

**ASX Release**

23 February 2009

**Lend Lease Primelife Market Update**

Lend Lease Primelife (LLP) (formerly known as Babcock & Brown Communities) expects its interim financial report for the six months to December 2008 to include non-cash asset write-downs, mark to market of interest rate derivatives and other impairment charges totalling \$185 million and write down of deferred tax assets of \$45 million.

As a result of these charges, Net Asset Backing (NAB) per share is expected to reduce by 20 cents from the pro-forma NAB advised in the Notice of AGM dated 28 November 2008 to 60 cents as at 31 December 2008.

This market update is subject to completion of LLP's half year reporting process, including review by LLP's auditors PricewaterhouseCoopers and final Board review and approval ahead of lodgement of LLP's interim accounts on February 27, 2009.

The write downs and impairment charges include:

- Retirement – The impact of market conditions upon Retirement Village valuations – \$50 million
- Aged Care – No material changes
- Development – Undeveloped land and stock inventories - \$70 million
- Restructuring costs and other Impairment provisions - \$25 million
- Interest Rate Derivatives – The impact of the rapid decline in interest rates during the period upon structured hedging instruments put in place under the previous manager in early 2008- \$40 million (including \$15m realised as some instruments were closed out)
- Tax – Deferred Tax Assets - \$45 million

Chief Executive of LLP, Mr Rod Fehring, said: "Since Lend Lease took over as managers we have been working hard with the existing management team to reposition LLP for the long term. Post completion of the balance sheet review, we are confident in the business outlook. LLP has worked closely with its lenders throughout this review period and has obtained the necessary amendments or waivers to ensure it is in compliance with financial covenants following these one off asset write-downs.

As well as undertaking our balance sheet review, we have completed an initial strategic review of the business which has resulted in the identification of a number of opportunities to change the overhead structure of the business, improve operating systems and restructure some asset management

arrangements for the benefit of LLP. These changes will help reshape the business platform and ensure LLP has a long term sustainable business foundation going forward.

"Notwithstanding the difficult near term market conditions, the fundamentals applicable to the retirement market remain sound and we are confident in LLP's outlook," Mr Fehring said.

## **ENDS**

Media Contact:- Mr John Frey 0411 361 361

Investors Contact:- Mr Rod Fehring CEO - LLP  
03 8699 3300 or 0417 118 335