possession of non-public price-sensitive information regarding LLPG.

A copy of the Security Trading Policy is available on the LLPL's website at http://www.llprimelife.com/Corporate-Governance

Principle 4

SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Financial Reporting

The Boards have the responsibility for the integrity of LLPG's financial reporting. To assist the Boards in fulfilling their responsibility, an Audit, Risk and Compliance Committee ("ARC Committee") of the Boards has been established and is responsible for advising the Boards on internal controls and appropriate standards for the financial management of LLPG. The processes discussed below have been adopted and are aimed at providing assurance that the financial statements and related notes are complete, in accordance with applicable accounting standards and provide a true and fair view (*ASX Recommendation 4.1*).

Financial Assurance

The ARC Committee is comprised of three Independent Non-Executive Directors (*ASX Recommendation 4.2*).

The ARC Committee meets not less than four times a year, with additional meetings as required. Attendance at ARC Committee meetings is set out in the Information on Directors section of the LLPL's 2009 Directors' Report (*ASX Recommendation 4.4*).

The main objective of the ARC Committee is to assist the Boards in fulfilling their responsibility for overseeing the quality and integrity of the accounting, auditing, financial reporting and compliance practices of LLPG including:

- Overseeing the financial reporting process, the system of internal control relating to all matters affecting LLPG's financial performance and the audit process;
- Implementing and supervising LLPG's risk management framework; and
- Assisting the Boards to discharge its responsibilities under the Compliance Plan adopted by LLVRE and to monitor compliance with laws and regulations applicable to LLPG.

The responsibilities of the ARC Committee are set out in its charter which is available on the LLPG's website at http://www.llprimelife.com/Corporate-Governance (*ASX Recommendation 4.3*).

Declaration by the Chief Executive Officer and Chief Financial Officer

The Chief Executive Officer and the Chief Financial Officer provide the Boards with written confirmation that the financial reports present a true and fair view, in all material respects, of LLPG's financial condition and operational results and are in accordance with relevant accounting standards. In respect of the 12 months ended 30 June 2009, the Chief Executive Officer and Chief Financial Officer have provided their attestation and is referred to as "Chief Executive Officer's and Chief Financial Officer's Declaration" in the LLPL's 2009 Directors' Report.

Certification and Discussions with the External Auditor in Independence

The ARC Committee requires that the external auditor confirm every six months that they have maintained their independence and have complied with applicable independence standards promulgated by regulators and professional bodies. The ARC Committee annually reviews the independence of the external auditor and have provided the Boards with written advice confirming this assessment. The ARC Committee meets with the external auditor periodically without management present. A copy of the external auditor's certification of independence is set out on page 51 of the 2009 Annual Report.

Restrictions on Non-Audit Services by the External Auditor

The external auditor is not permitted to carry out certain types of non-audit services for LLPG to avoid possible independence or conflict issues, including:

- Bookkeeping or other services relating to the accounting records or financial statements;
- Appraisal or valuation services;
- Secondments to management positions;
- Internal audit of financial controls;
- Internal control design or implementation;
- Implementation or design of financial information systems or other information technology systems;
- Legal or litigation support services; and
- Strategic or structural tax planning.

Principle 5

MAKE TIMELY AND BALANCED DISCLOSURE

Commitment to Shareholders and Informed Market

LLPG is committed to complying with its continuous disclosure obligations pursuant to the Corporations Act and the ASX Listing Rules (*ASX Recommendation 5.1*).

The specific processes adopted by LLPG in relation to its continuous disclosure responsibilities are as follows:

- All information released to the ASX is posted on the Investor Information section of LLPG's website as soon as practicable and in any event within 24 hours;
- Communications with the media, share analysts and the market in relation to LLPG activities will normally only be undertaken by the Chairman , Chief Executive Officer;
- No media release of a material nature is to be issued unless it has first been sent to the ASX;
- On occasions, it may be necessary for LLPG to request a trading halt from the ASX. The Boards will make all decisions in relation to a trading halt;
- LLPG recognises the importance of the relationship between LLPG, investors and analysts. From time to time, LLPG conducts analysts and investor briefings and in these situations the following protocols apply:
  - No price sensitive information will be disclosed at these briefings unless it has been previously, or is simultaneously, released to the market;
  - Questions at these briefings that relate to price sensitive information not previously disclosed will not be answered; and
  - If any price sensitive information is inadvertently disclosed, it will immediately be released to the ASX and placed on LLPG's website.

Principle 6

RESPECT THE RIGHTS OF SHAREHOLDERS

Communications

(*ASX Recommendation 6.1 and 6.2*)

LLPG is committed to communicating with its Securityholders in an effective and timely manner to provide them with ready access to information relating to LLPG. In this regard, LLPG maintains a website (www.llprimelife.com) which provides access to the following information of interest to LLPG Securityholders:

- Detailed information regarding the Boards, executive management and the business groups and activities of LLPG;
- All LLPG announcements and media releases, which are posted to the website promptly following release to the ASX;
- Copies of full year and half year financial reports;
- Summaries of Boards and Committee Charters and relevant corporate governance policies
- Copies of LLPG's Annual Reports;
- Copies of disclosure documents relating to LLPG's capital raisings; and
- The website of LLPG's Share Registry, Link Market Services, including a facility for Securityholders to amend their particulars.

LLPG's encourages Securityholders to utilise its website as their primary tool to access Securityholder information and disclosures. In addition to this, the Annual Report provides Securityholders, detailed information in respect of the major achievements, financial results and strategic direction of LLPG on a yearly basis.

General Meetings

Securityholders are strongly encouraged to attend and participate in general meetings of LLPG. Notices of Meeting accompanied by explanatory notes on the items of business and together they will seek to clearly and accurately explain the nature of business of the meeting will be provided to Securityholders well in advance of the relevant meeting dates. Full copies of Notices of Meeting will be placed on LLPG's website at www.llprimelife.com.

LLPG's external auditor is always requested to attend the Annual General Meeting and be available to answer Securityholders questions about the conduct of the audit and the preparation and content of the auditor's report which reinforces the auditor's accountability to Securityholders.

Principle 7

RECOGNISE AND MANAGE RISK

Identifying Significant Business Risks

One of LLPG's primary objectives in all its business activities is management of risk, particularly preservation of capital. LLPG is committed to ensuring that its system of risk oversight, management and internal control complies with the ASX Principles and that its culture, processes and structures achieves LLPG's business objectives.

LLPG has in place limits and a range of policies and procedures to monitor the risk in its activities, and these are periodically reviewed by the Board and the ARC Committee. (*ASX Recommendation 7.1*)

Board Oversight

To assist the Boards in fulfilling their responsibility, the ARC Committee's role is to review and manage the system for identifying, managing and monitoring the key risks of LLPG. The ARC Committee is responsible for advising the Boards on the risk management framework of LLPG and the particular significance of risk to LLPG's performance and relies on the resources and expertise of LLVM to implement and report on the risk management systems and procedures.

The ARC Committee Charter is found on LLPG's website at http://www.llprimelife.com/Corporate-Governance

Corporate Governance Statement

Risk Management Framework

LLPG is currently finalising a Risk Management Framework which in effect will direct the risk management program and provides all staff with the information and tools to maintain a sustainable risk management program. The Risk Management Framework is a system of identifying risks, having the controls in place to manage the risk, assessing whether the controls are adequate and improving controls where required, and reporting. It is an essential part of good management and an important element of corporate governance within LLPG. (*ASX Recommendation 7.2*)

Applying risk management will allow LLP to:

- Ensure that the strategic direction is appropriate to the environment in which it operates;
- Review risks associated with meeting organisational objectives and take the appropriate action; and
- Provide a system for setting priorities when there are competing demands on limited resources.

Chief Executive Officer and Chief Financial Officer Declaration

The Chief Executive Officer and the Chief Financial Officer provide the Boards with written confirmation that:

- Their statement given to the Boards on the integrity of LLPG's financial statements is currently based on a system of risk management and internal compliance and controls adopted by the Boards; and
- LLPG's risk management and internal compliance and control system is operating in all material respects in relation to financial reporting risks.

LLPG's senior management has reported to the Boards on the effectiveness of the management of material business risks faced by LLPG for the year ended 30 June 2009. (*ASX Recommendation 7.2* and 7.4) The Boards has also received the Chief Executive Officer and the Chief Financial Officer declaration described above for this financial year. (*ASX Recommendation 7.3* and 7.4)

Principle 8

REMUNERATE FAIRLY AND RESPONSIBLY

The remuneration policies of LLPG have been structured to be competitive in the industry to attract and retain the talent needed to achieve both short and long-term success, while maintaining a strong focus on team work, individual performance and the interests of Securityholders.

The Non-Independent Non-Executive Directors of the Boards, Messrs Hutton and Lombardo are employees of LLC. Similarly the core management team who are secondees from LLVM are also employees of LLC. As such, these people are not remunerated by LLPG but rather by LLC.

The policies and principles which are applied to determine the nature and amount of remuneration paid to the Directors and management of LLPG are set out in detail in the Remuneration Report of the 2009 Annual Report.

A People, Strategy & Remuneration Committee ("PSRC") of the Boards has been established to assist the Boards in achieving fairness and transparency in relation to remuneration issues and overseeing the remuneration and human resources policies (*ASX Recommendation 8.1*).

Executive Director and Senior Executive Remuneration

LLPG's remuneration policies and practices in relation to Executive Directors and senior executives are as disclosed in LLPG's Remuneration Report contained in the 2009 Annual Report. Details of the nature and amount of remuneration (including non-monetary components such as options) paid to each Executive Director and senior executives are set out in the Remuneration Report (*ASX Recommendation 8.2*).

Non-Executive Director Remuneration

The total remuneration paid to the Independent Non-Executive Directors to 30 June 2009 is set out in the Remuneration Report.. Independent Non-Executive Directors are paid an annual fee according to which Boards and Committees they sit on. Non-Executive Directors' fees for LLPG are determined within a Non-Executive Director's aggregate fee pool limit which has been approved by Securityholders. The maximum aggregate sum for the Group has been set at $650,000 annually.

Independent Non-Executive Directors are not provided with retirement benefits other than statutory superannuation and did not receive Options or other equity incentives or bonus payments.

Auditor's Independence Declaration

PricewaterhouseCoopers
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GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
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Telephone +61 2 8266 0000
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Auditor's Independence Declaration

As lead auditor for the audit of Lend Lease Primelife Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Lend Lease Primelife Limited and the entities it controlled during the year.

Gareth Winter
Partner
PricewaterhouseCoopers

Sydney
17 August 2009

Consolidated Income Statements

For The Year Ended 30 June 2009

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Revenue	4	218,012	179,704	20,226	20,957
Fair value adjustment to investment property - gain/(loss)	5	(70,589)	70,889	(6,053)	12,393
		147,423	**250,593**	**14,173**	**33,350**
Employee benefits expense		(99,521)	(74,053)	(18,525)	(17,926)
Interest expense excluding LLC convertible notes		(38,013)	(40,198)	(33,412)	(34,749)
Interest expense on LLC convertible notes	34	(7,609)	-	(7,609)	-
Fair value adjustment on interest rate derivative gain/(loss)		(25,254)	(3,466)	(25,254)	(3,466)
Costs of developing senior living facilities		(21,066)	(12,621)	(2,690)	(3,188)
Transaction costs		(3,875)	(9,187)	(2,147)	(1,411)
Annual fees to facility owners		(13,920)	(13,109)	(923)	(735)
Professional fees and consultants		(7,878)	(3,265)	(5,517)	(1,773)
Depreciation and amortisation expense	6	(10,102)	(9,389)	(4,523)	(4,835)
Impairment of receivables and other assets	7	(25,992)	-	(28,186)	-
Restructure costs		(7,280)	-	(5,303)	-
Impairment of development projects	7	(67,654)	-	(16,223)	-
Impairment of management rights	7	(20,000)	(5,999)	-	(5,999)
RE and Management expenses		(5,196)	(2,921)	(4,479)	(1,317)
Repairs & maintenance		(5,953)	(4,826)	(322)	(337)
Catering costs		(5,621)	(4,609)	(615)	(566)
Rent, rates & taxes		(4,612)	(5,427)	(1,040)	(1,202)
Other expenses from ordinary activities		(20,244)	(12,185)	(7,640)	(5,141)
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	7,17	(2,256)	6,583	-	-
Profit/(loss) before income tax		(244,623)	55,921	(150,235)	(49,295)
Income tax (expense)/benefit	8	(2,055)	(14,848)	(23,636)	13,129
Profit/(loss) after income tax		(246,678)	41,073	(173,871)	(36,166)
Profit / (loss) attributable to:					
Equity holders of LLPL		(180,184)	41,084	-	-
Equity holders of LLPT		(66,494)	(11)	-	-
Profit / (loss) attributable to Security holders of the Group		(246,678)	41,073	-	-

Earnings per security		Cents	Cents
Basic earnings/(loss) per stapled security	37	(30.38)	6.71
Diluted earnings/(loss) per stapled security	37	(30.38)	6.71

The above consolidated income statements are to be read in conjunction with the attached Notes.

Consolidated Balance Sheets

As At 30 June 2009

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
ASSETS					
Current Assets					
Cash and cash equivalents	9	35,023	18,818	27,383	10,688
Receivables	10	56,350	52,920	10,079	8,908
Deferred management fees		5,748	7,083	-	-
Inventories	12	33,359	29,113	4,769	5,505
Other	13	1,606	1,421	1,183	3,853
Total Current Assets		132,086	109,355	43,414	28,954
Non Current Assets					
Receivables	11	326	446	963,024	992,476
Deferred management fees		51,735	63,745	-	-
Other financial assets	16	16,592	11,770	175,953	70,425
Investments accounted for using the equity method	14,17	16,295	18,551	-	-
Property, plant and equipment	18	299,628	396,527	66,914	89,660
Investment property	15	2,222,996	1,786,868	234,382	212,955
Deferred tax assets	21	61,976	81,794	38,610	76,603
Intangible assets	19	238,972	238,482	12,990	7,327
Other	20	123	-	12,132	12,259
Total Non Current Assets		2,908,643	2,598,183	1,504,005	1,461,705
Total Assets		3,040,729	2,707,538	1,547,419	1,490,659
LIABILITIES					
Current Liabilities					
Resident loans	22	1,576,389	1,188,762	175,972	156,844
Accommodation bond liabilities		119,443	105,560	11,825	5,345
Interest rate derivatives financial liability		10,355	3,466	10,355	3,466
Payables	23	70,441	61,726	236,485	202,140
Borrowings	24	457,261	432	396,845	399
Provisions	25	11,443	22,829	1,235	979
Total Current Liabilities		2,245,332	1,382,775	832,717	369,173
Non Current Liabilities					
Deferred revenue		26,043	19,318	1,140	1,140
Borrowings	24	157,641	591,298	447,206	782,981
Deferred tax liabilities	26	78,521	97,111	33,423	35,345
Provisions	25	4,535	4,190	413	328
Total Non-Current Liabilities		266,740	711,917	482,182	819,794
Total Liabilities		2,512,072	2,094,692	1,314,899	1,188,967
Net Assets		528,657	612,846	232,520	301,692
Equity					
Parent entity interest:					
Contributed equity	27	581,028	478,847	581,028	478,847
Reserves	28	(4,361)	(8,495)	6,085	3,567
Accumulated losses		(275,194)	(95,010)	(354,593)	(180,722)
Minority Interest (Equity Holders of LLPT)		227,184	237,504	-	-
Total Equity		528,657	612,846	232,520	301,692

The above consolidated balance sheets are to be read in conjunction with the attached Notes.

Consolidated Statements of Changes in equity

For The Year Ended 30 June 2009

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Total equity at the beginning of the financial period		**612,846**	**108,170**	**301,692**	**89,927**
Changes from exchange differences on translation of foreign operations recognised in the foreign currency reserve – gain / (loss)	28	1,621	(12,187)	-	-
Change in asset revaluation reserve	28	(5)	(3,130)	-	-
Change in LLC convertible notes reserve	28	2,518	-	2,518	-
Transfer out profits relating to an associate accounted for using the equity method now accounted as a subsidiary		-	(6,526)	-	-
Net income / (expense) recognised directly in equity		**4,134**	**(21,843)**	**2,518**	**-**
Profit / (loss) for the financial period		(246,678)	41,073	(173,871)	(36,166)
Total recognised income and expense for the financial period		**(242,544)**	**19,230**	**(171,353)**	**(36,166)**
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs and tax		102,181	247,508	102,181	247,508
Minority interest, net of transaction costs		56,174	237,515	-	-
Distributions		-	-	-	-
Employee share options expense	28	-	423	-	423
Total equity at the end of the financial period		**528,657**	**612,846**	**232,520**	**301,692**

The above consolidated statements of changes in equity are to be read in conjunction with the attached Notes.

Consolidated Cash Flow statements

For The Year Ended 30 June 2009

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		233,437	170,960	13,959	20,621
Payments to suppliers and employees (inclusive of goods and services tax)		(186,395)	(135,955)	(34,752)	(48,870)
Payment of annual fees to facility owners		(13,920)	(13,109)	(923)	(735)
Accommodation bonds received		34,865	33,758	2,074	3,150
Accommodation bonds paid		(31,341)	(30,325)	(3,414)	(4,207)
Interest received		2,933	4,201	929	1,975
Net cash inflow/(outflow) from operating activities	38	**39,579**	**29,530**	**(22,127)**	**(28,066)**
Cash flows from investing activities					
Payment for property, plant and equipment		(7,566)	(13,030)	(4,386)	(11,497)
Proceeds on sale of property plant and equipment		-	116	-	-
Proceeds from retirement village loan/licences – first time loan/licence		52,968	52,303	21,495	21,376
Payment for capital expenditure on investment properties		(4,450)	(11,781)	(3,881)	(916)
Payment for intangible assets		-	(65,000)	-	-
Payments for development of senior living facilities		(37,275)	(81,952)	(12,677)	(16,592)
Purchase of business, net of cash acquired		(12,628)	(371,697)	(12,859)	-
Payments for investments		-	-	-	(615)
Purchase of retirement village		(854)	-	-	-
Loans (to) / from controlled entities		-	-	66,588	(753,180)
Net cash inflow/(outflow) from investing activities		**(9,805)**	**(491,041)**	**54,280**	**(761,424)**
Cash flows from financing activities					
Proceeds from issue of securities		144,669	455,663	93,969	267,860
Proceeds from issue of LLC convertible notes		38,400	-	38,400	-
Redemption of convertible notes		-	(49,997)	-	(49,997)
Interest paid excluding LLC convertible notes		(41,774)	(40,753)	(37,114)	(31,401)
Interest paid on LLC convertible notes		(7,609)	-	(7,609)	-
Payments for capitalised borrowing costs		(1,407)	(3,896)	(1,718)	(3,896)
Proceeds from inter-staple loan		-	-	50,696	-
Proceeds from borrowings		-	677,409	-	981,927
Repayment of borrowings		(132,990)	(558,988)	(133,716)	(378,274)
Payments for swap restructure		(18,365)	-	(18,365)	-
Accommodation Bonds - first time bonds		5,726	10,854	-	-
Distribution paid		-	(27,373)	-	-
Net cash inflow/(outflow) from financing activities		**(13,350)**	**462,919**	**(15,457)**	**786,219**
Net increase/(decrease) in cash held		**16,424**	**1,408**	**16,696**	**(3,271)**
Cash and cash equivalents at the beginning of the period	9	17,901	17,207	10,687	13,958
Effects of exchange rate movements in cash		72	(714)	-	-
Cash and cash equivalents at the end of the period	9	**34,397**	**17,901**	**27,383**	**10,687**

The above consolidated cash flow statements are to be read in conjunction with the attached Notes.

Notes to Consolidated Financial Statements

For the Year Ended 30 June 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of the financial report are set out below. These accounting policies have been consistently applied to all years presented, unless otherwise stated. The financial report includes separate financial statements for LLPL as an individual entity (Parent Entity) and the consolidated entity, consisting of LLPL and its controlled entities.

The balance sheet of the Group discloses total current assets of $132.1 million (2008: $109.4 million) with Parent Entity $43.4 million (2008: $29 million), and current liabilities of $2,245.3 million (2008: $1,382.8 million) with Parent Entity $832.7 million (2008: $369.2 million). This arises because of the requirement to classify resident obligations (resident loans and accommodation bonds) as current liabilities (refer Note 1(c) for further details), whereas, the investment properties, property plant and equipment, and intangible assets to which they relate are required to be classified as non-current assets. In addition, the Group's bank debt facilities have been classified as current liabilities as at 30 June 2009, which total $461.1 million with Parent Entity $400.9 million (Refer to Note 1(b) for further details).

a) An Overview of the LLPG Accounts

The Group includes two listed entities Lend Lease Primelife Limited (LLPL) (formerly Babcock & Brown Communities Limited) and Lend Lease Primelife Trust (LLPT) (formerly Babcock & Brown Communities Trust).

The issued securities in these entities have been stapled together and trade as one listed security on the Australian Stock Exchange (ASX code: LLP formerly BBC). The stapled security represents one share in LLPL and one unit in LLPT. The stapled securities cannot be traded or transferred independently and are quoted at a single price.

AASB Interpretation 1002, Post-Date-of-Transition Stapling Arrangements, applies to stapling arrangements occurring during annual reporting periods ending on or after 31 December 2006 where the identified parent does not obtain an ownership interest in the entity whose securities have been stapled. As a consequence of the stapling arrangement involving no acquisition consideration and no ownership interest being acquired by the combining entities, no goodwill is recognised in relation to the stapling arrangement and the interests of the equity holders in the LLPT securities are treated as minority interests.

b) Basis of Preparation

This general purpose financial report for the year ended 30 June 2009 has been prepared in accordance with Australian Accounting Standards, other authoritive pronouncements of the Australian Accounting Standards Board, Urgent Issues Group interpretations and the Corporations Act 2001. The financial report of the Group also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). All amounts are prepared on a historical cost basis, except for certain assets and liabilities, including retirement villages classified as investment properties and interest rate derivatives that are both carried at fair value through profit and loss. This financial report is to be read in conjunction with any public announcements made by the Group during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of LLPL as at 30 June 2009. LLPL and its controlled entities together with LLPT are together referred to in this financial report as LLP, the Group or the Consolidated Entity.

Current Situation

As a result of non-cash fair value adjustments, asset impairments and other charges totaling $51 million that were recognised in the second half of the year ended 30 June 2009, the Group sought a waiver from its financiers to exclude these items from the calculation of the Interest Coverage Ratio (ICR) financial covenant with respect to its bank debt facilities. Without the waiver, the Group is in breach of this covenant based on the results reported in the financial report for the year ended 30 June 2009. Charges recognised in the second half of the year where a waiver is required include impairments of management rights and fair value adjustment to the valuation of retirement village investment properties. As at the date of this financial report, LLP remains in discussions with its financiers and expects that a waiver will be granted by the Banks. The Directors expect that an agreed position will include a reduction in facility limit and changing to a cashflow based ICR covenant. LLP will advise the market of the outcome.

The Group has re-classified borrowings under the bank debt facilities as current liabilities, as the Group did not have an unconditional right to defer its settlement for at least 12 months as at 30 June 2009. As at 30 June 2009 the Group had $461.1 million of borrowings outstanding under these facilities that mature in December 2010 and December 2012. In addition the Group had cash on hand of $35.0 million as at 30 June 2009 and net assets of $528.7 million. The Group has satisfied its Leverage Ratio financial covenant under its bank debt facilities as at 30 June 2009 with a ratio of 32% against a covenant requirement to be less than 50%.

Response to the Current Situation

As noted, the Group remains in discussions with its financiers and expects that a waiver will be granted by the Banks. The Directors expect that an agreed position will include a reduction in facility limit by 30 June 2010 by in excess of $100 million, noting that the first tranche of the bank debt facilities matures in December 2010, and changing to a cashflow based ICR covenant. LLP had already commenced selling non-core assets in order to reduce debt, with $20 million in gross revenue from divestments in the second half of the year ended 30 June 2009. LLP has a plan of further proposed asset sales under this programme to continue to reduce debt down to the required levels by 30 June 2010.

Risks to the Plan

The keys risks to the plan are:

- Failure of asset sales to generate sufficient proceeds to meet potential target debt levels. The current volatility in the market has reduced available liquidity, potentially making it more difficult to find buyers to acquire assets. LLP has significant breadth in its portfolio of assets in terms of sector and geography to ensure that there a number of alternatives available.
- Net Asset Value Erosion. Selling assets in the current market, within a specified time frame, creates risk that there will be further erosion of the Net Asset Value. This is considered unlikely, due to LLP's sector and geographic diversification.
- Continued business performance. The businesses that LLP owns, need to continue to operate at or above the current levels to meet cashflow targets to generate sufficient cashflow to meet any proposed cashflow based covenant. As LLP sells parts of its business to reduce debt levels, the risk around the remaining business elements may increase due to reduced diversification or if the remaining businesses have less cashflow generating capacity.
- Continued breach of financial covenants of the bank debt facilities. LLP continues to work with the financiers to determine an appropriate form of waiver. LLP expects that the financiers will reserve their rights under the financing documentation, and that they will allow LLP to work through their plan to reduce debt in an orderly manner. There is however a risk that the Banks may exercise their rights if the Group's current discussions are not concluded successfully. This may provide insufficient time to implement the Group's proposed plans, resulting in assets being realised at lower values and therefore more assets being required to be sold to meet the Banks requirements. This would further reduce future operating cashflows and results.

The Group's budget for the financial years ending 30 June 2010 and 30 June 2011 (the "Budget") shows that the Group is budgeted to meet both the proposed cashflow based financial covenant and the current accounting based ICR financial covenant. In addition, the Group expects that a key requirement of the financiers is that the facility limit of the bank debt facilities needs to be reduced by 30 June 2010.

The Budget (including assumptions as to the timing and proceeds of asset sales) on which the Directors have formed their view is forward looking and by its very nature is based on best estimate assumptions of transactions and events that may or may not occur as expected and is subject to influences and events outside of the control of the Group. Actual results may differ from the Budget and may result in the debt covenants not being met, or insufficient proceeds being received from assets sold to reduce debt to the expected required level of the Banks by June 2010. If this occurs, there is a risk that the bank debt facilities may not be able to be refinanced by the maturity date (December 2010) and the Group may need to seek alternative funding sources to reduce the debt to the required level by June 2010 which may not be available. Consequently, there is inherent material uncertainty in relation to the Group's ability to continue as a going concern and therefore the Group may not realise its assets or extinguish its liabilities in the normal course of business at amounts stated in the financial report. The Directors however believe there are reasonable mitigating actions available to the Group.

After considering all information currently available and advice of management, the Directors have concluded that there are reasonable grounds to believe:

- The Group will obtain a waiver on its ICR financial covenant for the 30 June 2009 year end;
- The Group will be able to reduce the facility limit by in excess of $100m by June 2010;
- The Group will be able to successfully refinance its bank debt facilities prior to the December 2010 maturity of the first tranche;
- The Group will be able to pay its debts as and when they become due and payable; and
- The basis of preparation of this general purpose financial report on a going concern basis is appropriate. No adjustments have been made relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary if the Group does not continue as a going concern.

The Directors have formed this view based on a number of factors including:

- An expectation that based on discussions and correspondence with the Banks, LLP's cashflow projections, and the Banks understanding of the plans that LLP has, that the Banks will not exercise their rights in respect of the covenant breach;
- A review of the Budget, including the key assumptions and an assessment of the reasonable likelihood of future transactions occurring as estimated;
- The improved performance of the Group's business since LLC became manager as detailed in the Management Discussion & Analysis section of the Directors' Report;
- The findings since LLC became manager, working closely with the Group's Board and management, of the thorough review of the business initiated to ensure the Group is best positioned to deal with the prevailing market and economic conditions. This review has included a complete overhead review, deferment of various development projects, cash flow management initiatives, identification of potential asset divestments and a detailed balance sheet review; and
- Expectations that the Group will be able sell sufficient assets or source available funds such that post these asset realisations the Group's overall level of gearing will be sufficiently reduced and the debt be refinanced.

c) Resident Loans and Accommodation Bonds

(i) Resident Loans

This represents an amount paid by residents to occupy apartments and units classified as investment property. Resident loans 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 loans are non-interest bearing and are repayable out of the amounts paid by the incoming residents. Resident loans are classified as current liabilities because any resident may depart within 12 months. The Group does not have an unconditional right to defer settlement of the liability for at least 12 months after balance sheet date, notwithstanding that history has shown that residents stay for an average period of 11 years in Independent Living Units (ILU's) and 5 years in Serviced Apartments.

(ii) 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 as required under AIFRS because they are repayable on demand, notwithstanding that history has shown that residents stay for an average period of four years.

d) Critical Accounting Estimates

Estimates 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 entity and that are believed to be reasonable under the circumstances.

In preparing these Consolidated Financial Statements the significant judgments made by the Directors in applying LLPL's accounting policies were the same as those that applied to the Financial Report for the period ended 30 June 2008, unless otherwise stated.

Refer to Note 7 and Note 15 and Note 41 for further details on critical accounting estimates and judgments made by the Directors during the period.

e) Principles of Consolidation

(i) Controlled Entities

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by LLPL (the parent entity) as at 30 June 2009 and the results of all controlled entities for the year then ended. Controlled entities are all those entities over which the parent entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights.

Investments in controlled entities are accounted for at cost in the individual financial statements of LLPL. LLPL and its controlled entities together are referred to in this financial report as the Group or the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Minority equity interests in the results and equity of controlled entities are shown separately in the consolidated income statement and balance sheet respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated income statement from the date on which control commences. Where an entity ceases to be controlled during a financial year, its results are included for that part of the year during which control existed. They are de-consolidated from the date that control ceases.

(Iii) Associates

Associates are those entities over which the Group exercises significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method and are carried at cost by the parent entity. Under this method, the consolidated entity's share of the post-acquisition profits or losses of associates is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains/(losses) resulting from transactions with associates are eliminated to the extent of the Group's interest in the associates.

As disclosed in Note 17, LLPL has ownership interests of 50% in certain entities. These are considered to be investments in associates and joint ventures and are accounted for using the equity method. In the case of the entity where LLPL has 51% ownership (McKinnon Road Developments Pty Ltd), regardless of the 51% ownership, under the joint venture agreement there is joint control. Accordingly, this entity is equity accounted.

f) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

g) Income Tax

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the assets and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(i) Tax Consolidation Legislation

LLPL and its wholly-owned Australian controlled entities elected to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office has been notified of this election.

The head entity, LLPL and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, LLPL also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in Note 8.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

h) Revenue Recognition

The consolidated entity recognises revenue as follows:

(i) Development Revenue

Sale of Land

Land held for resale is land identified as surplus to requirements. Revenue on the sale of land is recognised when an unconditional sale of land has been completed.

Development Income

Development income primarily arises when a unit is occupied by a resident for the first time, through which the Group typically realises a 'development margin'. Development income is dependent on the number of units occupied for the first time, the loan/license received on those units and the cost to construct the units. While under construction these units are recorded at cost on the balance sheet. Once the unit is transferred to a resident the balance is transferred to Investment Property and restated to fair value. Where it is probable that a loss will arise, the excess of total costs over income is recognised as an expense immediately.

The revaluation on first time loan/license represents 'other income' and is recognised as part of the fair value adjustment to investment property. This represents an estimate of the present value of Deferred Management Fees (DMF) which will be derived from that unit in the future (fair value). The amount recognised is dependent on the number of units occupied for the first time, the value of the loan/license received on those unit and the estimate of the future value of DMF's.

(ii) Deferred Management Fees (DMF)

Deferred Management Fees are earned in the Retirement Village business from both owned facilities and those which are leased from 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. DMF revenue is measured differently and the resulting DMF receivable is classified differently on balance sheet, between owned and leased/managed retirement villages.

- Owned retirement villages (Investment Property) – DMF income is recognised on an annual accrual basis based upon the expected term of the residents licence and estimates of capital growth since the resident first occupied the unit. The resulting DMF receivable is offset against the resident loans balance in current liabilities as they are net settled in the same future transaction.
- Leased and managed retirement villages – LLPL also manages some facilities that are leased from third parties. 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.

(iii) Aged Care Revenue

Aged Care revenue comprises daily resident living contributions, retention fees and government funding, which are both determined in accordance with Federal Government authorised rates. This revenue is recognised as the services are provided.

LLPL 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 by LLPL during the resident's period of occupancy.

(iv) Service and Management Fees

In Aged Care and Retirement Living certain fees are derived under contracts with residents. Revenue is recognised as the services are provided.

(v) Aged Care Deferred Receivables

LLPL has entered into a number of deferred receivables or long-term agreements with certain senior living facility owners. Under the terms of these agreements, LLPL is entitled to the deferred management fees and all resident fees, in return for payment of a guaranteed minimum annual fee to the owners.

(vi) Interest Income

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

(vii) Sub-Lease Rentals

Sub-lease rentals are earned at the Kingsway Office, in Melbourne. Rental income is recognised on a straight line basis over the term of the sub-lease.

i) Cash and Cash Equivalents

For the purpose of the Cash Flow Statement, cash includes cash on hand, deposits held at call with financial institutions and investments in money market instruments with original maturities of 3 months or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, net of any outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it is accrued.

j) Property, Plant and Equipment

All classes of property, plant and equipment are measured at cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of these items.

(i) Land and Buildings

Buildings are depreciated over 40 years on a straight-line basis. The value of land is not depreciated.

(ii) Plant and Equipment

Depreciation is calculated on a straight-line basis to write off the cost of each item of plant and equipment over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets. Plant and equipment is depreciated at rates ranging from 10% to 40% per annum.

(iii) Assets under Construction

Items of property, plant and equipment and investment properties under construction are classified as assets under construction. Upon completion, items of property, plant and equipment and investment properties are transferred to the appropriate asset class. Assets under construction are not subject to depreciation.

(iv) Leasehold Improvements - Subject to Hire Purchase

Leasehold improvements are depreciated over the shorter of the useful life of the asset and the lease term. Leasehold improvements are depreciated at rates ranging from 10% to 27% per annum.

k) Investments and Other Financial Assets

The Group classifies its investments and other financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments and other financial assets at initial recognition and re-evaluates this designation at each reporting date.

(i) 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 selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(ii) 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 of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

(iii) Investments in Controlled Entities

Investments in controlled entities, joint ventures and associates are held at cost by the Parent Entity.

(iv) Recognition and Derecognition

Regular 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. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(v) Subsequent Measurement

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

(vi) Fair Value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (as for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arms length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

(vii) Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or 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 a security below its cost is considered in determining whether the security is 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 and 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.

l) Investment Property

Investment Property, principally comprising retirement villages, is held for long-term income yields and is not occupied by the Group.

LLPL 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 than for short-term sale in the ordinary course of business; and
- The probable future use of land that is not currently generating cash flows.

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Management uses alternative valuation methods such as recent prices in less active markets or discounted cash flow projections. These valuations are reviewed periodically by a member of the Australian Property Institute.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use.

Gains or losses arising from changes in the fair values of investment properties are included as other income in the income statement in the period in which they arise. This includes revaluation gains when a unit is transferred to a resident for the first time.

Units and apartments under construction and development are excluded from investment properties and classified as property, plant and equipment. Once completed and occupied, they are transferred to investment properties.

m) Intangible Assets

(i) Approved Provider Aged Care Places (Bed Licences)

Bed licenses held by the Group include owned and managed bed licenses. Of the owned bed licenses, only those acquired from third parties are recognised on balance sheet and are initially recoreded at cost. All owned bed licenses assessed as having an indefinite useful life and therefore are not subject to amortisation and are impairment tested annually (at the same time every year) in accordance with the 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. 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.

(ii) Management Contracts

Management contracts are initially recorded at cost and amortised over the period that benefits are expected to be realised.

(iii) 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 of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

n) Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

o) Goods and Services Tax

Revenue and expenses are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of asset or as part of an item of the expense.

The net amount of GST recoverable from or payable to the ATO is included as a current liability in the balance sheet. Cash flows are included in the cash flow statement on a gross basis.

The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the Australian Taxation Office, are presented as operating cash flows.

p) Trade and Other Receivables

(i) Trade and Other Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. 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 the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement in other expense.

(ii) Deferred Management Fees Receivable

Deferred management fees receivable represent amounts owed to LLPL 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. Further details of the calculation of deferred management fees are included in Note 3 Critical Accounting Estimates and Assumptions.

(iii) Accommodation Bond Retentions Receivable

Accommodation Bond retentions accrued represent amounts owed to the Company in connection with resident occupancy at aged care facilities or nursing homes, and calculated in accordance with resident contracts.

q) Inventories

(i) Work in Progress and Finished Goods

Work in progress and finished goods are stated at the lower of cost and net realisable value. Finished goods represent ILUs/SAs bought-back from leased/managed retirement villages for re-development by the Group. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Land held for Resale

Land held for resale is land identified as surplus to requirements. This land is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and any development costs.

r) Employee Benefits

Provisions are made for employee benefits accumulated as a result of employees rendering services up to the reporting date. The benefits include wages and salaries, annual leave, long service leave. Employee liabilities are classified as current where management do not have the unconditional right to defer settlement beyond 12 months. These are recorded on an undiscounted basis.

(i) Salaries and Annual Leave

The following liabilities arising in respect of employee benefits are measured at their nominal amounts:

- Wages and salaries and annual leave provisions, regardless of whether they are expected to be settled within 12 months of balance date; and
- Other employee benefits which are expected to be settled within 12 months of balance date.

(ii) Long Service Leave

Non-current long service leave benefits are measured at the present value of the estimated future cash outflows in respect of services provided up to balance date. Liabilities are determined after taking into consideration estimated future increases in wages and salaries and past experience regarding staff departures. Related on-costs are included.

(iii) Share-Based Payments

Under AASB 2 Share-based payment, the fair value of options granted to employees as remuneration is determined at grant date and recognised as an expense with a corresponding increase in equity over the vesting period. The fair value of options is measured at grant date using the Black-Scholes option pricing model, taking into account the terms and conditions attached to the options.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

(iv) Superannuation

Superannuation is paid to employees based on statutory rates or employment contracts where applicable. All staff are members of a defined contribution fund which receive fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

Contributions to the defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payment is available.

s) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the reporting period and which are unpaid. The amounts are unsecured and are usually paid within 30-60 days of recognition.

t) Borrowings

(i) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as finance costs.

The fair value of the liability portion of a convertible bond is determined using market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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 reporting date.

(ii) Convertible and Converting Notes

The substance of the financial instrument, rather than its legal form, governs its classification on the balance sheet.

An assessment is performed to consider the appropriate classification of an instrument as debt, equity or compound financial instrument.

Once a financial instrument has been classified as a financial liability, equity instrument or a combination, each component is accounted for separately.

u) Borrowings Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowing costs include:

- Interest on bank overdrafts and short-term and long-term borrowings, including amounts paid;
- Amortisation of upfront or establishment fees and charges;
- Ancillary costs incurred in connection with the arrangement of borrowings; and
- Finance lease charges.

v) Hire Purchase and Finance Lease Liabilities

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases and/or hire purchase. Hire purchase and finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

w) Operating Lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement usually on a straight-line basis over the period of the lease.

x) Aged Care Deferred Receivable

The Group's obligation in relation to Aged Care facilities gives rise to the recognition of accommodation bond liabilities as the Group has the obligation to repay residents the net value of accommodation bonds upon the resident leaving the facility during the management period. For leased facilities, a receivable (or Emerging Asset) is recognised progressively where the Group's obligation to repay residents outstanding bonds reverts to the facility owners at the expiration of the management contracts for no consideration in recognition that the facility owners received the "first time" accommodation bond monies.

At each balance date, the asset (aged care deferred receivable) is recalculated and the difference taken to the income statement. Due to renegotiation and termination of the underlying documents in relation to various facilities, there are now five facilities with an Aged Care deferred receivable balance.

y) Onerous Contracts

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract is less than the unavoidable cost of meeting the obligations under that contract, and only after any impairment losses to assets dedicated to that contract have been recognised.

The provision recognised is based on the excess of the estimated cash flows to meet the unavoidable costs under the contract over the estimated cash flows to be received in relation to the contract, having regard to those risks of the activities relating to the contract.

y) Earnings per Security

(i) Basic Earnings per Security

Basic earnings per security is calculated by dividing net profit after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary securities, by the weighted average number of ordinary securities outstanding during the year, adjusted for bonus elements in ordinary securities issued during the year.

(ii) Diluted Earnings per Security

Diluted earnings per security adjusts the figures used in the determination of basic earnings per security to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary securities and the weighted average number of securities assumed to have been issued for no consideration in relation to dilutive potential ordinary securities.

aa) Rounding of Amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

ab) Business Combinations

The purchase method of accounting is used to account for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, securities issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the acquisition date, unless the notional price at which they could be placed in the market is a better indicator of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the date of acquisition. Any excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill.

Where an entity or operation is acquired and the fair value of the identifiable net assets acquired, including any liability for restructuring costs, exceeds the cost of acquisition, the difference, representing a discount on acquisition, is recognised directly in the income statement but only after a re-assessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

ac) Derivatives and Hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group does not currently designate derivatives as hedges for accounting purposes.

Derivatives that are not designated for hedge accounting

As the Group's derivative instruments are not designated for hedge accounting, changes in the fair value are recognised immediately in the income statement and are included in finance cost.

ad) Presentation of Comparatives

The presentation or classification of comparative items in the financial report may have been amended to ensure comparability with the current reporting period.

ae) Contributed Equity

Ordinary securities are classified as equity. Incremental costs directly attributable to the issue of new securities or options are shown in equity as a deduction, net of tax, from the proceeds.

af) Foreign Currency Translation

(i) 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 statements are presented in Australian dollars, which is LLPL's functional and presentation currency.

(ii) 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 and 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 they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

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

(iii) Group Companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency, being the New Zealand Retirement Living portfolio, 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 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 any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement, as part of the gain or loss on sale where applicable.

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

ag) New Accounting Standards and Interpretations

The following standards, amendments to standards and interpretations have been identified as those which may impact the Group in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing this financial report.

- AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards are applicable to annual reporting periods beginning on or after 1 January 2009. Application of these standards will not affect any of the amounts recognised in the financial report, but may impact the type of information disclosed in relation to the Group's segment reporting;
- Revised AASB 140 Investment Properties. The revised standard is applicable to annual reporting periods commencing on or after 1 January 2009. It requires that all properties being developed for the purposes of holding them as investment properties, be accounted for as investment properties from initial recognition. This only impacts the Group's Retirement Village business for which the owned retirement villages are classified as 'investment properties'. The Group's Aged Care business is not affected as its owned facilities are classified as 'property, plant and equipment'. From a classification perspective this change will require retirement village developments to be reclassified from 'land' or 'assets under construction' both within 'property, plant and equipment', to 'investment properties'. The total impact of this change, were it to have been adopted, from a post-tax profit perspective is difficult to determine as it would require the fair value of each of the Group's retirement village developments to be assessed. All such developments, as property, plant and equipment, were reviewed for impairment and a number of them impaired as at 31 December 2008 and 30 June 2009 (refer Note 7). As such it is expected that recognising the retirement village

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developments at fair value as at 30 June 2009 would have resulted in a fair value gain being recognised in the income statement for the projects not considered to be impaired.

- Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123, including AASB 1, AASB101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12. The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The total impact of this change, were it to have been adopted in 2009, from a post-tax profit perspective is nil. This is due to the amendment to investment property accounting to include the Group's retirement village developments, which under fair value accounting will effectively result in any borrowing costs attributable to such projects in a period being reclassified from 'interest expense' to form part of the fair value adjustment in other income. This will effectively result in a corresponding reduction to the fair value gain / increase to the fair value loss on such projects (2008: consistent with above);

- Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101. A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose this in a statement of financial position at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

- AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations (effective 1 January 2009). AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the Group's share-based payments.

- Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (effective 1 July 2009). The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed. This is different to the Group's current policy which is set out in note 1(ab) above.

- The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses, see note 1(e). The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. Under the Group's current accounting policy, the retained interest in the carrying amount of the former subsidiary's assets and liabilities becomes the cost of investment. If the investment is accounted for as an available-for-sale financial asset, it is subsequently revalued to fair value; however, any revaluation gain or loss is recognised in the available-for-sale investments revaluation reserve. The Group will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 July 2009.

- AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective 1 January 2009). In July 2008, the AASB issued a number of improvements to existing Australian Accounting Standards Standards. The Group will apply the revised standards from 1 July 2009. The Group does not expect that any adjustments will be necessary as the result of applying the revised rules.

- AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective 1 July 2009). The amendments to AASB 5 Discontinued Operations and AASB 1 First-Time Adoption of Australian-Equivalents to International Financial Reporting Standards are part of the IASB's annual improvements project published in May 2008. They clarify that all of a controlled entities assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosures should be made for this controlled entity if the definition of a discontinued operation is met. The Group will apply the amendments prospectively to all partial disposals of subsidiaries from 1 July 2009.

- AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 January 2009). In July 2008, the AASB approved amendments to AASB 1 First-time Adoption of International Financial Reporting Standards and AABS 127 Consolidated and Separate Financial Statements. The Group will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Under the Group's current policy, these dividends are deducted from the cost of the investment. Furthermore, when a new intermediate parent entity is created in internal re-organisations and the new parent accounts for its investment in the original parent at cost, it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.

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- AASB Interpretation 15 Agreements for the Construction of Real Estate (effective 1 January 2009). AASB-I 15 clarifies whether AASB 118 Revenue or AASB 111 Construction Contracts should be applied to particular transactions. The Group intends to apply the interpretation from 1 July 2009. It has reviewed its current agreements for the sale of real estate in light of the new guidance and concluded that there would be no change to the accounting for these agreements if AASB-I 15 was adopted in the current financial year. Consequently, it does not expect to make any adjustment on the initial application of AASB-I 15.
- AASB 2009-2 Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009). In April 2009, the AASB published amendments to AASB 7 Financial Instruments: Disclosure to improve the information that entities report about their liquidity risk and the fair value of their financial instruments. The amendments require fair value measurement disclosures to be classified into a new three-level hierarchy and additional disclosures for items whose fair value is determined by valuation techniques rather than observable market values. The AASB also clarified and enhanced the existing requirements for the disclosure of liquidity risk of derivatives. The Group will apply the amendments from 1 July 2009. They will not affect any of the amounts recognised in the financial statements.
- AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective for annual periods beginning on or after 1 July 2009). The AASB has made amendments to AASB 2 Share-based payment, AASB 138 Intangible Assets and AASB Interpretations 9 Reassessment of Embedded Derivatives and 16 Hedges of a Net Investment in a Foreign Operation as a result to the IASB's annual improvements project. The Group will apply the amendments from 1 July 2009. The Group does not expect that any adjustments will be necessary as a result of applying the revised rules.
- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective for annual periods beginning on or after 1 January 2010). In May 2009, the AASB issued a number of improvements to existing Australian Accounting Standards Standards. The Group will apply the revised standards from 1 July 2010. The Group does not expect that any adjustments will be necessary as the result of applying the revised rules.

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2. FINANCIAL RISK MANAGEMENT

The Group's activities are exposed to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and property market related risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as interest rate swaps and options to hedge certain risk exposure. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and property market risk, as well as ageing analysis for credit risk.

The Board approves formal principles for overall risk management, as well as formal policies covering specific areas such as mitigating interest rate risks and foreign exchange risk under the current Group Hedging Policy. Risk management for these areas is carried out by a central department (Group Treasury) under these polices, whereby Group Treasury identifies, evaluates and hedges financial risk in close co-operation with the Group's business units.

There have been no significant changes in the type of financial risks (including methods to measure the risks) since the prior year.

a) Market Risk

Market risk refers to the potential for changes in the market value of the Group's financial instruments. There are various types of market risks including exposures associated with interest rates, equity market prices, currency rates and the general market values of asset classes in which the Group invests or which it manages.

(i) Foreign Exchange Risk

The Group is exposed to foreign exchange risk. Foreign exchange risk arises when future commercial transactions and recognised financial assets and financial liabilities are denominated in a currency that is not the entity's functional currency, being Australian Dollars. The Group has an exposure to the New Zealand Dollar (NZD), for a number of controlled entities incorporated in New Zealand (Refer Note 28). On consolidation exchange differences arising from the investment in these New Zealand controlled entities are taken to shareholders equity, not through profit and loss.

Foreign exchange risk arising from these New Zealand controlled entities is mitigated by debt raised in NZD as part of the Group's bank debt facility, to form a natural hedge. The risk is measured using sensitivity analysis. As at 30 June 2009, the Group did not hold any derivative financial instruments domiciled in a foreign currency.

As at 30 June 2008 the Group held some interest rate swaps that were domiciled in NZD and held in relation to the NZD component of the Group's bank debt facility, however the primary objective was to manage interest rate risk (refer below). These NZD interest rate swaps matured during the period.

(ii) Foreign Currency Sensitivity Analysis

If the NZD to AUD exchange rate had been 5 cents lower/higher the Group's net assets and equity would have been $3,571,810 higher/ $3,295,845 lower (2008: 10 cents - $8,109,940 higher/ $6,907,907 lower), as a result of the revaluation of the investment in the New Zealand controlled entities. As noted above, any such foreign exchange movements are taken to equity and not through profit and loss.

A sensitivity of 5 cents has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed on an historic basis and market expectations for future movement.

(iii) Equity Price Risk

The Group is not exposed to equity securities price risk. Exposure to equity price risk would arise from investments held by the Group and classified on the Balance Sheet either as available-for-sale or at fair value through profit or loss. As at 30 June 2008 and 2009, the Group did not hold any financial assets impacted by equity price risk.

(iv) Cash Flow Interest Rate Risk (Refer Borrowings Note 24)

The Group currently has variable interest bearing borrowings totaling $462.9 million. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals closely aligned to the timing of the interest payments on the underlying borrowings (mainly quarterly), the difference between the fixed contract rates and the floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

The Group has a Board approved Treasury policy which sets out the parameters for hedging against adverse movements in interest rates. The Group policy is to fix a portion of its variable interest bearing borrowings at that date. The hedging activity is monitored on a regular basis by Group Treasury and formally reported in regular reports to the Board. The Group policy has been complied with as at 30 June 2009. In excess of 50% of the Group's interest expense for the year was at fixed rates through a combination of hedging and fixed rate debt. In 2008 approximately 62% of the interest bearing borrowings was hedged. The Group fixed rate interest is currently at the lower end of the long term Group range reflecting the strategic plan to continue to reduce debt levels of the Group over coming periods.

(v) Interest Rate Sensitivity Analysis

Based on the interest rate swaps and borrowings held at balance date, if interest rates had been 50 basis points higher/lower and all other variables were held constant as at balance date, the Group's post-tax profit for the year would have been $1,563,000 lower/higher (2008: 100 basis points higher/lower sensitivity = $1,702,000 lower/$1,578,000 higher) arising from the increased/decreased interest costs from the Group's borrowings which are exposed to interest rate changes. It should be noted that the results reflect the impact on unhedged borrowings, as the hedged position results in a fixed interest cost.

Whilst the Group uses interest rate swaps as economic hedges, it does not apply hedge accounting. As a result all fair value movements in the mark to market of interest rate swaps are recognised directly through the income statement. The fair value of interest rate swaps as at any balance date is based on counterparty bank valuations that utilise bank models for determining fair value for which the key assumptions include the prevailing variable interest rate and the forward curve as at the valuation date, and accordingly:

- If prevailing interest rates had been 50 basis points higher – then the resulting fair value of interest rate swaps held by the Group at balance date, being a liability of $10.4 million would be expected to have been lower, and the Group's post-tax profit for the year would have been higher; and
- If prevailing interest rates had been 50 basis points lower – then the resulting fair value of interest rate swaps held by the Group at balance date, being a liability of $10.4 million would be expected to have been higher, and the Group's post-tax profit for the year would have been lower.

Either way, this would provide an offsetting effect to the increase/decrease in interest costs. Given the inherent difficulty in assessing what impact a hypothetical higher/lower prevailing variable interest rate would have on the forward curve and therefore the fair value of the interest rate swaps, the Group is unable to quantity this impact.

A sensitivity of 50 basis points has been selected as this is considered reasonable given the current level of both short-term and long-term interest rates and market views on interest rates for the year ahead.

The Parent Entity's post-tax profit for the year would have the same impact as that noted above for the Group.

(vi) Property Market Related Risk

Leased / Managed Retirement Villages

As detailed in Note 1, the Deferred Management Fees (DMF) receivable for the leased/managed Retirement Villages is recognised as a separate financial asset on the Group's balance sheet and as at 30 June 2009, represented $57.5 million (2008: $70.8 million). Nil impact for Parent Entity. As discussed at Note 3, the Group recognises the DMF income on a progressive basis over the average length of stay of all residents at the leased/managed Retirement Villages. Any difference between the cash received and the DMF receivable on the re-license of a unit or apartment are recognised in the income statement as they arise. The DMF receivable is calculated on an individual basis for each resident. The calculation is based on the contractual terms of that resident's occupancy, which differ across Retirement Villages and across years in which the contracts are entered into. The contractual DMF entitlement is generally impacted by movements in the value of the respective unit or apartment occupied by the resident over the length of stay (growth rate) through either being determined based on the exit price when the resident departs, or by it including a share of the capital gain over the length of stay, or a combination of the two.

The growth rate for the leased/managed Retirement Villages are re-assessed each balance date on a basis consistent with that for the owned Retirement Villages completed as part of the investment property valuation process, which includes obtaining both external and internal investment property valuations (refer to Note 15).

As a result, the DMF receivable and income are subject to property market related price risk. The risk is measured using sensitivity analysis.

(vii) Property Market Sensitivity Analysis

The Group's DMF receivable value for the leased/managed retirement villages (net of deferred tax liability) and the post-tax profit recognised would have increased/decreased by $1,158,000 / $1,131,000 (2008: $1,427,000 / $1,393,000) if the growth rates had been 1% higher/lower than that actually valued as at balance date.

A sensitivity of 1% has been selected as this is considered reasonable across the regions in which the leased/managed retirement villages are located, given current performance in these property markets, the volatility observed on an historic basis and market expectations for future movements in these regions.

(viii) Owned Retirement Villages

As detailed in Note 1, the owned Retirement Villages are classified as investment properties and are recognised at fair value on the balance sheet, with a corresponding resident loan balance recognised as a liability, combined they represent the net investment property balance. The Group's share of capital gain is included within the net investment property balance. The DMF receivable in respect of the owned Retirement Villages is calculated in accordance with individual resident contracts (refer above) except that it is not discounted under AIFRS and therefore is recognised on a gross basis. This DMF receivable is netted against the resident loan balance consistent with the contractual net settlement terms.

These net investment property related balances are recognised at their fair values as part of the investment property valuation process, which includes obtaining both external and internal investment property valuations (refer to Note 15). One of the assumptions included in the property valuation is the current market value of the ILU/SA. Movements in these net investment property related balances (excluding acquisitions, transfers, capital expenditure and foreign exchange) are recognised through profit and loss. While these balances are subject to property market risk, as they are classified as investment properties they are not considered financial assets/liabilities.

b) Credit Risks

Credit risk refers to the loss that the Group would incur if a debtor or other counterparty fails to perform under its contractual obligations.

The carrying amounts of financial assets recognised in the balance sheet best represents the Group's and Company's maximum exposure to credit risk at reporting date. The nature of the Group's business means that its credit risk is naturally limited as:

(i) DMF Receivable (on Leased / Managed Retirement Villages)

As at 30 June 2009 the Group's DMF receivables recognised on balance sheet represented $57.5 million (2008: $70.8 million). In accordance with the contractual terms this is collected from the outgoing resident as part of the proceeds from the re-licensing of the unit or apartment to the incoming resident. The collection and disbursement of these proceeds are controlled by the Group providing effective security over this financial asset.

(ii) Other Receivables

As at 30 June 2009 the Group's other receivables recognised on balance sheet represented $56.7 million (2008: $53.4 million). This includes certain non-DMF receivables from Retirement Village residents for which there is limited credit risk as these balance are collectible and effectively secured on a basis consistent with the DMF receivable (refer above). The remaining balance represents various debtor balances that have 'normal' credit risk. The Group seeks to limit its exposure to this credit risk as follows:

- The Group's other receivables are generated by a large number of customers, including the Federal Government, both private individuals and companies in various industries, mainly in Australia and New Zealand. There is no significant concentration of credit risk. Exposure to credit loss is actively monitored on a regular basis. Appropriate due diligence is carried out on counterparties before entering into arrangements with them and credit risk in trade debtors is managed through setting normal payment terms of 30 days and through continual risk assessment of customers with material balances. At 30 June 2009, the provision for impairment against trade and other debtors is $17,358,000 (refer Note 10) million (2008: $3.9 million). Other than the provision for doubtful debts in trade debtors, no other financial assets are impaired at year-end.
- The Group's dealings in derivatives are restricted to highly rated financial institutions. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history or through the receipt of monies in advance. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

c) Liquidity Risk

Liquidity risk is the risk that the Group will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial liabilities (refer to Note 1(b)). For capital and other commitments refer to Note 33.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. Due to the dynamic nature of the underlying businesses, the Group endeavors to maintain flexibility in funding by keeping committed credit lines available (refer to Note 1(b) and Note 24). The Group also manages its liquidity risk by both short term and long term cashflow budgets, approved by the Board, monitored closely by management and reported to the Board on a periodical basis.

(i) Cash and Cash Equivalents Available

As at 30 June 2009 the Group had $35 million (2008: $18.8 million) and the Parent Entity had $27.4 million (2008: $10.7 million) in cash and cash equivalents.

(ii) Maturities of Financial Liabilities

The detail of the Company's and the Group's remaining contractual maturity for its financial liabilities, on an undiscounted basis can be found at Note 24.

(iii) Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for security holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the Group consists of borrowings as listed in Note 24, and equity comprising issued capital, reserves and retained earnings as listed in Notes 27 and 28. The quantitative analysis of each of these categories of capital is provided in their respective Notes to the Accounts.

The Board reviews the capital structure, and as part of this review, considers the cost of capital and the risks associated with each class of capital. The Group monitors the capital structure on a regular basis using a number of measures including the financial covenants agreed with the Group's financiers. The Group's overall strategy is to continue to reduce borrowing levels and maximise the value of non-core assets divested while meeting debt obligations. The monitoring measures are formerly reported to the Board on a regular basis.

(iv) Net Fair Values

All financial assets and liabilities have been recognised at the balance date at their carrying values which are not materially different from their fair values. The following methods are used to determine the net fair values of financial assets and liabilities:

(v) Cash and Cash Equivalents

The carrying amount, which is equivalent to their nominal amount, represents fair value because of their short-term to maturity.

(vi) Current Trade and other Receivables, Accounts Payable and Accrued Liabilities

The carrying amount represents fair value due to their short-term to maturity.

(vii) Non-Current Receivables

The portion of the DMF receivable balance (on leased/managed Retirement Villages) classified as non-current, as detailed in Note 1, represents fair value as it is calculated on a present value basis by discounting the DMF receivable over the remaining length of stay for the underlying residents of these leased/managed Retirement Villages.

(viii) Financial derivatives

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates 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 entity and that are believed to be reasonable under the circumstances.

a) Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

(i) Calculation of DMF receivables on leased/managed Retirement Villages

The Group's DMF receivables and related income for its leased/managed Retirement Villages have been calculated a present value basis using the following assumptions as applied to the current market values (refer to Note 2 for further details):

- An average length of stay for Independent Living Units (ILUs) and Serviced Apartments (SAs) based on recent independent valuations, historical data for the portfolio and life tables. The average length of stay for SAs is typically only 45% of that assumed for ILUs. These assumptions remain unchanged from 31 December 2008 and 30 June 2008;
- An average per annum average property growth rate over the average length of stay. This assumption remains unchanged from 31 December 2008; and
- An 8% discount rate based on an estimated interest rate that would be applied if third party debt was secured on these DMF cash flows over the remaining average length of stay. This assumption remains unchanged from 31 December 2008 and 30 June 2008, with the reduction in the risk-free rate over the period being considered to offset the increase in lending margins.

(ii) Calculation of aged care deferred receivable

Under long-term lease/management contracts, the Group is the Aged Care Approved Provider in relation to certain aged care facilities. This gives rise to the recognition of accommodation bond liabilities as the Group has the obligation for the term of the contract to repay residents the net value of accommodation bonds upon the resident leaving the facility during the management period. There are 6 facilities where the Group's obligation to repay residents outstanding bonds revert to the facility owners at the expiration of the lease/management contracts for no consideration in recognition that the facility owners received the "first time" accommodation bond monies.

This emerging asset is recognised on a progressive basis over the term of the lease/management agreement. At each balance date, the asset (aged care deferred receivable) is recalculated and the difference taken to the income statement with a resulting gain recognised through profit and loss. This asset is calculated by estimating the accommodation bond liability at the end of the management contract and discounting it to its present value. In calculating this asset, the following assumptions were used:

- A 5% annual growth rate in the average accommodation bond across these facilities;
- An 8% discount rate based on LLP's weighted average cost of capital. reflecting the appropriate risk adjusted discount rate given its similar nature to the DMF receivable (refer above), and that the asset is effectively secured through the contractual terms under the lease/management contracts and the Group holding the accommodation bonds from the time of entry of the resident; and
- Based on an estimated interest rate that would be applied if third party debt was secured on these DMF cash flows over the remaining average length of stay.

(iii) Revaluations on owned Retirement Villages

Refer to Note 7 and Note 15 for details.

(b) Critical Judgments in Applying the Entities' Accounting Policies

(i) Recognition of tax losses

Tax losses are recognised as tax assets where it is probable that they will be recovered in future periods. At 30 June 2009, the Group had recognised assets in respect of tax losses (at 30%) amounting to $25,608,300 subject to ATO approval which the Group expects to obtain (2008: $68,788,000), and net unrecognised tax losses of $108,298,800 (2008: $42,666,000). No current year tax losses have been recognised as assets by the Group in the year ended 30 June 2009. Given the significant uncertainty detailed in Note 1(b) the judgment has been made to not recongise any further tax losses on balance sheet as at 30 June 2009.

Should future taxable income not be sufficient to utilise the recognised tax losses or the Group fails the 'Continuity of Ownership' or 'Same Business' tests under Income Tax legislation, some or all of these may need to be written off in future periods. Refer to Note 8 for further details.

4. REVENUE

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Revenue				
Sales revenue				
Development revenue	26,370	18,116	4,465	-
Deferred management fee revenue	44,568	60,414	9,213	13,885
Aged Care revenue	109,953	73,350	4,916	4,171
Service and management fees	14,341	14,182	-	90
Aged care deferred receivable	4,822	692	296	-
Other	14,316	8,067	389	810
	214,370	174,821	19,279	18,956
Other revenue				
Interest received on cash balances	2,933	4,201	929	1,975
Sub-lease rentals	709	682	18	26
	3,642	4,883	947	2,001
Total revenue	218,012	179,704	20,226	20,957

5. FAIR VALUE ADJUSTMENT TO INVESTMENT PROPERTY

		Consolidated		Parent Entity	
		2009	2008	2009	2008
	Notes	$'000	$'000	$'000	$'000
Fair value adjustment to investment property *	15	(70,589)	70,889	(6,053)	12,393

** The Group's fair value adjustment to investment properties for 2009 includes a $(78,737,000) revaluation loss on operating retirement villages and a $8,148,000 revaluation gain on first time loan/license on retirement village developments.*

6. EXPENSES

Profit before income tax includes the following specific expenses:

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Depreciation				
Plant and equipment	3,423	3,117	2,567	1,861
Buildings	3,566	1,868	103	106
Plant and equipment under hire purchase and lease	364	309	364	309
Leasehold	262	24	262	24
Total depreciation	7,615	5,318	3,296	2,300
Amortisation				
Bed licences	212	213	212	213
Capitalised Borrowing Costs (a finance cost)	731	1,322	731	1,322
Management contracts	1,544	2,536	284	1,000
Total Amortisation	2,487	4,071	1,227	2,535
Total Depreciation and Amortisation	10,102	9,389	4,523	4,835

7. IMPAIRMENT REVIEW

As detailed in Note 1(b), since LLC became Manager, working closely with the LLP Board and management, a thorough review of the business was initiated to ensure the Group is best positioned to deal with the very difficult market and the economic conditions prevailing today. As at the date of release of the Group's interim financial report for the half year ended 31 December 2008, this review had included a complete overhead review, deferment of various development projects, implementation of cash flow management initiatives, identification of potential asset divestments and a detailed balance sheet review for half year reporting purposes.

Since that time, the Group has completed its strategic review and the resulting business plan in April 2009. The Group has now also completed certain asset divestments, identified potential further asset divestments, commenced a detailed procurement review with significant savings already contracted and performed a detailed balance sheet review for year end reporting purposes.

a) 31 December 2008 Half Year Process

As part of the detailed balance sheet review in connection with the 31 December 2008 half year (H1), an impairment review of all significant assets was completed as at 31 December 2008, including detailed impairment tests where required under AIFRS each reporting date (eg; goodwill and indefinite life intangibles), or where indications of a potential impairment were identified. For the H1 of FY09, impairments totalled $87,686,000 (excluding fair value adjustments on investment properties (refer to Note 15), and tax losses (refer to Note 21)).

b) 30 June 2009 Year End Process

As part of the detailed balance sheet review in connection with the 30 June 2009 year end, impairment reviews and testing were performed on a detailed basis consistent with the 31 December 2008 half year. As at 30 June 2009 year end, H2 of FY09 impairments totalled $30,260,000 (excluding fair value adjustments on investment properties (refer to Note 15), and tax losses (refer to Note 21)). In light of the current situation as detailed in Note 1(b) a further impairment review was performed prior to signing this financial report, the results of which are reflected in the disclosures below.

c) Basis of the impairment reviews and tests

The basis of the impairment reviews and impairment tests are detailed below by asset type:

(i) Retirement Village Investment Properties Held at Fair Value

Refer to Note 15 for the valuation basis and resulting fair value adjustment – loss on retirement village investment properties held at fair value, recognised as at 30 June 2009.

(ii) Impairment of Development Projects

Land and projects held for resale are classified as inventory and stated at the lower of cost and net realisable value (NRV), representing the Group's expected realisation value net of costs to complete the asset for sale and selling costs. Land and projects held for development to be held as an investment property (Retirement) or as property, plant and equipment (Aged Care), are classified as assets under construction in property, plant and equipment. The Group's basis of assessing NRV for the development projects held for resale classified as inventory, and recoverable amount of the development projects to be retained are determined on a consistent basis.

The impairment of development projects represents the difference between the carrying amount and the present value of the estimated future cash flows, including selling and other costs incurred to realise the projects. Estimated future cash flows within 12 months are not discounted where the impact is immaterial. Estimated future cash flows beyond 12 months are discounted using an appropriate risk adjusted discount rate specific to the asset type. The risk adjusted discount rate adopted by the Group for 'future development stages' of 17% was higher than the rate adopted for 'completed stock' of 12% as at balance date. The Directors believe that this appropriately reflects the assessed risks associated with development activities going forward given current market conditions. The discount rates adopted as at 30 June 2009 remained unchanged from those adopted as at 31 December 2008.

The key assumptions apart from the risk adjusted discount rate include, the realisable values (sales values), sales rates, development costs for future stages that are uncontracted (fixed price contracts are typically taken out) and development completion. These reflect results achieved over the period to balance date and expectations going forward given current market conditions. The impairments have been recognised for projects where sales rates, pricing and product mix have failed to meet the needs of the market, with:

(i) 31 December 2008 - The impairment determined and recognised for H1 in respect of development projects including land and projects held for sale, and development project investments previously classified as intangible assets, totalled $65,354,000.

(ii) 30 June 2009 - The additional impairment determined and recognised for H2 in respect of development projects plus land and projects held for sale totalled $2,300,000.

The re-positioning and/or selling of these assets will form part of an ongoing asset rationalisation program for which LLP will leverage the expertise of LLC to maximise returns.

(iii) Impairment of Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. DMF receivables on leased/managed Retirement Villages, as detailed in note 1(h)(ii) are recognised on a present value basis, less any provision for impairment.

Collectability of all receivables is reviewed on an ongoing basis. An allowance account (provision for impairment) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Long overdue amounts, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

The amount of the impairment allowance is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect is immaterial. Subsequent recoveries of amounts previously impaired or written off are credited against the relevant expense account in the income statement.

The impairment review of receivables resulted in the following impairments during the year:

(i) 31 December 2008 - The impairment determined and recognised for H1 in respect of all receivables totalled $18,032,000.

(ii) 30 June 2009 - The impairment determined and recognised for H2 in respect of all receivables totalled $7,960,000.

(iv) Impairment of Investments in Associates and Joint Venture Partnerships accounted for using the Equity Method

A detailed balance sheet review was also performed for investments in associates and joint venture partnerships accounted for using the equity method. The Group assessed the recoverable amount of these investments (ie; the higher of value in use and fair value less costs to sell) on the following basis:

- Retirement Village associates and joint ventures – based on the Group's share of the fair value of the investment property as detailed in Note 17 plus the recoverable amount of any other assets held by the joint venture.
- Development associates and joint ventures – based on the Group's share of the recoverable amount of the development project as detailed in Note 17 plus the recoverable amount of any other assets held by the joint venture.

  (i) 31 December 2008 - The impairment determined and recognised for H1 in respect of investments in associates and joint ventures using the equity method totalled $4,300,000.

  (ii) 30 June 2009 – No additional impairment was identified for H2 in respect of investments in associates and joint ventures using the equity method.

(v) Impairment of Deferred Tax Assets in Respect of Tax Losses

(i) 31 December 2008 - Refer to Note 8 for the basis of testing deferred tax assets in respect of tax losses for impairment and the resulting impairment (de-recognition) recognised as at 31 December 2008.

(ii) 30 June 2009 - For the second half ended 30 June 2009 the Group continued to generate tax losses. Consistent with the 31 December 2008 half year approach, the Group did not recognise any current year tax losses on balance sheet. Refer to Note 8 for further details.

(vi) Impairment Tests for Goodwill and Intangible Assets with Indefinite Useful Lives

Goodwill and intangible assets with indefinite useful lives are allocated to cash-generating units (CGUs) based on the specific assets or group of assets to which they relate. The only intangible assets with indefinite useful lives are the owned bed licenses. A segment summary of the allocation of goodwill and indefinite life intangible assets is presented below, which remains unchanged from the 31 December 2008 half year:

Segment / CGU	Goodwill $'000	Bed Licences $'000
Retirement living	90,626	-
Aged care	36,468	59,487
Total	127,094	59,487

During the year ending 30 June 2009, the Group determined that there is no impairment of any of its cash-generating units or group of cash-generating units containing goodwill or intangible assets with indefinite useful lives. The recoverable amounts (i.e. higher of value in use and fair value less costs to sell) of those units and group of units are determined on the basis of fair value less costs to sell calculations as the primary basis, and then on a value in use basis as a secondary basis.

Key Assumptions Used for Fair Value Less Cost to Sell Calculations

The Group has determined that the fair value less costs to sell calculations are most sensitive to changes in the following assumptions:

Key Assumptions for Determination of Fair Value less Cost to Sell	Managements Approach to Determining the Values Assigned to Each Key Assumption
Retirement Living - Goodwill • Average length of stay (years) • Capital growth rate of units (%) • Pre-tax discount rate (%)	• Average length of stay is determined based on historical evidence of each individual village or for new villages is based on averages for similar villages and are the same as adopted for investment property (refer Note 15). • Forecast capital growth for individual retirement villages are based on independent valuations and are the same as adopted for investment property (refer Note 15). • Discount rate calculated based on independent valuations, refer to details below.
Aged Care – Goodwill and Bed Licenses • Accommodation bonds • Bond growth rate of beds (%) • Capitalisation/discount rate (%) • Forecast financial performance	• Actual value of accommodation bonds relating to acquired aged care facilities. • Forecast accommodation bond growth rate on bondable beds of 5% based on historical bond growth achieved across the portfolio. • Discounted cashflow analysis based on forecast financial performance of the aged care facilities. • Capitalisation/discount rate calculated based on previous independent valuations.

The assumptions above, also represent the key assumptions used by the Group for determining value in use, which is used as the secondary basis for assessing recoverable amount for impairment review purposes.

Notes to Consolidated Financial Statements

For the Year Ended 30 June 2009

Retirement Living Goodwill (or Portfolio Premium) – Changes in Key Assumptions during the Period

The discount rate adopted for Retirement Living goodwill (or portfolio premium) for impairment testing purposes at 30 June 2009 was 11.25% for the portfolio, this represents a 75 basis points increase from 30 June 2008. While there have been no observable portfolio transactions during the year, the Group has made a corresponding increase to its portfolio premium discount rate to reflect the increase in the weighted average increase in the individual investment property valuations (refer Note 15). This reflecting:

- Market based changes in risk premiums associated with such annuity income streams as the underlying future DMF receipts increasing the discount rate; and
- Increased diversification and synergies from the RBD acquisition which strategically increased the Group's portfolio of retirement villages by approximately 18%, reducing the discount rate.

Refer to Note 19 for changes in key assumptions in respect of the valuation basis for assessing the fair value of the underlying retirement villages included in the determination of fair value less costs to sell of the Retirement Living goodwill (or portfolio premium).

Impact of Possible Change in Key Assumptions

The carrying value of goodwill is sensitive to changes in discount rate assumptions applied to the retirement village portfolio. The discount rate applied for impairment testing purposes at 30 June 2009 was 11.25% for the portfolio. A future increase in the portfolio discount rate of 0.25%, would result in a decrease of the recoverable amount of goodwill by approximately $16,213,010. This would result in the recoverable amount being $3,364,042 in excess of its carrying amount, assuming that the investment property valuation remained unchanged from that as at 30 June 2009.

(vii) Impairment review of Aged Care CGU

For the Aged Care segment, other intangible assets and property, plant and equipment relating to the owned Aged Care facilities were included in the total carrying amount of assets tested for impairment with goodwill and indefinite life intangibles as at 30 June 2009 as detailed at (v) above. This reflects the Group's assessment that owned Aged Care assets should be assessed for impairment on a cash generating unit (CGU) basis as they generate largely inter-dependent cash flows as all owned Aged Care facilities operate as the one approved provider. The Group determined that there was no impairment of the carrying value of Aged Care other intangible assets and property, plant and equipment relating to owned Aged Care facilities. The key assumptions used are detailed in the table above. The capitalisation rate applied as at 30 June 2009 was 11%. A future increase in the capitalisation rate of 1%, would result in a decrease of the recoverable amount of the total carrying amount of owned Aged Care assets by approximately $13,572,000. This would result in the recoverable amount being more than $100 million in excess of its carrying amount, assuming that the all other assumptions remained unchanged from that as at 30 June 2009.

(viii) Impairment Review of Other Retirement Living Intangible Assets (Management Contracts)

Management contracts acquired in respect of managed retirement villages are carried at historical cost of the acquisition and are amortised on a units of production basis over the term of the management agreement based on the number of resident roll-overs during the period. These management contracts are classified as other intangible assets for Retirement living. The recoverable amount valuation basis adopted is similar to that for Retirement Living – goodwill detailed above. The key difference is that a risk adjusted discount rate appropriate to the managed village portfolio is adopted instead of the owned portfolio discount rate applied for goodwill.

(i) 31 December 2008 - The Group determined that there was no impairment of the carrying amount of Retirement Living other intangible assets relating to the managed village portfolio.

(ii) 30 June 2009 - The Group determined that there was a $20 million fair value impairment of the carrying amount of the Retirement Guide Asset Management Rights based on the transaction entered into with PTN, refer to Note 43. No other impairments of Retirement Living intangible assets were noted.

(ix) Impairment Review of Other Assets

Other assets were reviewed in detail for indicators of impairment as at 30 June 2009. The Group determined that there was no impairment of the carrying amount of other assets.

8. INCOME TAX EXPENSE

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
a) Income tax expense/(benefit)				
Current tax	-	(13,863)	-	(16,522)
Deferred tax	2,055	28,711	23,636	3,393
	2,055	**14,848**	**23,636**	**(13,129)**
Decrease/(increase) in deferred tax assets (Note 21)	20,948	1,949	25,862	(3,411)
(Decrease)/increase in deferred tax liabilities (Note 26)	(18,893)	26,762	(2,226)	6,804
	2,055	**28,711**	**23,636**	**3,393**

b) Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Profit/(loss) from continuing operations before income tax expense	(244,623)	55,921	(150,235)	(49,295)
Tax at the Australian tax rate of 30% (2008: 30%)	(73,387)	16,776	(45,071)	(14,789)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Depreciation and amortization	420	360	110	64
Impairment of management rights and related assets	7,200	1,800	1,200	1,800
Non – taxable income / (loss)	1,897	(3,506)	-	-
Accommodation bond asset	(1,447)	(154)	-	-
Legal fees	49	12	(83)	-
Sale of non-current assets	-	-	7	-
Deferred tax balances de-recognised	-	(916)	-	(907)
Employee share options	-	127	-	127
Current year revenue losses not recognised	22,453	-	22,453	-
Prior year revenue losses de-recognised	43,180	-	43,180	-
Other non-temporary differences	1,690	164	1,840	20
	2,055	**14,663**	**23,636**	**(13,685)**
Under/(over) provided in prior years	-	185	-	556
Income tax expense/(benefit) for the year	2,055	14,848	23,636	(13,129)
c) Tax Losses				
Tax losses for which a deferred tax asset has been recognised (gross)	85,360	229,294	85,360	229,294
Potential tax benefit from unused tax losses for which no deferred tax asset has been recognised (gross)	360,996	142,219	360,996	142,219

The Group had accumulated tax losses over the years (up to and including 30 June 2008) and had recognised these as a deferred tax asset on its Balance Sheet for an extended period. After assessing the current projected rate of utilisation of Group tax losses, the Directors as at 31 December 2008 decided to write-back approximately $43,180,000 of the related deferred tax asset. The Group tax losses will continue to remain available for the Group to utilise in future periods as long as either the 'Continuity of Ownership' or 'Same Business' test under Income Tax legislation is met.

d) Tax Consolidation Legislation

LLPL and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003. On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors is a valid tax sharing agreement, and thereby limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, LLPL.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate LLPL for any current tax payable assumed and are compensated by LLPL for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to LLPL under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognized in the wholly-owned entities' financial statements.

The amounts receivable / payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial period. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

9. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Cash at bank and on hand	34,397	17,901	27,383	10,687
Cash held in trust – refer below	626	917	-	1
	35,023	**18,818**	**27,383**	**10,688**

a) Interest Rate Risk

Cash and cash equivalents are subject to interest rate risk as they earn interest at variable rates (Refer Note 2(a) (v)).

b) Reconciliation to Cash at the End of the Year

The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statements as follows:

Balances above	35,023	18,818	27,383	10,688
Less: Cash held in Trust	(626)	(917)	-	(1)
Balance as per cash flow statements	34,397	17,901	27,383	10,687

c) Cash at Bank and on Hand

Cash and cash equivalents include variable interest rate bearing deposits held with financial institutions. In 2009 the variable interest rates were between 0.01% and 4.0% (2008: between 1.25% and 4.25%).

d) Cash Held in Trust

These funds are held to fund repairs and upgrades for senior living facilities owned by third parties. These funds are held as variable interest rate bearing deposits held with financial institutions. These amounts are not considered as available cash of the Consolidated Group.

10. CURRENT ASSETS – RECEIVABLES

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Trade receivables	32,397	14,078	6,259	1,268
Provision for impairment of trade receivables	(12,848)	(3,920)	(4,943)	(1,120)
	19,549	**10,158**	**1,316**	**148**
Settlement funds receivables/sundry debtors	38,914	40,945	8,566	8,656
Provision for impairment of other receivables	(4,510)	-	-	-
Accommodation Bond retentions accrued	2,397	1,817	197	104
Total Current Receivables	**56,350**	**52,920**	**10,079**	**8,908**

Details of the terms and conditions of related party receivables are set out in Note 34.

a) Ageing and Impairment Losses

The ageing of receivables for the consolidated entity at the reporting date was:

Consolidated

	Gross	Impairment	Gross	Impairment
	2009	2009	2008	2008
	$'000	$'000	$'000	$'000
Not past due	35,068	-	40,918	-
Past due and not impaired	21,282	-	12,002	-
Impaired	17,358	(17,358)	3,920	(3,920)
	73,708	**(17,358)**	**56,840**	**(3,920)**

The movement in the allowance for impairment of current receivables during the year is as follows:

Consolidated

	2009	2008
	$'000	$'000
Balance at 1 July	3,920	3,447
Impairment provision recognised during the year	14,466	658
Bad debts written off	(1,028)	(185)
Closing balance at 30 June	**17,358**	**3,920**

The allowance account for receivables is used to record impairment losses unless the Group is satisfied there is no recovery of the amount possible, at which point it is written off. There has been $14,466,000 recorded for impairment for the consolidated entity (2008: $658,000).

The ageing of receivables for the parent entity at the reporting date was:

Parent Entity

	Gross 2009 $'000	Impairment 2009 $'000	Gross 2008 $'000	Impairment 2008 $'000
Not past due	8,661	-	6,041	-
Past due and not impaired	1,418	-	2,867	-
Impaired	4,943	(4,943)	1,120	(1,120)
	15,022	**(4,943)**	**10,028**	**(1,120)**

The movement in the allowance for impairment of current receivables during the year is as follows:

Parent

	2009 $'000	2008 $'000
Balance at 1 July	1,120	1,340
Impairment provision recognised during the year	4,376	-
Bad debts written off	(553)	(220)
Closing balance at 30 June	4,943	1,120

The allowance account for receivables is used to record impairment losses unless LLPL is satisfied there is no recovery of the amount possible, at which point it is written off. There has been $4,376,000 recorded for impairment for the parent entity (2008: nil).

b) Other Receivables

These amounts generally arise from settlement funds (accommodation bonds) receivable. Interest is charged on unpaid bond amounts, at a fixed statutory rate determined by the Department of Health and Ageing at the date of entry to the accommodation. In 2009 this rate was 7.16% (2008: 11.69%). Interest is calculated on a daily basis and recognised as revenue monthly. Other receivables also comprise of related party transactions which are non-interest bearing.

c) Effective Interest Rates and Credit Risk

Information concerning the effective interest rate and credit risk of both current and non-current receivables is set out in the non-current receivables note (Note 11).

11. NON CURRENT ASSETS – RECEIVABLES

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Wholly owned group (Note 34(f))	-	-	983,567	992,476
Provision for impairment of receivables	-	-	(24,638)	-
Tax related intercompany receivable	-	-	4,095	-
Other receivables	326	446	-	-
Total Non-Current Receivables	326	446	963,024	992,476

a) Fair Values

The carrying values of non-current receivables approximate their fair values.

b) Credit Risk

There is no concentration of credit risk with respect to current and non-current receivables, as the Group has a large number of customers. Refer to Note 2(b) for more information on the risk management policy of the Group.

12. CURRENT ASSETS – INVENTORIES

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Work in progress	-	1,701	-	749
Land held for resale	22,822	18,341	4,755	4,756
Finished goods	10,537	9,071	14	-
Total Inventory	33,359	29,113	4,769	5,505

Refer to Note 7 for details of impairments and NRV write-downs recognised during the year.

13. CURRENT ASSETS – OTHER

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Prepayments	1,606	1,421	1,183	3,853

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Shares in Associates and Joint Ventures	16,295	18,551	-	-

Shares in Associates and Joint Ventures

Investments in associates and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity (refer to Note 17).

15. NON-CURRENT ASSETS – INVESTMENT PROPERTY

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Opening balance	1,786,868	192,945	212,955	163,296
Acquisitions / (Disposals)	465,308	1,440,932	-	-
Capital expenditure	7,145	11,781	453	916
Transfer from property, plant and equipment (Note 18)	47,569	52,303	19,176	21,376
Transfer to land held for re-sale (inventory)	(13,175)	-	-	-
Incremental increase / (decrease) in resident's share of capital gain	(6,836)	25,216	5,231	3,806
Incremental increase / (decrease) in owner's share of capital gain	(4,254)	26,520	302	6,616
Realised development gain on first time loan/license	5,399	10,788	2,318	4,552
Net gain / (loss) from fair value adjustment (Note 5)	(70,589)	70,889	(6,053)	12,393
Foreign exchange movements	5,561	(44,506)	-	-
Closing balance	2,222,996	1,786,868	234,382	212,955

a) Amounts Recognised in Profit and Loss for Investment Property

Refer to Note 5 for details of amounts recognised in profit and loss for Investment Property.

b) Valuation Basis

The basis of the valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar contractual arrangements. The 30 June 2009 valuations are based on both, Directors' valuations and independent valuations. The independent valuations represent an independent assessment made by members of the Australian Property Institute and the Property Institute of New Zealand. The Directors' valuations have appropriately reflected current market effects and the key assumptions adopted by the independent valuers.

Refer to Note 41 for further details on the valuation basis of the RBD portfolio acquired at 30 December 2008.

The key assumptions adopted in the basis of valuation as at 30 June 2009 included:

- Discount rate – Weighted average increased by approximately 80 Basis points to 12.93%.
- Future growth rates – Weighted average reduced by approximately 58 Basis points to 3.95%.
- Average length of stay – No change during period, being 11 years for ILUs and 5 years for SAs.

Approximately 39% of the investment property valuation was based on independent valuations for 30 June 2009 year end purposes (during 2008: 94%).

16. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Shares in subsidiaries (Note 35)	-	-	175,657	70,425
Aged Care deferred receivable	16,592	11,770	296	-
	16,592	11,770	175,953	70,425

17. NON-CURRENT ASSETS – INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity (and as a result of rounding the amount disclosed below is nil). Information relating to the associates is set out below:

a) Carrying Amounts

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Brighton Bay Developments Pty Ltd	6,923	7,423	-	-
McKinnon Road Developments Pty Ltd	6,648	6,018	-	-
Koorootang Court Annexe Pty Ltd	2,724	5,110	-	-
	16,295	18,551	-	-

		Ownership Interest	
		2009	2008
	Principal Activity	%	%
Brighton Bay Developments Pty Ltd[(1)]	Retirement Village Developer	50	50
Madden Grove Developments Pty Ltd[(1)]	Deregistered	-	50
Studley Park Developments Pty Ltd[(1)]	Deregistered	-	50
Menzies Project Pty Ltd	Dormant	50	50
Trivia Trek Pty Ltd	Dormant	50	50
Confalo Enterprises Pty Ltd	Dormant	50	50
New Park Pty Ltd	Dormant	50	50
Wattle Tree Road Development Pty Ltd	Dormant	50	50
McKinnon Road Developments Pty Ltd[(1)]	Retirement Village Developer	51	51
Koorootang Court Annexe Pty Ltd[(1)]	Retirement Village Developer	50	50

(1) Joint Venture

Each of the above associates and joint ventures referred to is incorporated in Australia. The proportion of ownership is equivalent to the proportion of voting power held, except for McKinnon Road Developments Pty Ltd, where all decisions in this entity must be voted on unanimously by all parties and therefore it is determined that this entity be accounted for using the equity method as a joint venture.

	Consolidated	
	2009	2008
	$'000	$'000
b) Movements in carrying amounts of investments		
Carrying amount at the beginning of the financial year	18,551	18,420
Share of profits/(losses) after income tax	(2,256)	9,058
Capital contributions	-	615
Sale of associate	-	(2,475)
Associate wholly acquired during the year	-	(7,067)
Carrying amount at the end of the financial year	16,295	18,551
c) Share of Associates' Profits or Losses		
Profit/(loss) from ordinary activities before income tax	(2,256)	9,058
Income tax expense	-	-
Net profit/(loss) after income tax	(2,256)	9,058

d) Summarised Financial Information of Associates

The aggregate profits, revenues, assets and liabilities of associates and joint ventures are:

	Assets		Liabilities		Revenue		Profit/(Loss)	
	2009	2008	2009	2008	2009	2008	2009	2008
Brighton Bay Developments Pty Ltd	28,926	33,582	15,080	18,738	535	12,523	(1,000)	9,980
McKinnon Road Developments Pty Ltd	21,437	20,825	8,402	9,024	3,968	5,040	1,236	1,207
Koorootang Court Annexe Pty Ltd	41,442	52,959	35,994	42,739	10,742	7,555	(4,772)	6,905
Total	91,805	107,366	59,476	70,501	15,245	25,118	(4,536)	18,092

e) Contingent Liabilities of associates and joint venturers

There are no material contingent liabilities in respect of associates and joint ventures at 30 June 2009 (2008: Nil).

f) Commitments

There are no material commitments in respect of associates and joint ventures at 30 June 2009 (2008: Nil).

18. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Land and buildings at cost	169,161	172,684	10,200	10,200
Less: Accumulated depreciation	(5,147)	(2,366)	(237)	(134)
Net book amount	**164,014**	**170,318**	**9,963**	**10,066**
Assets under construction	**101,101**	**194,710**	**40,338**	**64,280**
Plant and equipment at cost	46,813	38,046	21,848	17,087
Less: Accumulated depreciation	(14,820)	(9,999)	(7,755)	(5,225)
Net book amount	**31,993**	**28,047**	**14,093**	**11,862**
Leasehold improvements	1,947	2,423	1,947	2,423
Less: Accumulated depreciation	(285)	(24)	(285)	(24)
Net book amount	**1,662**	**2,399**	**1,662**	**2,399**
Plant and equipment under lease and hire purchase	5,094	5,095	5,093	4,924
Less: Accumulated depreciation	(4,236)	(4,042)	(4,235)	(3,871)
Net book amount	**858**	**1,053**	**858**	**1,053**
Total Property, Plant and Equipment	**299,628**	**396,527**	**66,914**	**89,660**

a) Reconciliations

Reconciliations of the carrying amount of each class of property, plant and equipment are set out below:

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
(i) Land and Buildings				
Opening net book amount	170,318	51,747	10,066	10,172
Acquisitions	-	83,497	-	-
Additions	68	83	-	-
Disposals	(2,806)	-	-	-
Transfers from inventory	-	36,859	-	-
Depreciation charge	(3,566)	(1,868)	(103)	(106)
Carrying amount at end of financial year	**164,014**	**170,318**	**9,963**	**10,066**

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
(ii) Assets under construction				
Opening net book amount	194,710	88,528	64,280	74,014
Acquisitions	-	97,814	-	-
Additions	31,207	69,660	12,830	11,648
Disposals	(5,084)	-	(66)	-
Transfers to investment property	(47,569)	(52,303)	(19,176)	(21,382)
Transfers to inventory	(8,501)	(8,989)	(1,307)	-
Impairment	(63,662)	-	(16,223)	-
Carrying amount at end of financial year	101,101	194,710	40,338	64,280
(iii) Plant and Equipment				
Opening net book amount	28,047	7,277	11,862	5,405
Acquisitions	2,242	14,212	54	-
Additions	6,486	9,768	4,925	8,318
Disposals	(1,359)	(87)	(181)	-
Depreciation charge	(3,423)	(3,123)	(2,567)	(1,861)
Carrying amount at end of financial year	31,993	28,047	14,093	11,862
(iv) Leasehold improvements				
Opening net book amount	2,399	-	2,399	-
Additions	152	2,423	152	2,423
Disposals	(627)	-	(627)	-
Depreciation charge	(262)	(24)	(262)	(24)
Carrying amount at end of financial year	1,662	2,399	1,662	2,399
(v) Plant and Equipment under lease and hire purchase				
Opening net book amount	1,053	606	1,053	606
Additions	169	756	169	756
Depreciation charge	(364)	(309)	(364)	(309)
Carrying amount at end of financial year	858	1,053	858	1,053
Total Property Plant and Equipment				
Opening net book amount	396,527	148,158	89,660	90,197
Acquisitions	2,242	195,523	54	-
Additions	38,082	82,690	18,076	23,145
Disposals	(9,876)	(87)	(874)	-
Transfers	(56,070)	(24,433)	(20,483)	(21,382)
Impairment	(63,662)	-	(16,223)	-
Depreciation charge	(7,615)	(5,324)	(3,296)	(2,300)
Carrying amount at end of financial year	299,628	396,527	66,914	89,660

b) Non-current assets pledged as security

Refer to Note 24(a) for information on non-current assets pledged as security by the parent entity and its controlled entities.

19. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Goodwill	127,094	111,098	-	-
Less: Impairment	-	-	-	-
	127,094	**111,098**	**-**	**-**
Approved provider Aged Care places (bed licences)	61,551	61,551	5,179	5,179
Less: Accumulated amortisation and impairment *	(2,064)	(1,852)	(2,064)	(1,852)
	59,487	**59,699**	**3,115**	**3,327**
Management contracts	80,461	70,219	15,159	5,000
Less: Accumulated amortisation and impairment	(28,072)	(2,536)	(5,284)	(1,000)
	52,389	**67,683**	**9,875**	**4,000**
The Beaumont profit share	-	-	-	-
Less: Accumulated amortisation and impairment	-	-	-	-
	-	-	-	-
Other	2	2	-	-
	238,972	**238,482**	**12,990**	**7,327**

**Only the Bed Licenses on certain leased or managed sites are amortised. Refer to Note 1 (m) (i) for further details.*

Consolidated	Goodwill	Approved provider Aged Care places (bed licences)	Management contracts	The Beaumont profit share	Other	Total
Year ended 30 June 2009	$'000	$'000	$'000	$'000	$'000	$'000
Opening net book amount	111,098	59,699	67,683		2	238,482
Additions	15,996	-	10,242	-	-	26,238
Disposals	-	-	-	-	-	-
Impairment charge *	-	-	(23,992)	-	-	(23,992)
Amortisation charge	-	(212)	(1,544)	-	-	(1,756)
Closing net book amount	**127,094**	**59,487**	**52,389**	**-**	**2**	**238,972**

** Includes $20,000,000 impairment of the Retirement Guide Asset Management Rights (refer to Note 7 and Note 43) and $3,992,000 impairment of Development project investments previously classified as intangible assets.*

Consolidated Year ended 30 June 2008	Goodwill $'000	Approved provider Aged Care places (bed licences) $'000	Management contracts $'000	The Beaumont profit share $'000	Other $'000	Total $'000
Opening net book amount	-	4,006	-	4,363	4	8,373
Additions	111,098	55,906	70,219	-	-	237,223
Disposals	-	-	-	-	-	-
Impairment charge	-	-	-	(4,363)	-	(4,363)
Amortisation charge	-	(213)	(2,536)	-	(2)	(2,751)
Closing net book amount	**111,098**	**59,699**	**67,683**	**-**	**2**	**238,482**

20. NON-CURRENT ASSETS – OTHER

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Prepayments	123	-	12,132	12,259

21. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Doubtful debts	5,867	1,176	1,860	336
Employee benefits	3,830	2,818	628	392
Accrued expenses	1,171	1,228	477	644
Inventories	14,733	-	1,194	-
Other	10,767	7,784	8,843	6,443
Tax losses	25,608	68,788	25,608	68,788
	61,976	**81,794**	**38,610**	**76,603**

				Consolidated				
Movements	Tax Losses	Doubtful Debts	Employee Benefits	Accrued Expenses	Inventories	Other	Total 2009 Consolidated	Total 2008 Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance at 1 July	68,788	1,176	2,818	1,228	-	7,784	81,794	62,079
Credited/(charged) to the income statement (Note 8)	-	4,691	547	(57)	14,733	2,318	22,232	(1,949)
Other	-	-	465	-	-	-	465	2,701
Charged/(credited) to equity	-	-	-	-	-	665	665	5,100
Losses de-recognised	(43,180)	-	-	-	-	-	(43,180)	-
Current year loss	-	-	-	-	-	-	-	13,863
Closing balance at 30 June	**25,608**	**5,867**	**3,830**	**1,171**	**14,733**	**10,767**	**61,976**	**81,794**
Deferred tax assets to be recovered after more than 12 months							52,672	77,941
Deferred tax assets to be recovered within 12 months							9,304	3,853
							61,976	**81,794**

				Parent Entity				
Movements	Tax Losses	Doubtful Debts	Employee Benefits	Accrued Expenses	Inventories	Other	Total 2009 Consolidated	Total 2008 Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance at 1 July	68,788	336	392	644	-	6,443	76,603	58,335
Credited/(charged) to the income statement (Note 8)	35,249	1,524	236	(167)	1,194	1,735	39,771	3,411
Charged/(credited) to equity	-	-	-	-	-	665	665	5,100
Current year loss	(22,453)	-	-	-	-	-	(22,453)	16,522
Losses not recognised	(43,180)	-	-	-	-	-	(43,180)	-
Losses of subsidiaries accounted through inter-company loans	(12,796)	-	-	-	-	-	(12,796)	(6,765)
Closing balance at 30 June	**25,608**	**1,860**	**628**	**477**	**1,194**	**8,843**	**38,610**	**76,603**
Deferred tax assets to be recovered after more than 12 months							36,148	75,982
Deferred tax assets to be recovered within 12 months							2,462	621
							38,610	**76,603**

The deferred tax asset attributable to tax losses does not exceed taxable amounts arising from the reversal of existing assessable temporary differences.

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Net deferred tax balances:				
Balance as per deferred tax assets:				
(refer Note 21 above)	61,976	81,794	38,610	76,603
Less balance as per deferred tax liabilities				
(refer Note 26)	(78,521)	(97,111)	(33,423)	(35,345)
Net deferred tax asset/(liability)	(16,545)	(15,317)	5,187	41,258

22. CURRENT LIABILITIES – RESIDENT LOANS

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Gross resident loans	1,740,729	1,288,817	197,490	173,891
Deferred Management Fees on owned sites	(164,340)	(100,055)	(21,518)	(17,047)
(Note 1(c)(i))	1,576,389	1,188,762	175,972	156,844

23. CURRENT LIABILITIES – PAYABLES

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Trade creditors & accruals	66,229	55,850	24,926	17,934
Property settlements due	4,212	5,875	623	81
Wholly owned group (Note 34 (f))	-	-	210,936	175,121
Tax related intercompany payable	-	-	-	9,004
Other	-	1	-	-
	70,441	61,726	236,485	202,140

24. CURRENT AND NON-CURRENT LIABILITIES – BORROWINGS

The Group was required to obtain consent from lending banks and derivative counterparties to enter into the combination of transactions with LLC (Refer Note 41). These consents were obtained from the major parties to the bank debt facilities being Australia & New Zealand Banking Group Limited (ANZ), Commonwealth Bank of Australia (CBA) and National Australia Bank (NAB).

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Current - Secured				
Hire purchase liability	326	399	188	399
Bank debt facilities (a)	461,133	-	400,887	-
Deferred borrowing costs (net)	(4,230)	-	(4,230)	-
Total secured current borrowings	457,229	399	396,845	399
Current – Unsecured				
Other unsecured loans	32	33	-	-
Total unsecured current borrowings	32	33	-	-
Total current borrowings	457,261	432	396,845	399
Non-Current - Secured				
Hire purchase liability	417	604	417	604
Total secured non-current borrowings	417	604	417	604
Non-Current - Unsecured				
Bank debt facilities (a)	-	593,998	-	537,196
LLC Convertible Notes *	156,133	-	156,133	-
Deferred borrowing costs (net)	-	(3,304)	-	(2,991)
Other Unsecured Borrowings	1,091	-	290,656	248,172
Total unsecured non-current borrowings	157,224	590,694	446,789	782,377
Total non-current borrowings	157,641	591,298	447,206	782,981

**Further information relating to LLC convertible note borrowings is set out in Note 41 (c). The above carrying amount represents the debt component of these compound financial instruments, noting that their face value was $158,400,000 as at 30 June 2009.*

a) Assets pledged as security

All borrowings under the bank debt facilities are supported by guarantees and cross guarantees from the Group's controlled entities (subject to certain exceptions). In addition, these facilities include a negative pledge that restricts subsidiaries from providing security over assets as well as containing other financial ratios.

The Group's financiers and derivative counterparties consented to the LLC transaction subject to certain conditions and amendments to the Group's debt facility documents. The financiers and derivative counterparties consent included the requirement that the Group and its controlled entities grant first ranking security (over all assets and undertakings in the form of first ranking fixed and floating charges and registered real property mortgages (subject to certain exceptions)). This security was granted by the Group on 25 March 2009.

Lease liabilities and hire purchase liabilities are effectively secured as the rights to the leased assets and hire purchase liabilities recognised in the financial statements revert to the lessor in the event of default. The hire purchases are secured on assets under finance and the liability is effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

b) Financing Arrangements

As at 30 June 2009 the Group had $35,023,000 available in cash. The Group's LLC Convertible Notes were fully drawn as at 30 June 2009.

As of 30 June 2009, the Group has access to the following financing/loan facilities:

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Total facilities available:				
Bank overdraft - credit standby arrangement	-	-	-	-
Loans from banks and other Corporations	525,000	600,000	464,754	543,198
LLC Convertible Notes	156,133	-	156,133	-
	681,133	**600,000**	**620,887**	**543,198**
Facilities used at balance date:				
Bank overdraft - credit standby arrangement	-	-	-	-
Loans from banks and other Corporations	461,133	593,998	400,887	537,196
LLC Convertible Notes	156,133	-	156,133	-
	617,266	**593,998**	**557,020**	**537,196**
Facilities unused at balance date:				
Bank overdraft - credit standby arrangement	-	-	-	-
Loans from banks and other Corporations *	63,867	6,002	63,867	6,002
LLC Convertible Notes	-	-	-	-
	63,867	**6,002**	**63,867**	**6,002**

** The unused facilities from the Banks as at 30 June 2009 totalled $63,867,000. While this represents the unused amount at balance date, its availability from 9 June 2009 is be subject to the Banks consent, refer to Note 1(b).*

c) Interest Rate Derivatives

During the period, the Group closed out two interest rate swap contracts, as it was deemed uneconomic to keep these interest rate derivatives. This had an effective date of 16 January 2009, resulting in a cash payment of $16,480,000 on 16 January 2009 and realising a fair value (or mark to market) loss of $15,064,000 in the period.

During the period, the Group restructured an existing interest rate swap contract, the contract put in place by the previous Manager, with an effective date of 17 March 2009, resulting in cash payment of $1,885,000 on 17 March 2009. During the period, two of the Group's interest rate derivative contracts reached maturity.

After the above changes to the Group's interest rate derivative contracts, at period end, the Group had the following interest rate derivative contracts outstanding:

	2009			2008		
	Face Value	Weighted Average interest rate	Weighted Average Maturity	Face Value	Weighted Average Interest Rate	Weighted Average Maturity
	$'000	(%)	(years)	$'000	(%)	(years)
Interest rate derivatives	150,000	6.75	5.0	371,165	6.02	6.14

The Group and Parent Entity have an interest rate derivative contract of $100 million that has a call option whereby the bank counterparty may extend the term of the swap for a further 5 years from expiry of the underlying derivative. The table above excludes this as the option has not been called as at the date of this report. The fair value of the call option component has been factored into the fair value recognised.

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For the Year Ended 30 June 2009

d) Maturities and Interest Rate Exposures of Financial Liabilities

2009 Consolidated	Notes	1 Year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Non-interest bearing*	Total contractual cash flows	Total carrying amount
		Contractual Cashflows							
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial Liabilities									
Resident loans	22	-	-	-	-	-	1,576,389	1,576,389	1,576,389
Payables	23	-	-	-	-	-	70,441	70,441	70,441
Interest rate derivatives		10,125	10,125	10,125	8,813	7,500	-	46,688	10,355
Loans from banks and other Corporations	24	461,133	-	-	-	-		461,133	461,133
Accommodation bond liability		-	-	-	-	-	119,443	119,443	119,443
LLC Convertible Notes	24	15,007	15,007	15,007	15,007	165,904	-	225,932	156,133
Hire purchase liability	24	326	198	162	109	-	-	795	743
Total financial liabilities		**486,591**	**25,330**	**25,294**	**23,929**	**173,404**	**1,766,273**	**2,500,821**	**2,394,637**
Weighted interest rate (variable only)		4.99%							

** These are contractual cashflows of 1 year or less.*

2008 Consolidated	Notes	1 Year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Non-interest bearing	Total contractual cash flows	Total carrying amount
		Contractual Cashflows							
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial Liabilities									
Resident loans	22	-	-	-	-	-	1,188,762	1,188,762	1,188,762
Payables	23	-	-	-	-	-	61,726	61,726	61,726
Loans from banks and other Corporations	24	51,471	51,471	446,769	17,357	215,045	-	782,113	593,998
Accommodation bond liability		-	-	-	-	-	105,560	105,560	105,560
Hire purchase liability	24	399	188	165	146	277	-	1,175	1,003
Total financial liabilities		**51,870**	**51,659**	**446,934**	**17,503**	**215,322**	**1,356,048**	**2,139,336**	**1,951,049**
Weighted interest rate (variable only)		9.62%	10.01%	8.63%	9.62%	8.78%	-	-	-

		Contractual Cashflows							
2009 Parent	Notes	1 Year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Non-interest bearing*	Total contractual cash flows	Total carrying amount
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial Liabilities									
Resident loans	22	-	-	-	-	-	175,972	175,972	175,972
Payables	23	-	-	-	-	-	236,485	236,485	236,485
Interest rate derivatives		10,125	10,125	11,438	7,500	7,500	-	46,688	10,355
Loans from banks and other Corporations	24	400,887	-	-	-	-	-	400,887	400,887
Loans-related parties*		-	-	-	-	-	290,656	290,656	290,656
LLC Convertible Notes	24	15,007	15,007	15,007	15,007	165,904	-	225,932	156,133
Accommodation bond liability		-	-	-	-	-	11,825	11,825	11,825
Hire purchase liability	24	188	198	162	109	-	-	657	605
Total financial liabilities		426,207	25,330	26,607	22,616	173,404	714,938	1,389,102	1,282,918
Weighted interest rate (variable only)		4.90%							

** These are contractual cashflows of 1 year or less.*

		Contractual Cashflows							
2008 Parent	Notes	1 Year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Non-interest bearing	Total contractual cash flows	Total carrying amount
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial Liabilities									
Resident loans	22	-	-	-	-	-	156,844	156,844	156,844
Payables **	23	-	-	-	-	-	202,140	202,140	202,140
Loans from banks and other Corporations	24	51,170	405,375	15,714	15,714	195,714	-	683,687	537,196
Loans - related parties	24	21,700	21,700	21,700	21,700	270,272	-	357,072	248,571
Accommodation bond liability		-	-	-	-	-	5,345	5,345	5,345
Hire purchase liability	24	399	188	165	146	277	-	1,175	1,003
Total financial liabilities		73,269	427,263	37,579	37,560	466,263	364,329	1,406,263	1,151,099
Weighted interest rate (variable only)		9.62%	10.01%	8.53%	9.62%	8.73%			

***The parent has various intercompany borrowings that are non-interest bearing for which there are no contractual maturity dates.*

e) Breach of Debt Covenant

Refer to Note 1(b) for details.

f) Fair Value

The carrying amounts approximate the net fair values of financial assets and liabilities at balance date.

(i) On-Balance Sheet

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Group approximates their carrying amounts, except for the LLC convertible notes which have a face value of $158,400,000 however as a compound financial instrument the fair value of the warrant component is required to be recognised in equity and the difference between the debt component and the face value unwound (amortised) over the term of the notes. The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market price exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

(ii) Off-Balance Sheet

LLPL and its controlled entities have potential financial liabilities which may arise from certain contingencies disclosed in Note 32. As explained in the Note, no material losses are anticipated in respect of any of those contingencies and the net fair value reflected in the financial assets and liabilities is the directors' estimate of amounts which would be payable by the Group as consideration for the assumption of those contingencies by another party.

25. CURRENT AND NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Current				
Employee benefits	11,422	9,251	1,235	979
Unearned income (a)	21	9	-	-
Provision for distribution	-	13,569	-	-
	11,443	22,829	1,235	979

a) Unearned Income

This amount represents rental fees paid in advance for consulting suites at a facility.

Movements In Provision

Movements in each class of provision during the financial year, other than employee benefits, are set out below.

Consolidated – 2009	Provision for Distribution $'000	Unearned Income $'000
Carrying amount at start of year	13,569	9
Additional provisions recognised	-	12
Payments/other	(13,569)	-
Carrying amount at end of year	-	21

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Non Current				
Employee benefits	1,218	1,504	397	328
Capital expenditure (b)	-	287	-	-
Onerous contracts (c)	3,235	2,399	16	-
Other	82	-	-	-
	4,535	4,190	413	328

b) Capital expenditure

Amounts provided in accordance with contracts with owners of senior living facilities.

c) Onerous contracts

The provision recognised is based on the excess of the estimated cash flows to meet the unavoidable costs under the contract over the estimated cash flows to be received in relation to the contract, having regard to those risks of the activities relating to the contract.

Movements in Provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

Consolidated – 2009	Capital Expenditure	Onerous Contracts	Total
	$'000	$'000	$'000
Carrying amount at start of year	287	2,399	2,686
Additional provisions recognised	-	836	836
Payments/other	(287)	-	(287)
Carrying amount at end of year	-	3,235	3,235

26. DEFERRED TAX LIABILITIES

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Inventories	16,505	22,608	10,240	14,326
Deferred management fees/bond retentions accrued	18,840	21,248	-	-
Investment property	32,858	44,995	17,249	16,861
Other movements	10,318	8,260	5,934	4,158
	78,521	97,111	33,423	35,345

				Consolidated			
Movements	Inventories	Receivables	Investment in associates	Investment Property	Other	Total 2009 Consolidated	Total 2008 Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance at 1 July	22,608	21,248	8,137	44,995	123	97,111	71,074
(Credited)/charged to the income statement (Note 8)	(6,103)	(2,408)	(1,196)	(12,137)	2,951	(18,893)	26,762
Other	-	-	-	-	-	-	190
Charged/(credited) to equity	-	-	-	-	303	303	(915)
Closing balance at 30 June	**16,505**	**18,840**	**6,941**	**32,858**	**3,377**	**78,521**	**97,111**
Deferred tax liabilities to be settled after more than 12 months						76,359	71,387
Deferred tax liabilities to be settled within 12 months						2,162	25,724
						78,521	**97,111**
Opening balance at 1 July	14,326	-	4,136	16,861	21	35,344	27,016
(Credited)/charged to the income statement (Note 8)	(4,086)	-	234	388	1,238	(2,226)	6,804
Amounts transferred from subsidiary members	-	-	-	-	-	-	2,440
Charged/(credited) to equity	-	-	-	-	305	305	(915)
Closing balance at 30 June	**10,240**	**-**	**4,370**	**17,249**	**1,564**	**33,423**	**35,345**
Deferred tax liabilities to be settled after more than 12 months						33,393	20,130
Deferred tax liabilities to be settled within 12 months						29	15,215
						33,422	**35,345**

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Net deferred tax balances:				
Balance as per deferred tax assets	61,976	81,794	38,610	76,603
Less balance as per deferred tax liabilities (refer above)	(78,521)	(97,111)	(33,423)	(35,345)
Net deferred tax asset/(liability)	**(16,545)**	**(15,317)**	**5,187**	**41,258**

27. CONTRIBUTED EQUITY

The Group is a stapled entity in which the security holders hold direct interests and an equal number of securities in each of LLPL and LLPT. As the stapling of LLPL and LLPT occurred after the introduction of AIFRS, AASB Interpretation 1002 Post date of transition stapling arrangements applies. For the purposes of AASB 1002, LLPL has been identified as the acquirer and the results and equity of LLPT are presented as minority interest in the consolidated financial statements on the basis that LLPL has not obtained an ownership interest as a result of the stapling.

All benefits and risks of ownership and operations of LLPT flow through to the consolidated result of the Group and form part of the profit attributable to stapled security holders. Accordingly, whilst the results and equity of LLPT are disclosed as minority interest, the stapled security holders of LLPL are the same as the stapled security holders of LLPT.

SHARE CAPITAL – LLPL

Date	Details	Notes	No. of Securities	Issue price $	2009 $'000
	Ordinary securities fully paid	(a)	966,219,333	-	581,028
	Movement in ordinary securities on Issue				
1 Jul 08	Opening balance		651,727,936	-	478,847
25 Sep 08	Distribution Reinvestment Plan	(b)	31,191,397	0.44	13,686
25 Sep 08	Less: Minority Interest (LLPT)		-	-	(5,474)
30 Dec 08	Capital Raising – LLC	(c)	246,200,000	0.528	127,443
	Less: Transaction costs arising on security issues				(5,719)
	Deferred tax asset on transaction costs arising on security issues				665
20 Feb 09	Capital Raising – LLC	(c)	37,100,000	0.528	22,280
	Less: Minority Interest (LLPT)		-	-	(50,700)
30 June 2009	Balance		966,219,333		581,028
	Ordinary securities fully paid		651,727,936	-	478,847
	Movement in ordinary securities on Issue				
1 Jul 07	Opening balance		170,677,322	-	231,339
30 Jul 07	Capital Raising – Priority Offer		68,181,818	1.10	75,000
30 Jul 07	Capital Raising – Main Offer		347,826,087	1.15	400,000
30 Jul 07	Development JV Scrip Acquisition		4,347,826	1.15	5,000
30 Jul 07	PLT Scrip Acquisition		57,433,913	1.15	66,049
30 Jul 07	Less; Minority Interest (LLPT)		-	-	(278,647)
27 Nov 07	Conform Scrip Acquisition		3,260,970	1.07	3,500
	Less: Transaction costs arising on security issues		-	-	(28,494)
	Deferred tax asset on transaction costs arising on security issues		-	-	5,100
30 June 2008	Balance		651,727,936		478,847

Terms And Conditions Of Contributed equity - Notes to table

a) Ordinary Securities

Ordinary securities have the right to receive distributions as declared and, in the event of winding up the Group, to participate in the proceeds from sale of all surplus assets in proportion to the number of securities held and whether fully paid. Ordinary securities entitle their holder to one vote, either in person or by proxy, at a meeting of the Group.

b) Distribution Reinvestment Plan

The distributions paid/declared during the financial year ended 30 June 2008 were made by LLPT. This included the final distribution of 2.1 cents per security which was paid on 25 September 2008. A Distribution Re-investment Plan (DRP) was activated for this final distribution which was fully under-written by Babcock & Brown Group resulting in no cash outflow by the Group. Securities were issued at a discount of 2.5%.

c) Capital Raising – the LLC transaction

On 30 December 2008 the security holders approved the issue of 283,300,000 ordinary securities to Lend Lease Corporation (LLC) under the terms of the LLC deal as recommended by the Directors and disclosed in the Notice of Annual General Meeting (AGM) dated 28 November 2008. Effective 30 December 2008, 246,200,000 ordinary securities were issued to LLC. The issue of the remaining 37,100,000 ordinary securities or $22,280,000 occurred on 20 February 2009 following New Zealand Overseas Investment

Review Board approval of the LLC deal. The Directors determined fair value was $0.528 per security. Refer to Note 41(a) for details of the basis of assessing the fair value attributed to the equity issued.

28. EQUITY - RESERVES AND RETAINED PROFITS/ACCUMULATED LOSSES

	Consolidated		Parent Entity	
	2009	2008	2009	2008
a) Reserves	$'000	$'000	$'000	$'000
Asset revaluation reserve	1,228	1,233	1,650	1,650
Share-based payments reserve	1,917	1,917	1,917	1,917
LLC convertible notes reserve	2,518	-	2,518	-
Foreign currency translation reserve	(10,024)	(11,645)	-	-
	(4,361)	(8,495)	6,085	3,567
Asset Revaluation Reserve				
The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. The reserve can only be used to pay dividends in limited circumstances.				
Balance at the beginning of the financial year	1,233	4,363	1,650	1,650
Fair value adjustment	-	-	-	-
Disposal of investment	(5)	(3,130)	-	-
Balance at the end of the financial year	1,228	1,233	1,650	1,650
Share-based payments reserve				
The share-based payments reserve is used to recognise the fair value of options issued but not exercised.				
Balance at the beginning of the financial year	1,917	1,494	1,917	1,494
Executive option expense	-	423	-	423
Balance at the end of the financial year	1,917	1,917	1,917	1,917
Convertible Notes Reserve				
Balance at the beginning of the financial year	-	-	-	-
Issue of compound financial instruments	2,518	-	2,518	-
Balance at the end of the financial year	2,518	-	2,518	-
Foreign Currency Translation Reserve				
Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve. The reserve is recognised in profit and loss when the net investment is disposed of.				
Balance at the beginning of the financial year	(11,645)	542	-	-
Currency translation differences arising during the year	1,621	(12,187)	-	-
Balance at the end of the financial year	(10,024)	(11,645)	-	-
b) Retained profits/(accumulated losses)				
Retained profits/(accumulated losses) at the beginning of the financial year	(95,010)	(129,568)	(180,722)	(144,556)
Profit/(loss) attributable to members of LLPL for the year	(180,184)	41,084	(173,871)	(36,166)
Transfer out profits relating to an associate accounted for using the equity method as now accounted as a subsidiary	-	(6,526)	-	-
Retained profits/(accumulated losses) at the end of the financial year	(275,194)	(95,010)	(354,593)	(180,722)

29. DISTRIBUTIONS

No distributions have been declared for the full year. The balance of the franking account at year end is $14,830,862 (2008: $14,830,862).

The 2008 distributions paid during the 2009 year were made by LLPT, which is included in minority interest in accordance with the accounting for stapled entities discussed in Note 1(a). This distribution was fully satisfied via a Distribution Reinvestment Plan as detailed in Note 27. Refer to the Directors' report for further details on 2008 distributions.

30. KEY MANAGEMENT PERSONNEL DISCLOSURES

During the financial year the Key Management Personnel were employed under two distinct sets of remuneration practices as set out in the Remuneration Report:

- 1 July 2008 to 27 November 2008 – under the management of BBCM ("Period 1"); and
- 28 November 2008 to 30 June 2009 – under the management of LLVM ("Period 2")

Period 1

a) Directors

Chairman – Non-Executive

J Sloan (resigned 28 April 2009)

Executive Director

J Martin, Managing Director (1) (resigned 30 December 2008)

Non-Executive Directors

R N Topfer (resigned 9 December 2008)

G J Martin (resigned 28 April 2009)

A J Love

A Schwartz (resigned 15 September 2008)

b) Other Key Management Personnel

The following persons were the executives with the greatest authority for the strategic direction and management of the Group during the financial year:

Name	Position
D Kelly (1) (to 19 December 2008)	Chief Financial Officer
P Barry	General Manager Operations
M Horwood (to 31 May 2009)	General Manager Development
G S Dixon (1) (to 31 December 2008)	General Manager Corporate Services
M Mitchell	Chief Information Officer

(1) Employed by Babcock & Brown

Period 2

a) Directors

The following persons were directors of LLP during the period:

Chairman – Non-Executive

A J Love (from 28 April 2009)

J Sloan (resigned 28 April 2009)

Non-executive Directors

D Hutton[1] (appointed 30 December 2008)

A Lombardo[1] (appointed 30 December 2008)

I Crow (appointed 28 April 2009)

G Symons (appointed 28 April 2009)

G J Martin (resigned 28 April 2009)

(1) Employed by LLC

b) Other Key Management Personnel

The following persons were the executives with the greatest authority for the strategic direction and management of the Group during the financial year:

Name	**Position**
R Fehring[1] (from 27 November 2008)	Chief Executive Officer
P Walsh[1] (from 27 November 2008)	Chief Financial Officer
D Payne[1] (from 27 November 2008)	General Manager – Retirement Villages
P Barry	General Manager – Aged Care
M Mitchell	Chief Information Officer

(1) Employed by LLC

c) Key Management Personnel Compensation

Short Term Employee Benefits

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Employee benefits	2,964,107	3,201,277	2,964,107	3,201,277
Post employment benefits	163,647	136,913	163,647	136,913
Termination benefits	1,037,233	57,312	1,037,233	57,312
	4,164,987	**3,395,502**	**4,164,987**	**3,395,502**

Long Term Employee Benefits

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Employee benefits	-	-	-	-
Long Service Leave	18,543	-	18,543	-
Share based payments	-	492,011	-	492,011
	18,543	**492,011**	**18,543**	**492,011**

The company has taken advantage of the relief provided by ASIC Class Order 06/50 and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found in of the Remuneration Report.

d) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and securities issued on exercise of such options

Options over stapled securities in the Group were granted to executives under the previous BBCG management through the Senior Management Option Plan.

When exercisable, each option is convertible into one ordinary share.

Further details of options provided as remuneration and securities issued on exercise of such options, together with the terms and conditions of the options, can be found in of the Remuneration Report.

(ii) Option holdings

The numbers of options over stapled securities in the Group held during the financial year by each director of LLPL who has held office at any time during the year and other key management personnel of the Group, including their personally related parties, are set out below.

30 June 2009	Balance at beginning of the year	Granted during the year as compensation	Exercised during the year	Options lapsed during the year	Options Forfeited	Options balance at end of year	Vested and exercisable at end of year
Directors of Lend Lease Primelife Limited (previously Babcock & Brown Communities Limited)							
J D Martin	600,000	-	-	-	(600,000)	-	-
Other Key Management Personnel of the Group							
G S Dixon	400,000	-	-	-	(400,000)	-	-
G Boyd (to 7 September 2007)	400,000	-	-	-	(400,000)	-	-
P Barry	200,000	-	-	-	-	200,000	200,000
Directors of Lend Lease Primelife Limited (previously Babcock & Brown Communities Limited)							
J D Martin	400,000	200,000	-	-	-	600,000	600,000
Other Key Management Personnel of the Group							
G S Dixon	200,000	200,000	-	-	-	400,000	400,000
G Boyd (to 7 September 2007)	200,000	200,000	-	-	-	400,000	400,000
P Barry	-	200,000	-	-	-	200,000	200,000

No options are vested and un-exercisable at the end of the year.

(iii) Security holdings

The number of stapled securities in the Group held during the financial year by each director of LLPL who has held office at any time during the year and other key management personnel of the Group, including their personally related parties, are set out below. There were no securities granted during the reporting year as compensation. The following balances were for directors that held office during the year ended 30 June 2009. Only the directors with security holdings are detailed below.

30 June 2009	Balance at Beginning of the Year	Received during the Year on the Exercise of Options	Other Changes during the Year	Balance at End of Year
Directors of Lend Lease Primelife Limited				
Ordinary securities				
J D Martin	240,000	-	(240,000)	-
R N Topfer[(1)]	3,120,001	-	(3,120,001)	-
G J Martin	200,043	-	(200,043)	-
A J Love	60,000	-	2,872	62,872
J Sloan [(2)]	43,000	-	43,000	-
D Hutton[(3)]	-	-	50,000	50,000
A J Schwartz[(1)]	1,264,000	-	(1,264,000)	-

(1) The Babcock & Brown Group had no relevant interest in ordinary securities (2008: 85,764,267) in the Group. Non-executive directors, Messrs Topfer and Schwartz, were executives of Babcock & Brown. In addition, R N Topfer held a direct interest in 3,120,001 ordinary securities in the Group. A J Schwartz held an indirect interest through Davtom Pty Ltd ATF Davtom Trust No. 2.

(2) The director may still hold securities in the Group, the reversal in "Other Changes During the Year' illustrates they are no longer in authority and is shown for comparative purposes only.

(3) D Hutton held a direct interest in 50,000 ordinary securities in the Group through Edgecliff Trust

30 June 2008	Balance at Beginning of the Year	Received during the Year on the Exercise of Options	Other Changes during the Year	Balance at End of Year
Directors of Lend Lease Primelife Limited				
Ordinary securities				
J D Martin	200,000	-	40,000	240,000
R N Topfer(1)	23,437,855	-	(20,317,854)	3,120,001
G J Martin	95,043	-	105,000	200,043
A J Love	30,000	-	30,000	60,000
J Sloan	20,000	-	23,000	43,000
A J Schwartz(1)	50,000	-	1,214,000	1,264,000

(1) The Babcock & Brown Group has a relevant interest in 85,764,267 ordinary securities (2007: 22,725,678) in the Group. Non-executive directors, Messrs Topfer and Schwartz, are executives of Babcock & Brown. In addition, R N Topfer held a direct interest in 3,120,001 ordinary securities in the Group. A J Schwartz held an indirect interest through Davtom Pty Ltd ATF Davtom Trust No. 2, in 1,264,000 ordinary securities in the Group.

(iv) Directors' Interests in Convertible/Converting Notes of the Company and Related Bodies Corporate

There were no convertible or converting notes held in the Group by any Directors of LLP during the 2009 financial year (2008: nil).

The numbers of Convertible and/or Converting Notes in the Company held during the 2008 financial year by each director of the then BBCL who held office at any time during the year and other key management personnel of the Group, including their personally related parties, are set out below.

30 June 2008	Balance at Beginning of the Year	Converted during the Year	Other Changes During the Year	Balance at End of Year
Directors of Babcock & Brown Communities Limited				
Convertible and Converting Notes				
R N Topfer(1)	16,862,325	-	16,862,325	-

(1) Non-executive director Mr Topfer was an executive of Babcock & Brown during the 2008 financial year.

e) Loans to Key Management Personnel

There have been no loans to directors of LLPL, or other key management personnel, at any time during the years ended 30 June 2009 and 30 June 2008.

f) Other Transactions with Key Management Personnel

There are directors of LLPL who hold or have held positions in other companies where it is considered they control or significantly influence the financial or operating policies of those entities.

(i) Babcock & Brown Group

The Babcock & Brown Group which includes Babcock & Brown Limited, AGSO Property Pty Ltd, B&B Retirement Management Pty Ltd, Babcock & Brown Australia Pty Ltd and Babcock & Brown Australia CPI Pty Ltd, are considered to be director-related entities of R N Topfer and A J Schwartz.

(ii) Lend Lease Group

As a part of their greater role in the LLC Group, D Hutton and A Lombardo hold various positions as Directors on boards' of companies that are consolidated into the Lend Lease Group. All disclosures relating to operations between LLPL and LLC have been disclosed above in the relevant related party notes.

31. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2009	2008
	$	$
a) Audit Services		
PricewaterhouseCoopers Australia -		
Audit and review of financial reports under the Corporations Act 2001	1,047,500	1,418,383
Overseas PricewaterhouseCoopers -		
Audit and review of other financial reports	109,000	122,617
Total remuneration for audit services	1,156,500	1,541,000
b) Non-Audit Services		
Taxation services		
PricewaterhouseCoopers Australia -		
Tax compliance services, including review of company income tax returns and GST	326,764	389,746
Total remuneration for taxation services	326,764	389,746
Other services		
PricewaterhouseCoopers Australia -		
Due diligence services	253,282	987,469
Total remuneration for other services	253,282	987,469
Total remuneration for non-audit services	580,046	1,377,215

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important. These assignments are principally tax advice and due diligence reporting on acquisitions.

32. CONTINGENT LIABILITIES

a) Legal Actions

Over the last financial half year, the Group has been successful in resolving a number of outstanding legacy disputes in a satisfactory manner.

The resolution of all disputes is handled in a commercial manner and with the benefit of experienced external legal advice. In accordance with our accounting policies, all legal costs are expensed as incurred.

Bufalo Dispute

- In August 1999, Bufalo Corporation Pty Ltd (In Liquidation) (Receiver and Manager Appointed) brought proceedings against the Company for alleged wrongful appointment of a receiver and manager and alleged breaches of agreements in relation to various building projects and aged care facilities. The Company counterclaimed for damages in respect of alleged breaches of joint venture agreements and alleged failure to pay monies owing to the Company.
- The Company's principal exposure is damages, interest and the costs of all parties to the proceeding. Bufalo Corporation Pty Ltd seeks damages in excess of $4.2 million plus interest and costs or an alternative claim of $2.4 million plus interest and costs.
- The Company believes it has a strong defence and will rigorously defend the claim and prosecute its counterclaim.

Eduard Sent Litigation

In late 2003, Eduard Sent, the former CEO of the Company, brought proceedings against the Company for wrongful dismissal and for the payment of the balance of Mr Sent's contract plus damages of $5,333,817. The Group successfully defended these claims which were dismissed with costs in the Company's favour. Mr Sent has entered into a Deed of Settlement with the Company.

Australian Tax Ruling 94 / 24 Related Litigation

The Group is involved in a proceeding relating to an uncompleted contract of sale for Princeton View Aged Care Facility entered into with a managed investment syndicate relying upon the Australian Tax Office Ruling 94/24. The syndicate manager has commenced proceedings against the Group for specific performance of the contract. The court has ordered that these proceedings be heard at the same time as the ASIC proceedings relating to the winding up of this managed investment syndicate (refer note (b) below). The Group is in negotiations with the parties to resolve this matter.

Prime Trust Litigation

Prime Trust responsible entity, Australian Property Custodian Holdings Limited (APCH) and Glendale RV Syndication Pty Ltd (GRVS) have commenced a proceeding against the Group claiming failure to properly manage certain facilities because of the number of concessional residents above the government prescribed minimum. The Group has counterclaimed for breaches by APCH and GRVS in payment of monies under a bond reconciliation process agreed between the parties. LLP, APCH & GRVS have entered into agreements on 13 August 2009 to cease all proceedings with regard to these matters, subject to certain conditions precedents. It is anticipated that these conditions precedent will be satisfied.

In September 2007, the Group acquired management rights to 12 retirement villages which the Group now manages under a lease, loan and management arrangement with APCH group entities. Various disputes as to acquisition liabilities and payment obligations and calculations under the arrangements have arisen between the parties. The Group has also commenced proceedings against the vendor in relation to the acquisition liabilities. LLP, APCH & GRVS have entered into agreements on 13 August 2009 to cease all proceedings with regard to these matters, subject to certain conditions precedents. It is anticipated that these conditions precedent will be satisfied.

b) Settlement of Managed Investment Scheme Issues

On 1 April 2005, the Group settled proceedings brought by the Australian Securities and Investments Commission relating to the Group's association with allegedly non-compliant managed investment schemes established by promoters between 1998 and 2002 to invest in the development and ownership of a number of retirement and aged care facilities operated by the Group.

As at the end of the financial period, 22 schemes were wound up or resolved on terms acceptable to the Group. The hearing for the final winding-up of the remaining scheme relating to Princeton View has been adjourned to 2 September 2009. The Group is in negotiations with the parties to resolve this matter.

33. COMMITMENTS

a) Operating Lease Commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Consolidated		Parent Entity	
(i) Management Deeds	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Within one year	12,987	13,909	786	783
Later than one year but not later than five years	55,963	61,429	3,387	3,460
Later than five years	148,841	190,399	7,431	9,326
	217,791	265,737	11,604	13,569

These operating leases are in relation to Management Deeds and represent the contracted annual fee payments to senior living facility owners/investors. The lease terms are for an average of 20 years with an option to extend available at LLPL's option. Annual fee payments are CPI indexed.

(ii) Office Rental	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Within one year	1,198	769	1,198	769
Later than one year but not later than five years	4,319	4,845	4,319	4,845
Later than five years	1,892	3,169	1,892	3,169
	7,409	8,783	7,409	8,783

Office rental accommodation in Melbourne and Brisbane. These leases have an average lease term of 4.4 years. The amounts are net of non-cancellable sub-leases relating to office accommodation no longer utilised in Melbourne.

b) Finance Leases and Hire Purchase Commitments

Commitments in relation to finance leases and hire purchase commitments are payable as follows:

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Within one year	237	476	237	476
Later than one year but not later than five years	470	698	470	698
Minimum lease and hire purchase payments	707	1,174	707	1,174
Less: Future finance charges	(102)	(171)	(102)	(171)
Recognised as a liability	605	1,003	605	1,003
Representing lease and hire purchase liabilities				
Current liability - borrowings (Note 24)	326	399	188	399
Non-current liability - borrowings (Note 24)	417	604	417	604
	743	1,003	605	1,003

The Group leases motor vehicles, computers and plant and equipment under finance leases and commercial hire purchase agreements expiring from one to five years.

The weighted average interest rate implicit in the leases is 9.62% (2008: 9.68%).

c) Capital Expenditure

At balance date the aggregate amount of capital expenditure contracted but not provided for in the financial statements:

Retirement Village Construction Contracts

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Within one year	4,480	16,457	-	-
Later than one year but not later than five years	-	3,235	-	-
	4,480	19,692	-	-

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For the Year Ended 30 June 2009

34. RELATED PARTY TRANSACTIONS

a) Parent Entity

Lend Lease Primelife Limited (formerly Babcock & Brown Communities Limited) is the ultimate parent company in the Group.

b) Subsidiaries

Interests in subsidiaries are detailed in Note 35.

c) Key Management Personnel

Disclosures relating to key management personnel are set out in Note 30.

d) Transactions with Related Parties

The following transactions occurred with related parties:

(i) Babcock & Brown Group (B&B)

B&B was manager of the Group for the 2008 year, and for the period from 1 July 2008 until 26 November 2008, during which time the following transactions occurred:

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Amounts recognised as expense				
Interest Expense	-	-	-	3,645,117
Borrowing/finance cost	-	164,502	-	164,502
Responsible Entity fees	206,412	471,133	-	-
Restructure fees	-	2,450,192	-	1,470,115
Management & Custody fees*	1,675,818	-	1,505,784	-
	1,882,230	**3,085,827**	**1,505,784**	**5,279,734**
Amounts capitalised				
Borrowing/finance costs	-	1,372,998	-	1,372,998
Equity raising costs	-	10,333,506	-	6,200,104
Facilitation and engagement fees	-	8,908,798	-	-
	-	**20,615,302**	**-**	**7,573,102**
	1,882,230	**23,701,129**	**1,505,784**	**12,852,836**

** Under the terms of the B&B management agreement:*

- *FY09: B&B as manager agreed to make 50% of its Base Fee entitlement in respect of the FY09 period conditional on achieving certain performance hurdles that were not met.*
- *FY08: B&B as manager agreed to make 100% of its Base Fee entitlement in respect of the FY08 period conditional on achieving certain performance hurdles that were not met.*
- *For the portion of the FY09 period where B&B was the manager of the Group, under the terms of the management agreement, B&B met the full remuneration (including on-costs) of the CEO, CFO and COO which as B&B employees were seconded to the Group (refer to further details in the Remuneration Report and Note 30).*

(ii) Lend Lease Corporation (LLC)

LLC took over as manager of the Group on 27 November 2008, and since that date the following transactions occurred for the year:

LLC Transaction

As part of the LLC transaction during the year:

- Additional funding was provided to the Group through the issue of ordinary stapled securities and convertible notes to LLC, and
- The Retirement By Design (RBD) portfolio was acquired from LLC.

These transactions were on normal arm's length terms and were approved by securityholders (refer to Note 41 for further details).

LLC Convertible Notes

As noted above, as part of the LLC transaction, LLC convertible notes with a face value of $158,400,000 were issued during the year. The debt component on initial recognition was $155,882,000 and at 30 June 2009 is $156,133,000. The LLC convertible notes were issued on normal arm's length terms and were approved by securityholders (refer to Note 24 and Note 41(c) for further details).

During the period the interest expense on the LLC convertible notes was $7,608,902 on both a consolidated and parent entity basis, representing the interest incurred from December 2008 to June 2009.

Other Transactions

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Amounts recognised as expense				
Responsible Entity fees	304,693	-	-	-
Management & Custody fees	4,113,733	-	3,253,378	-
Transition management services*	317,536		317,536	
Origination and disposal fees	293,030	-	293,030	-
	5,028,992	-	3,863,944	-
Less: CEO, CFO & GM Retirement Villages secondment costs met by LLC **	(835,504)	-	(835,504)	-
	4,193,488	-	3,028,440	-

* *LLC under the terms of the RBD Transition Agreement have provided transition services to ensure the effective transition of the RBD portfolio and integration into the Group's operating platforms and systems. This fee is on normal arm's length terms and was only for a short term.*

** *Under the terms of the management agreement, LLC met the full remuneration costs (including on-costs) of the CEO, CFO and GM Retirement Villages which as LLC employees were seconded to the Group (refer to further details in the Remuneration Report and Note 30).*

During the year LLC seconded ancillary staff as required to the Group to assist with the restructure and strategic review. During the year LLC also provided Development Services staff as required to the Group to assist with the strategic review, restructure and re-positioning of the Development business. The fees incurred by the Group solely reflected the related staff's remuneration and on-costs for the period in which they were seconded to the Group, and have been recognised as an employee benefits expense during the year.

(iii) Other Related Parties

For the Parent Entity interest expense on related party loan was nil in the year (2008: $3,645,117).

e) Outstanding Balances Arising from Sales / Purchases of Goods and services

The following balances are outstanding at the reporting date in relation to transactions with related parties:

Notes to Consolidated Financial Statements

For the Year Ended 30 June 2009

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Current payables (tax funding agreement)				
Wholly owned tax consolidated entities (Note 23)	-	-	-	9,004,123
Current receivables (tax funding agreement)				
Wholly owned tax consolidated entities (Note 11)	-	-	4,094,793	-

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

f) Loans To / From Other Related Parties

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Loans from other related parties				
Beginning of the year	-	-	251,654,680	-
Loans advanced	-	-	50,725,287	275,538,362
Loan repayments made	-	-	(8,234,702)	(27,528,799)
Interest charged	-	-	-	3,645,117
Interest received	-	-	-	-
End of year	**-**	**-**	**294,145,265**	**251,654,680**
Loans to associates				
Beginning of the year	4,525,000	4,525,000	4,525,000	4,525,000
Loans advanced / (repaid)	7,000	-	7,000	-
End of year	**4,532,000**	**4,525,000**	**4,532,000**	**4,525,000**
Loans to/from wholly owned group controlled entities				
Beginning of the year	-	-	817,355,000	82,867,000
Loans advanced	-	-	(69,362,000)	734,488,000
End of year	**-**	**-**	**747,993,000**	**817,355,000**

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Loans from associates				
Beginning of the year	1,907,000	1,907,000	1,907,000	1,907,000
Loans advanced / (repaid)	950,000	-	950,000	-
End of year	**2,857,000**	**1,907,000**	**2,857,000**	**1,907,000**

g) Terms and Conditions

The terms and conditions of the tax funding agreement are set out in Note 8(d).

All other transactions are made on normal commercial terms and conditions and at market rates.

35. SUBSIDIARIES

Name of Entity	Class of Shares/Units	Equity Holding 2009 %	Equity Holding 2008 %
A.C.N. 008 291 745 Pty Ltd	Ordinary	100	100
AGVM Unit Trust	Ordinary	100	100
APC RV Holdings Pty Ltd	Ordinary	100	100
APC RV Holdings Unit Trust	Ordinary	100	100
Allora Gardens Pty Ltd	Ordinary	100	100
Allora Gardens Trust	Ordinary	100	100
Amplan Pty Ltd*	Ordinary	100	100
Amplan Trust*	Ordinary	100	100
Annesley Lifestyle Centre Pty Ltd	Ordinary	100	100
Argyle Village Services Pty Ltd	Ordinary	100	100
Ashton Gardens Village Management Pty Ltd	Ordinary	100	100
Ashton Gardens Village Services Pty Ltd	Ordinary	100	100
Australian Aged Care (No. 2) Pty Ltd*	Ordinary	100	100
Australian Aged Care Pty Ltd*	Ordinary	100	100
Australian Aged Care Trust No. 1*	Ordinary	100	100
Australian Aged Care Trust (No. 2)*	Ordinary	100	100
Australian Retirement Services Group Pty Ltd	Ordinary	100	100
Lend Lease Primelife (Harrington Waters) Pty Ltd (formerly Babcock & Brown Communities (Harrington Waters) Pty Ltd)	Ordinary	100	100
Lend Lease Primelife NSW Aged Care No. 1 Pty Ltd (formerly Babcock & Brown Communities NSW Aged Care No. 1 Pty Ltd)	Ordinary	100	100
Lend Lease Primelife QLD No. 1 Pty Ltd (formerly Babcock & Brown Communities QLD No. 1 Pty Ltd)	Ordinary	100	100
Lend Lease Primelife WA No. 1 Pty Ltd (formerly Babcock & Brown Communities WA No. 1 Pty Ltd)	Ordinary	100	100
Lend Lease Primelife WA No. 2 Pty Ltd (formerly Babcock & Brown Communities WA No. 2 Pty Ltd)	Ordinary	100	100
Lend Lease Primelife Retirement Ventures Pty Ltd (formerly Babcock & Brown Retirement Ventures Pty Ltd)	Ordinary	100	100
Bayside Aged Care Pty Ltd	Ordinary	100	100
BBC Aged Care Operations Pty Limited	Ordinary	-	100
LLP Aged Care Properties Pty Ltd (formerly BBC Aged Care Properties Pty Limited)	Ordinary	100	100
BBCL Subtrust	Ordinary	100	100
Bellflower Village Management Pty Ltd	Ordinary	100	100
Bellflower Village Management Unit Trust	Ordinary	100	100
Bellflower Village Services Pty Ltd	Ordinary	100	100
BGVM Unit Trust	Ordinary	100	100
Forest Hills Village Pty Ltd	Ordinary	100	-
Glenaeon Retirement Village Pty Ltd	Ordinary	100	-
Lutanda Manor Retirement Village Pty Ltd	Ordinary	100	-
P.V. Management Pty Ltd	Ordinary	100	-
Peppertree Hill Management Pty Ltd	Ordinary	100	-
RBD Property Management Pty Ltd	Ordinary	100	-
Retirement Village Properties Pty Ltd	Ordinary	100	-

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Name of Entity	Class of Shares/Units	Equity Holding 2009 %	Equity Holding 2008 %
Burwood Terrace Pty Ltd	Ordinary	100	100
Brentwood Village Management Pty Ltd	Ordinary	100	100
Brentwood Village Management Unit Trust	Ordinary	100	100
Brentwood Village Services Pty Ltd	Ordinary	100	100
Bibra Lake Development Pty Ltd	Ordinary	100	100
Bibra Lake Lakeside Villas Management Pty Ltd	Ordinary	100	100
Buderim Gardens Village Management Pty Ltd	Ordinary	100	100
Buderim Gardens Village Services Pty Ltd	Ordinary	100	100
Buderim Meadows Village Services Pty Ltd	Ordinary	100	100
Bulla Road Pty Ltd	Ordinary	100	100
Carlyle RV Management Pty Ltd	Ordinary	100	100
Carlyle RV Management Unit Trust	Ordinary	100	100
Central Coast Retirement Village Pty Ltd	Ordinary	100	100
Coastal Waters Retirement Village Pty Ltd	Ordinary	100	100
Conform Distributors Pty Ltd	Ordinary	100	100
Conform Health Group Pty Ltd*	Ordinary	100	100
Conform Management Consultants Pty Ltd	Ordinary	100	100
Conform Trust	Ordinary	100	100
Chancellor Park Village Services Pty Ltd	Ordinary	100	100
Fini Retirement Services Pty Ltd	Ordinary	100	100
Fini Villages Pty Ltd	Ordinary	100	100
Fini Villages Unit Trust	Ordinary	100	100
FJM Realty Pty Ltd	Ordinary	100	100
Hazen Pty Ltd	Ordinary	100	100
Hazen Unit Trust	Ordinary	100	100
Henry Kendall Bayside Pty Ltd	Ordinary	100	100
Henry Kendall Morisset Pty Ltd	Ordinary	100	100
Henry Kendall Village Pty Ltd	Ordinary	100	100
Hibiscus RV Management Pty Ltd	Ordinary	100	100
Hibiscus RV Management Unit Trust	Ordinary	100	100
Highwood Court Pty Ltd	Ordinary	100	100
HKB Trust	Ordinary	100	100
HKV Trust	Ordinary	100	100
Homestay Village Cannington Pty Ltd	Ordinary	100	100
Hunter Lodge Pty Ltd	Ordinary	100	100
Huntleigh Terrace Pty Ltd	Ordinary	51	51
Knightsbridge Village Limited##	Ordinary	100	100
Koorootang Court Village Pty Ltd	Ordinary	100	100
Koorootang Village Management Pty Ltd	Ordinary	100	100
Lakeside Gardens Management Pty Ltd	Ordinary	100	100
Lindfield Village Management Pty Ltd	Ordinary	100	100
Lindfield Village Management Unit Trust	Ordinary	100	100
Lindfield Village Services Pty Ltd	Ordinary	100	100
Mackay Village Services Pty Ltd	Ordinary	100	100
Malvern Road Developments Pty Ltd	Ordinary	100	100
Meadowvale Village Management Pty Ltd	Ordinary	100	100
Meadowvale Village Pty Ltd	Ordinary	100	100
Mitcham Road Developments Pty Ltd	Ordinary	51	51

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Name of Entity	Class of Shares/Units	Equity Holding 2009 %	Equity Holding 2008 %
Montclaire Developments Pty Ltd	Ordinary	100	100
Mosman Park Investments Limited##	Ordinary	100	100
Nambour Village Services Pty Ltd	Ordinary	100	100
Newpark Pty Ltd**	Ordinary	33	33
Noosa Outlook Village Services Pty Ltd	Ordinary	100	100
Northcross Villages Limited##	Ordinary	100	100
North Shore Villages Limited##	Ordinary	100	100
Ocean Shore Village Limited##	Ordinary	100	100
Peninsula Club Management Limited##	Ordinary	100	100
Permasnow (Asia) Pty Limited	Ordinary	100	100
PLT A Pty Ltd	Ordinary	100	100
PLT AB Pty Ltd	Ordinary	100	100
PLT AGP Pty Ltd	Ordinary	100	100
PLT Allora Gardens Pty Ltd	Ordinary	100	100
PLT Beecroft Pty Ltd	Ordinary	100	100
PLT Eaglemount Pty Ltd	Ordinary	100	100
PLT Elliot Gardens Pty Ltd	Ordinary	100	100
PLT HK Holdings Pty Ltd	Ordinary	100	100
PLT Management Pty Ltd	Ordinary	100	100
PLT New Zealand Limited##	Ordinary	100	100
PLT New Zealand Pty Limited	Ordinary	100	100
PLT Management HK Pty Ltd	Ordinary	100	100
PLT Management NZ Pty Ltd	Ordinary	100	100
Port Albert Developments Pty Ltd	Ordinary	100	100
Port Phillip Pty Limited	Ordinary	100	100
Primecare Holdings Limited##	Ordinary	100	100
PrimeCRS (Carlyle Gardens) Pty Ltd	Ordinary	100	100
Primefund NZ Limited##	Ordinary	100	100
Primefood Pty Ltd	Ordinary	100	100
Prime Life (Avonlea) Pty Ltd	Ordinary	100	100
Prime Life (Bayside) Pty Ltd	Ordinary	100	100
Primelife (Brookwater) Pty Ltd (formerly Primelife (Waterford Park) Pty Ltd)	Ordinary	100	100
Prime Life (Cumberland Nursing Home) Pty Ltd	Ordinary	100	100
Prime Life (Cumberland Village) Pty Ltd	Ordinary	100	100
Prime Life (Darebin) Pty Ltd	Ordinary	100	100
Primelife (Geelong) Pty Ltd	Ordinary	100	100
Primelife (Glen Woodley) Pty Ltd	Ordinary	100	100
Primelife (Glendale) Pty Ltd	Ordinary	100	100
Prime Life (Glenvale) Pty Ltd	Ordinary	100	100
Primelife (Griffith) Pty Ltd	Ordinary	100	100
Primelife (Heathfield) Pty Ltd	Ordinary	100	100
Primelife (Heathglen) Pty Ltd	Ordinary	100	100
Primelife (Lilydale) Pty Ltd	Ordinary	100	100
Primelife (Little Para) Pty Ltd	Ordinary	100	100
Prime Life (Mt Evelyn) Pty Ltd	Ordinary	100	100
Prime Life (Peninsula) Pty Ltd	Ordinary	100	100
Primelife (Point Cook) Pty Ltd	Ordinary	100	100
Primelife (Port Stephens) Pty Ltd (formerly Lillios Pty Ltd)	Ordinary	100	100

Name of Entity	Class of Shares/Units	Equity Holding 2009 %	Equity Holding 2008 %
Primelife (Red Bluff) Pty Ltd	Ordinary	100	100
Prime Life (Riverwood Village) Pty Ltd	Ordinary	100	100
Primelife (Sunbury) Pty Ltd	Ordinary	100	100
Primelife (Vermont) Pty Ltd	Ordinary	100	100
Primelife (Construction Services) Pty Ltd	Ordinary	100	100
Primelife Business Services Pty Ltd	Ordinary	100	100
Primelife Community Care Pty Ltd	Ordinary	100	100
Primelife Investments Australia Pty Ltd	Ordinary	51	51
Primelife Management (NZ) Limited##	Ordinary	100	100
Prime Life Management Services Pty Ltd*	Ordinary	100	100
Primelife Media Pty Ltd	Ordinary	100	100
Primelife Property Holdings Pty Ltd	Ordinary	100	100
Primelife Property Services Pty Ltd	Ordinary	100	100
PrimeLiving Trust	Ordinary	100	100
Retirement Guide Management Pty Ltd	Ordinary	100	100
Retirement Guide Management Unit Trust	Ordinary	100	100
Retirement Management Pty Ltd	Ordinary	100	100
Sale Manor Gardens Pty Ltd	Ordinary	51	51
Sanctuary Point Developments Pty Ltd	Ordinary	100	100
St James Developments Pty Ltd	Ordinary	100	100
The School for Senior Living Management Pty Ltd	Ordinary	100	100
Timberside Villas Management Pty Ltd	Ordinary	100	100
Townsville Village Services Pty Ltd	Ordinary	100	100
Village Management Limited	Ordinary	100	100
Wallgrove Convalescent Home Pty Ltd	Ordinary	100	100
Wattletree Road Developments Pty Ltd	Ordinary	51	51
Williamstown Range Pty Ltd	Ordinary	100	100
Windsor Holdings Limited##	Ordinary	100	100

All controlled entities are incorporated in Australia with the exception of these which are incorporated in New Zealand.

**These subsidiaries have been granted relief from the necessity to prepare reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to Note 36.*

***The proportion of ownership interest is equal to the proportion of voting power held, except for Newpark Pty. Ltd. in which Lend Lease Primelife Limited has a 33% equity holding but has control of the Board of Directors.*

36. DEED OF CROSS GUARANTEE

Lend Lease Primelife Limited, Primelife Management Services Pty Limited, Conform Health Group Pty Ltd, Amplan Pty Ltd as Trustee for Amplan Trust, Australian Aged Care Pty Ltd as Trustee for Australian Aged Care Trust No. 1 and Australian Aged Care (No. 2) Pty Ltd as Trustee for Australian Aged Care Trust (No. 2) are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

a) Consolidated Income Statement and a Summary of Movements in Consolidated Retained Profits

The above companies represent a 'Closed Group' for the purposes of the Class Order and as there are no other parties to the Deed of Cross Guarantee that are controlled by Lend Lease Primelife Limited, they also represent the 'Extended Closed Group'. Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the year ended 30 June 2009 of the Closed Group.

INCOME STATEMENT	2009 $'000	2008 $'000
Revenue from continuing operations	**92,315**	**65,518**
Other income	(3,735)	15,088
	88,580	80,606
Employee benefits expense	(76,115)	(57,357)
Interest expense excluding LLC convertible notes	(33,412)	(34,749)
Interest expense on LLC convertible notes	(7,609)	-
Fair value adjustment on interest rate derivative gain / (loss)	(25,254)	(3,466)
Cost of developing senior living facilities	(2,701)	(3,188)
Transaction costs	(6,992)	(6,924)
Annual fees to facility owners	(923)	(735)
Professional fees and consultants	(5,822)	(1,926)
Depreciation and amortisation	(23,676)	(4,483)
Restructure costs	(340)	(2,891)
Impairment of management rights	-	(5,999)
Marketing and promotion expenses	(7,804)	(1,793)
Repairs and maintenance	(1,189)	(645)
Catering costs	(2,185)	(1,176)
Rent, rates and taxes	(1,500)	(1,315)
Other expenses from ordinary activities	(36,738)	693
Profit/(loss) before income tax	(143,680)	(45,348)
Income tax (expense)/benefit	(23,637)	13,129
Profit/(loss) after income tax	(167,317)	(32,219)

SUMMARY OF MOVEMENTS IN CONSOLIDATED RETAINED PROFITS	2009 $'000	2008 $'000
Retained profits at the beginning of the financial year	**(155,411)**	**(123,192)**
Profits for the year	(167,317)	(32,219)
Dividends provided for or paid / Transfer from share capital	-	-
Retained profits at the end of the financial year	**(322,728)**	**(155,411)**

b) Balance Sheet

Set out below is a consolidated balance sheet as at 30 June 2009 of the Closed Group consisting of Lend Lease Primelife Limited, Primelife Management Services Pty Limited, Conform Health Group Pty Ltd, Amplan Pty Ltd as Trustee for Amplan Trust, Australian Aged Care Pty Ltd as Trustee for Australian Aged Care Trust No. 1 and Australian Aged Care (No. 2) Pty Ltd as Trustee for Australian Aged Care Trust (No. 2).

BALANCE SHEET	2009 $'000	2008 $'000
Assets		
Current Assets		
Cash and cash equivalents	27,701	11,827
Receivables	3,814	-
Inventories	4,769	5,505
Other	1,672	3,867
Total Current Assets	37,956	21,199
Non Current Assets		
Receivables	610,891	732,307
Other financial assets	188,194	72,333
Property, plant and equipment	155,871	167,055
Investment property	234,382	212,955
Deferred tax assets	40,455	78,619
Intangible assets	129,015	55,488
Other	12,132	12,258
Total Non Current Assets	1,370,940	1,331,015
Total Assets	1,408,896	1,352,214
Liabilities		
Current Liabilities		
Resident loans	175,972	156,844
Accommodation bond liabilities	41,853	15,477
Interest rate derivatives financial liability	10,355	3,466
Payables	29,239	23,182
Borrowings	396,983	248,572
Provisions	7,476	5,566
Total Current Liabilities	661,878	453,107

	2009 $'000	2008 $'000
Deferred revenue	1,140	1,140
Borrowings	447,207	534,809
Deferred tax liabilities	33,423	35,345
Provisions	862	810
Total Non-Current Liabilities	**482,632**	**572,104**
Total Liabilities	**1,144,510**	**1,025,211**
Net Assets	**264,386**	**327,003**
Equity		
Parent entity interest		
Contributed equity	581,028	478,847
Reserves	6,086	3,567
Retained profits/(accumulated losses)	(322,728)	(155,411)
Total Equity	**264,386**	**327,003**

37. EARNINGS PER SECURITY

	Consolidated	
	2009 Cents	2008 Cents
Basic (loss)/earnings per security	(30.38)	6.71
Diluted (loss)/earnings per security	(30.38)	6.71

a) Reconciliations of earnings used in calculating earnings per security

	Consolidated	
	2009 $'000	2008 $'000
Basic earnings per security		
Profit from continuing operations	(246,678)	41,073
Profit from continuing operations attributable to the ordinary equity holders of the entity used in calculating basic earnings per security	(246,678)	41,073
Diluted earnings per security		
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per security	(246,678)	41,073
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per security	(246,678)	41,073

b) Weighted average number of securities used as the denominator

	Consolidated	
	2009 Number	2008 Number
Weighted average number of ordinary securities used as the denominator in calculating basic earnings per security and diluted earnings per security	811,899,937	612,542,734

c) Information Concerning the Classification of Securities

(i) Ordinary securities

Ordinary securities means an ownership in an entity which for the whole or part of the reporting year:

- Is fully paid;
- Carries an entitlement to participate in distributions of future economic benefits by the entity, such distributions being made at the discretion of the ownership group or its representatives; and
- Is not redeemable, other than on a winding-up of the entity or as a result of a return of capital.

(ii) Options

Options granted are considered to be potential ordinary securities and therefore need to be considered in the determination of diluted earnings per security. AASB 133 requires such options to be included only when the average market price of the ordinary shares during the period exceeds the exercise price of the option (ie; they are 'in the money'). The options were not 'in the money' during the period and accordingly have not been included in the determination of dilutive earnings per security (2008: also not included).

The options have not been included in the determination of basic earnings per security. Details relating to the options are set out in Note 30.

(iii) Convertible Notes

Convertible Notes issued are considered to be potential ordinary securities as they include a warrant component and therefore need to be considered in the determination of diluted earnings per security. AASB 133 requires such warrants to be included only when the average market price of the ordinary shares during the period exceeds the exercise price of the option (ie; they are 'in the money'). The warrants were not 'in the money' during the period and accordingly have not been included in the determination of dilutive earnings per security (2008: also not included). The Notes have not been included in the determination of basic earnings per security. Details relating to the Notes are set out in Note 41(c).

38. RECONCILIATION OF PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Profit/(loss) for the year	(246,678)	41,073	(173,871)	(36,166)
Share of (profit)/loss in associates	2,256	(6,584)	-	-
Impairment of management rights and related assets	20,000	5,999	-	5,999
Impairment of development projects and inventory	67,654	-	16,223	-
Impairment of receivables	25,992	-	28,186	-
Proceeds from sales on development projects	21,439	-	2,690	-
Cost on sale of development projects	(15,504)	-	-	-
Amortisation	2,487	2,740	1,227	1,236
Depreciation	7,615	5,326	3,296	2,276
Interest Paid	45,622	40,198	41,021	34,749
Share based payment reserve	-	423	-	423
Aged Care deferred receivable revenue	(4,822)	(692)	(296)	-
Fair value adjustment to investment property – Loss/(Gain)	70,589	(81,677)	6,053	(15,088)
Foreign exchange gain/loss	(19)	-	-	-
Fair value adjustment on interest rate derivative	25,254	-	25,254	-
	21,885	**6,806**	**(50,217)**	**(6,571)**
Changes in operating assets and liabilities				
(Increase)/decrease in receivables	(3,310)	15,935	28,281	(5,212)
(Increase)/decrease in inventories	(4,246)	32,388	736	-
(Increase)/decrease in deferred tax asset	19,818	(17,031)	37,993	(21,874)
(Increase)/decrease in other operating assets	(5,130)	(9,445)	2,521	(18,704)
(Increase)/decrease in deferred management fees	13,345	1,451	-	-
Increase/(decrease) in other operating liabilities	6,240	(34,148)	(46,340)	16,842
Increase/(decrease) in employee benefits	1,885	-	325	-
Increase/(decrease) in other provisions	(12,926)	(7,791)	16	248
Increase/(decrease) in accommodation bond liabilities	13,883	14,287	6,480	(1,124)
Increase/(decrease) in deferred revenue	6,725	1,232	-	-
Increase/(decrease) in deferred tax liability	(18,590)	25,846	(1,922)	8,329
	17,694	**22,724**	**28,090**	**(21,495)**
Net cash (outflow)/inflow from operating activities	**39,579**	**29,530**	**(22,127)**	**(28,066)**

39. NON-CASH FINANCING AND INVESTING ACTIVITIES

The Group acquired property, plant and equipment by means of finance leases and hire purchase agreements during the financial year 2008 of $756,000. In the financial year 2009 there were nil acquired.

The Group acquired the RBD portfolio during the year by means of both cash consideration and the issue of $120,000,000 of convertible notes to LLC (refer to Note 41 for further details).

Notes to Consolidated Financial Statements

For the Year Ended 30 June 2009

40. SEGMENT INFORMATION

The Group operates predominantly in the senior living industry in Australia and New Zealand (secondary segment). Revenue is mainly derived through development sales and subsequent deferred management fees. The company's business segments (primary segment) are:

i) Retirement – the operation of retirement villages.

ii) Aged Care – the operation of aged care facilities – including hostels and nursing homes.

iii) Development– the development and sale of senior living facilities or units.

iv) Corporate – costs incurred in the head office.

Segment accounting policies are the same as the Group's accounting policies. Inter-segment revenues are charged by the parent entity to business segments at market rates.

2009	Retirement	Aged Care	Development	Corporate	Consolidated
	$'000	$'000	$'000	$'000	$'000
Total sales revenue	45,301	128,345	20,972	201	194,819
Share of net profits of associates	(275)	405	(2,386)	-	(2,256)
Other revenue/income	(66,231)	2,328	14,459	2,048	(47,396)
Total segment revenue/income	(21,205)	131,078	33,045	2,249	145,167
Segment result	(85,248)	2,680	(59,714)	(102,341)	(244,623)
Income tax (expense)/benefit					(2,055)
Group profit/(loss) from ordinary activities after income tax (expense)/benefit					(246,678)
Assets					
Segment assets	2,479,179	292,605	151,807	117,138	3,040,729
Unallocated assets	-	-	-	-	-
Total assets	2,479,179	292,605	151,807	117,138	3,040,729
Liabilities					
Segment liabilities	(1,757,215)	(139,979)	(17,348)	(597,530)	(2,512,072)
Unallocated liabilities	-	-	-	-	-
Total liabilities	(1,757,215)	(139,979)	(17,348)	(597,530)	(2,512,072)
Other segment information:					
Equity method investments included in segment assets	8,987	4,381	2,725	202	16,295
Acquisition of property, plant and equipment, intangible assets and other non-current assets *					
Impairments	20,000	-	67,654	-	87,654
Depreciation	325	4,124	23	2,879	7,351
Amortisation	1,262	283	-	1,206	2,751

**Acquisitions do not include construction costs.*

2008	Retirement	Aged Care	Development	Corporate	Consolidated
	$'000	$'000	$'000	$'000	$'000
Total sales revenue	74,626	74,410	16,061	(136)	164,961
Share of net profits of associates	86	-	3,452	3,044	6,582
Other revenue/income	82,475	2,928	11,163	2,067	98,633
Total segment revenue/income	157,187	77,338	30,676	4,974	270,176
Segment result	101,807	308	13,216	(59,410)	55,921
Income tax (expense)/benefit					(14,848)
Group profit/(loss) from ordinary activities after income tax (expense)/benefit					41,073
Assets					
Segment assets	2,120,876	240,831	221,691	124,140	2,707,538
Unallocated assets	-	-	-	-	-
Total assets	2,120,876	240,831	221,691	124,140	2,707,538
Liabilities					
Segment liabilities	(1,348,562)	(125,508)	(27,469)	(593,153)	(2,094,692)
Unallocated liabilities	-	-	-	-	-
Total liabilities	(1,348,562)	(125,508)	(27,469)	(593,153)	(2,094,692)
Other segment information:					
Equity method investments included in segment assets	5,382	3,975	5,111	4,083	18,551
Acquisition of property, plant and equipment, intangible assets and other non-current assets *	84,633	96,578	-	-	181,211
Impairment of management rights and related assets	5,999	-	-	-	5,999
Depreciation	296	2,796	-	2,210	5,302
Amortisation	1,528	-	1,000	237	2,765

**Acquisitions do not include construction costs.*

41. CAPITAL RAISING AND BUSINESS COMBINATION - THE LLC TRANSACTION

On 30 December 2008 security holders approved a number of resolutions in connection with LLC taking over as Manager of the Group, providing additional funding to the business and acquiring their RBD portfolio. Details of these are as set out in the Notice of Annual General Meeting dated 28 November 2008. The original Implementation Agreement ascribing value to the transaction was signed on 1 October 2008.

Due to the combination of transactions completed as part of the LLC transaction, subsequently the Directors have assessed the fair value of each component separately taking into account the overall transaction at the effective date (30 December 2008).

a) Business Combination – RBD Portfolio

As set out in the Implementation Agreement the contractual amount for the RBD portfolio was $133.4 million. In preparing these financial statements the Directors of the Group have ascribed a fair value of $113,123,000. As the business was acquired on 30 December 2008 it did not contribute a material EBITDA to the Group for the year. If the acquisitions had occurred on 1 July 2008, contributed EBITDA (excluding fair value adjustments on investment properties) for the year ended 30 June 2009 would have been $2,000,000 higher. The fair values below are preliminary and will be finalised by 31 December 2009, in accordance with AASB 3 requirements.

Details of net assets acquired and goodwill are as follows:

Purchase Consideration	$'000
Consideration *	113,123
Direct costs relating to the acquisition	9,687
Total cost of acquisition	122,810
Fair value of net identifiable assets acquired (refer below)	107,280
Goodwill (or portfolio premium)	**15,530**

** This includes $13,400,000 of cash.*

This acquisition was part of the strategic development of the Group. Main focuses were on long-term cash-flow stability, profitability and increased portfolio diversification. The goodwill (or portfolio premium) amount is attributable to the market position, increased portfolio diversification and synergies expected to arise after the acquisition.

With the exception of investment property, management contracts, resident loans, accommodation bonds and tax, the preliminary fair values below represent the acquiree's book values.

Preliminary Fair Value

The preliminary assets and liabilities arising from the acquisitions are as follows:	$'000
Cash and cash equivalents	772
Receivables	1,978
Other current assets[a]	62
Property, plant and equipment	2,259
Investment property	462,857
Intangible assets – Management contracts	10,158
Deferred tax asset	465
Resident loans	(358,854)
Accommodation bond liabilities	(6,485)
Payables	(436)
Deferred revenue	(4,584)
Provisions – Current	(890)
Provisions – Non-current	(22)
Net identifiable assets acquired	107,280

The fair value of the individual RBD retirement village investment property was based on an independent assessment made by a member of the Australian Property Institute. The fair value of the Aged Care Keperra Hostel recognised as property, plant and equipment, was based on Directors' valuations taking into account current market effects.

b) Equity Issued

LLC acquired an interest in the Group which included an interest from Babcock & Brown Group and the issue of new securities. The weighted average price at which LLC acquired its investment in the Group through the LLC deal was $0.528. The Directors believe that this best represents the fair value of the equity issued in accordance with the LLC deal. Refer to Note 27.

c) Convertible Notes Issued

Three separate tranches of redeemable convertible notes with a total face value of $158,400,000 were issued to LLC in December 2008 with a 5 year term, a fixed interest rate of 9.5%. They are subordinated to the bank debt facilities. They are able to be converted to LLP stapled securities during certain periods within the 5 year term of the notes. Each note is a compound financial instrument, requiring separate recognition of a debt and an equity component. The debt component is measured as the balance is measured at fair value and the equity component represents the balance.

Fair value is assessed with reference to prevailing market interest rates and the rate applicable on an instrument of similar terms. On initial recognition the debt component was recognised at $155,882,000 (refer to Note 24) and the equity component at $2,518,000 (refer to Note 27).

42. SECURITY-BASED PAYMENTS

a) Options

Details of options granted over unissued securities of the Group, options that lapsed during the year and securities of the Group that were issued during the year as a result of exercise of options are:

No Options were vested and un-exercisable at the end of the year (2008: consistent).

Grant Date	Expiry Date	Exercise Price	Balance at Beginning of the Year	Options Issued during the Year	Options Lapsed during the Year	Securities issued during the year as a result of exercise of options	Options Forfeited during the Year	Options Balance at End of Year	Vested and Exercisable at End of Year
Consolidated and Parent Entity – 2009									
15/09/2004	22/10/2009	$1.25	300,000	-	-	-	-	300,000	
10/02/2005	23/03/2010	$1.38	300,000	-	-	-	-	300,000	
10/02/2005	23/03/2011	$1.52	300,000	-	-	-	-	300,000	
01/07/2005	01/07/2010	$1.15	1,000,000	-	-	-	1,000,000	-	
01/07/2006	01/07/2011	$1.07	1,200,000	-	-	-	1,200,000	-	
01/07/2007	01/07/2012	$1.12	800,000	-	-	-	600,000	200,000	
			3,900,000	-	-	-	2,800,000	1,100,000	200,000
Weighted Average Exercise Price			$1.17						200,000

Grant Date	Expiry Date	Exercise Price	Balance at Beginning of the Year	Options Issued during the Year	Options Lapsed during the Year	Securities issued during the year as a result of exercise of options	Options Forfeited during the Year	Options Balance at End of Year	Vested and Exercisable at End of Year
Consolidated and parent entity – 2008									
28/08/2003	31/07/2006	$2.50	2,625,000	-	(2,625,000)	-	-	-	-
15/09/2004	22/10/2009	$1.25	300,000	-	-	-	-	300,000	300,000
10/02/2005	23/03/2010	$1.38	300,000	-	-	-	-	300,000	300,000
10/02/2005	23/03/2011	$1.52	300,000	-	-	-	-	300,000	300,000
01/07/2005	01/07/2010	$1.15	1,000,000	-	-	-	-	1,000,000	1,000,000
01/07/2005	01/07/2011	$1.07	1,200,000	-	-	-	-	1,200,000	1,200,000
01/07/2007	01/07/2012	$1.12	-	800,000	-	-	-	800,000	800,000
			5,725,000	800,000	(2,625,000)	-	-	3,900,000	3,900,000
Weighted average exercise price			$1.79	$1.12	$2.50			$1.17	$1.17

Refer to the Remuneration Report and Note 30 for further information on share-based payments.

b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Options issued under employee option plan	-	423	-	423

Notes to Consolidated Financial Statements

For the Year Ended 30 June 2009

43. EVENTS OCCURING AFTER REPORTING DATE

a) Acquisition of Properties from PTN by LLC and Managed by LLP

On 13 August 2009, LLC and Prime Retirement & Aged Care Property Trust (PTN) reached agreement for LLC to acquire 9 Aged Care properties (Aged Care Properties) and 4 Retirement Living properties (Retirement Properties), owned by PTN and managed by LLP, for a total consideration of $76.75 million, subject to satisfaction of certain conditions precedent. The Group will continue to manage these facilities under the existing arrangements.

On 13 August 2009, the Group separately agreed with LLC the grant of rights over the Aged Care Properties and Retirement Properties to enable the Group to consolidate the ownership of the Retirement Properties and the Aged Care Properties at a future date. These rights lapse on 30 June 2011. The effect of these rights is to give the Group enhanced flexibility to deal with its aged care portfolio in the future. The financial effect of these rights cannot yet be estimated and have not been brought to account at 30 June 2009.

b) Grant of Option over the Retirement Guide Management Rights to PTN

On 13 August 2009, the Group granted PTN an option which expires on 30 June 2010 to acquire the management rights to the Retirement Guide portfolio of 12 Retirement Villages (owned by PTN and presently managed by LLP) for between $42.5 million and $45 million (the final price contingent on the performance of the Retirement Guide portfolio in the year to 30 June 2010). The Group has recognised an impairment of $20 million as at 30 June 2009, of the intangible asset relating to these management rights.

As part of the transaction, LLP and PTN have also agreed to the settlement and release of a number of long dated disputes and claims between the parties arising from the Retirement Guide management arrangements. The effects of the settlement are not material but have been brought to account at 30 June 2009.

Directors' Declaration

For the Year Ended 30 June 2009

In the directors' opinion:

The financial statements and notes set out on pages 52 to 124 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Company's and Group's financial position as at 30 June 2009 and of their performance for the financial year ended on that date; and

there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

the audited remuneration disclosures set out on pages 30 to 40 of the directors report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

The directors have been given the declaration by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the directors.

A Love
Chairman
17 August 2009
Sydney, New South Wales

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

Report on the financial report

We have audited the accompanying financial report of Lend Lease Primelife Limited (the company), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Lend Lease Primelife Limited and the Lend Lease Primelife Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company 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 Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

PRICEWATERHOUSECOOPERS

Independent auditor's report to the members of Lend Lease Primelife Limited (continued)

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Lend Lease Primelife Limited is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their 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;* and

(b) the consolidated financial statements and notes also complies with International Financial Reporting Standards as disclosed in Note 1.

Significant uncertainty regarding continuation as a going concern

Without qualification to our opinion expressed above, we draw attention to Note 1(b) in the financial report which comments on the company's non-compliance with a debt covenant, the related status of discussions with the company's lenders regarding the company's debt facilities, the future actions proposed by the company in relation to its debt facilities and the related risks and possible consequences. These conditions, along with other matters as set out in Note 1(b), indicate the existence of a significant uncertainty about the ability of the company and its controlled entities to continue as a going concern and, therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 34 of the directors' report for the year ended 30 June 2009. 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 Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Lend Lease Primelife Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Gareth Winter
Partner

Sydney
17 August 2009

Shareholder Information

SUBSTANTIAL STAPLED SECURITYHOLDERS AS AT 28 AUGUST 2009

The names of the substantial stapled Securityholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Stapled Securityholder	Number of Fully Paid Stapled Securities	Percentage Held
Lend Lease Corporation Group	417,684,727	43.23%

TOP 20 STAPLED SECURITYHOLDERS AS AT 28 AUGUST 2009

The names of the Top 20 largest holders of quoted stapled securities are:

Stapled Securityholder	Number of Fully Paid Stapled Securities	Percentage Held
Lend Lease Capital Services Pty Ltd	417,684,727	43.23%
Citicorp Nominees Pty Limited (CFS Future Leaders Fund A/C)	30,071,679	3.11%
Citicorp Nominees Pty Limited	24,597,839	2.55%
Pagodatree Investments Limited	20,000,000	2.07%
Forbar Custodians Limited	17,642,352	1.83%
Citicorp Nominees Pty Limited (CFS Developing Companies A/C)	12,509,159	1.29%
J P Morgan Nominees Australia Limited	11,679,482	1.21%
Hsbc Custody Nominees (Australia) Limited	11,118,416	1.15%
National Nominees Limited	9,082,291	0.94%
Mr Ronald Stanley Moloney & Mrs Gillian Sue Moloney	7,370,000	0.76%
Anz Nominees Limited	5,914,873	0.61%
Wapimala Pty Limited	5,000,000	0.52%
L J K Nominees Pty Ltd	5,000,000	0.52%
Mr Orange Pty Limited	4,925,000	0.51%
Bentale Pty Ltd	4,467,004	0.46%
Chriswall Holdings Pty Ltd	3,594,376	0.37%
Chocolate Shale Pty Limited	3,500,000	0.36%
Southgate Investment Funds Limited	3,390,707	0.35%
The Australian National University	3,300,000	0.34%
Fortis Clearing Nominees Pty Ltd	2,619,017	0.21%
Total Top 20	**603,466,922**	**62.45%**
Remaining Stapled Securityholders	**362,785,744**	**37.55%**
Stapled Securities On Issue	**966,252,666**	**100.00%**

DISTRIBUTION OF STAPLED SECURITYHOLDERS AS AT 28 AUGUST 2009

The number of stapled Securityholders, by size of holding, in each class of stapled security is:

	Number of Holders	Number of Shares
1 – 1,000	645	326,408
1,001 – 5,000	2,796	8,563,662
5,001 – 10,000	1,823	14,950,105
10,001 – 50,000	3,642	89,505,931
50,001 – 100,000	660	50,417,653
100,001 and over	616	802,488,907
Total	**10,182**	**966,252,666**

Corporate Directory

DIRECTORS

A Love (Chairman)
I Crow
G Symons
D Hutton
A Lombardo

COMPANY SECRETARY
M Hennessy

PRINCIPAL REGISTERED OFFICE

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South Melbourne Victoria 3205
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AUDITORS

PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
Sydney New South Wales 2000

BANKERS

Australia and New Zealand Banking Group Limited
Level 12
20 Martin Place
Sydney New South Wales 2000

National Australia Bank Limited
Level 24 NAB House
255 George Street
Sydney New South Wales 2000

Commonwealth Bank of Australia Limited
Level 22, Darling Park Tower 1
201 Sussex Street
Sydney New South Wales 2000

NOTICE OF ANNUAL GENERAL MEETING

Date: 10.00am, Friday, 30 October 2009

Location: Henry Lawson Room
The Marriot Hotel
30 Pitt Street
Circular Quay
Sydney New South Wales 2000

STOCK EXCHANGE LISTING

Lend Lease Primelife Group is listed on the Australian Securities Exchange (Listing Code: LLP)

SHARE REGISTRY

Link Market Services Limited
Level 12
680 George Street
Sydney New South Wales 2000

WEBSITE ADDRESS

www.llprimelife.com

DISCLAIMER

Provision of an undertaking from the Company and the Trust to disclose to every person who may subscribe to securities under an offer document, and in every annual report of the Entities, that ASX reserves the right (but without limiting its absolute discretion) to remove any or all of the Entities from the official list if any of the securities in the Entities cease to be stapled together, or any equity securities are issued by any of the Entities which are not stapled to corresponding securities in the other entities

The information contained in this report does not constitute an offer of or invitation to invest or subscribe for securities issued by Lend Lease Primelife Limited.

In providing this report Lend Lease Primelife Limited has not considered the investment objectives, financial position or particular needs of the recipient. Before making any investment decision with respect to securities issued by Lend Lease Primelife Limited, the recipient should consider its own investment objectives, financial position and needs and if necessary, consult appropriate professional advisors.

Lend Lease Primelife Limited's consolidated financial report has been prepared to enable it to comply with its obligations under the Australian Corporations Act and the ASX Listing Rules and to satisfy the requirement of the Australian accounting standards. The responsibility for preparation of the consolidated financial report and any financial information contained in this Annual Report, rest solely with the Directors of the Company.

TRUST ACCOUNTS

The LLPT's audited trust accounts can be found on the Group's website.