

Lend Lease US Investments Limited

**Directors' report and
financial statements**

30 June 2006

Registered number 3365708

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Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2006

Principal activities

The principal activity of Lend Lease US Investments Limited is to hold investments. During the year the company sold its investment in Lend Lease (US) Inc to Lend Lease International Pty Limited, a Lend Lease Corporation owned company.

Results and dividends

The loss for the year amounted to £6,435,646 (2005 nil). The directors do not recommend the payment of a dividend (2005 nil).

Directors and directors' interests

The directors of the company during and after the year were as follows:

RG Caven
CS Matheson
TW Lee (appointed 2 February 2006)

None of the directors who held office at the end of the financial year, or their families and family trusts, had any disclosable interest in the shares of the company. In accordance with section 324 of the Companies Act 1985, holdings in the share capital of other group companies are not disclosed.

Auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

A resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at a forthcoming Annual General Meeting.

On behalf of the board


R G Caven
Director

142 Northolt Road
Harrow, Middlesex, HA2 0EE
29 March 2007

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

We have audited the financial statements of Lend Lease US Investments Limited for the year ended 30 June 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page two, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

8 Salisbury Square
London
EC4Y 8BB

13 April 2007

Profit and loss account

for the year ended 30 June 2006

	<i>Note</i>	2006 £	2005 £
Turnover		-	-
Cost of Sales		-	-
Gross profit		-	-
Loss on sale of investments		(6,435,646)	-
(Loss)/profit on ordinary activities before taxation		(6,435,646)	-
Tax on (loss)/profit on ordinary activities	4	-	-
(Loss)/profit on ordinary activities after taxation		(6,435,646)	-

All activities are continuing

The company had no recognised gains or losses other than the loss for the year

There is no difference between the loss as reported and the profit on a historical cost basis

The notes to and forming part of the financial statements are set out on pages 7 to 11

Balance sheet

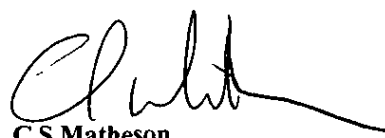
at 30 June 2006

	Note	2006 £	2005 £
Fixed assets			
Investments	5	-	120,384,219
Current assets			
Debtors	6	147,367,574	45,116,824
Creditors amounts falling due within one year	7	(32,828,893)	(44,526,716)
Net current assets		114,538,681	590,108
Net assets		114,538,681	120,974,327
Capital and reserves			
Called up share capital	8	120,000,001	120,000,001
Revaluation reserve	9	-	974,326
Profit and loss account	9	(5,461,320)	-
Shareholders' funds	9	114,538,681	120,974,327
Analysis of shareholders' funds			
Equity		(5,461,319)	974,327
Non-equity		120,000,000	120,000,000
		114,538,681	120,974,327

The notes to and forming part of these financial statements are set out on pages 7 to 11

These financial statements were approved by the board of directors on ~~29 Nov~~ 2007 and were signed on its behalf by


R G Caven
 Director


C S Matheson
 Director

Notes to the financial statements

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

Taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation. In accordance with Financial Reporting Standard No 19 'Deferred Tax', deferred taxation is provided fully and on a non discounted basis at future corporation tax rates in respect of timing differences between profits computed for taxation and accounts purposes

Exemption from requirement to prepare group accounts

The company is a wholly owned subsidiary of Lend Lease Europe Holdings Limited, a company registered in England and Wales which prepares consolidated financial statements. The company is exempt (under Section 228 of the Companies Act 1985) from the obligation to prepare group financial statements. The financial statements of the company present information about the company as an individual undertaking and not about its group.

Fixed asset investments

Fixed asset investments are stated at cost less provision for permanent diminution in value, except where they have been hedged by foreign currency borrowings, when they are retranslated at the end of each accounting period at the closing rates of exchange. Where investments are treated in this way, any resulting exchange gains or losses are taken direct to reserves where they are offset by the exchange gains or losses on the associated borrowings.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies (other than the borrowings mentioned above) are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Cash flow statement

A cash flow statement is not included with these financial statements as a consolidated cash flow statement, produced under Financial Reporting Standard No 1, is included in the financial statements of Lend Lease Europe Holdings Limited.

Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard No 8 'Related Party Disclosures' to dispense with the requirement to disclose transactions with group companies.

2 Directors and employees

The directors did not receive any emoluments in respect of their services to the company (2005 £nil)

The company did not employ any staff during the year (2005 nil)

Notes to the financial statements *(continued)*

3 Auditor's remuneration

Auditor's remuneration in respect of audit and other fees was borne by Lend Lease Europe Limited, a company in the Lend Lease Europe Holdings Limited group

4 Tax on (loss)/profit on ordinary activities

Analysis of charge for the year

	2006 £	2005 £
Current tax		
UK Corporation tax on (loss)/profit for the year	-	-
The tax assessed differs from the application of the standard rate of corporation tax in the UK (30%) to the company's profit/(loss) before taxation for the following reasons		
(Loss)/profit on ordinary activities before tax	(6,435,646)	-
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK (30%)	(1,930,694)	-
Effects of		
Losses subject to substantial shareholding exemption on sale of Lend Lease (US) Inc preference shares	1,930,694	-
Expenses not deductible for tax purposes	-	-
Total current tax	-	-

The above tax calculation is an estimate prepared at the time of signing the financial statements. Any adjustments subsequently agreed with the Inland Revenue will be reflected in the financial statements for the period in which such agreement is reached.

5 Investments

<i>Movement in investment in Lend Lease (US) Inc</i>	2006 £	2005 £
At beginning of year	120,384,219	120,384,219
Disposed of during the year	(120,384,219)	-
At end of year	-	120,384,219

On 19 December 2005 the company sold its investment in Lend Lease (US) Inc for US\$201,632,000 (£113,948,573) to Lend Lease International Pty Limited, a Lend Lease Corporation owned company

The company owned 12 units of Class A Redeemable Preferred Stock and 100 units of Class B Redeemable Preferred Stock of Lend Lease (US) Inc, a holding company incorporated in the United States. The Redeemable Preferred Stock carried voting rights equal to the voting rights attached to the number of ordinary shares that the preferred stock is convertible into.

The investments in Lend Lease (US) Inc were in US Dollars and were previously hedged by US Dollar loans from Lend Lease Europe Holdings Limited.

On 20 June 2003 the US Dollar loan from Lend Lease Europe Holdings Limited was repaid. At this date the investment ceased to be hedged. The exchange movements on the investment and associated borrowings in the period to 20 June 2003 were taken to reserves. Since that date the investment has been carried at cost.

6 Debtors

	2006 £	2005 £
Amounts owed by group undertakings		
- Lend Lease Europe Holdings Limited	114,538,681	590,108
- Lend Lease Real Estate Investments Inc	32,828,893	44,526,716
	147,367,574	45,116,824

Notes to the financial Statements (continued)

7 Creditors: amounts falling due within one year

	2006 £	2005 £
Amounts owed to group undertakings		
- Lend Lease Europe Holdings Limited	32,828,893	44,526,716
	<u> </u>	<u> </u>

8 Called up share capital

	2006 £	2005 £
<i>Authorised</i>		
250,000,000 ordinary shares of £1	250,000,000	250,000,000
120,000,000 preference shares of £1	120,000,000	120,000,000
	<u> </u>	<u> </u>
	370,000,000	370,000,000
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i>		
1 ordinary share of £1	1	1
120,000,000 preference shares of £1	120,000,000	120,000,000
	<u> </u>	<u> </u>
	120,000,001	120,000,001
	<u> </u>	<u> </u>

The preference shares are redeemable at the option of the shareholder or the company for a period of 20 years from the date of issue. The shares were issued as part of a simultaneous settlement transaction to restructure the group's investment in the Bovis Lend Lease US subsidiaries.

The preference shares carry a fixed cumulative preferential dividend of LIBOR plus 2 per cent on the nominal value of each share, payable annually in arrears out of the profits available for distribution. At 30 June 2006 there were no profits available for distribution. On a winding up of the company the preference shareholders have a right to receive, in preference to payments to ordinary shareholders, an amount equal to the aggregate of the nominal value of the shares together with any accruals of the preferential dividend in respect of those shares.

The preference shares do not carry the right to vote at general meetings of the company.

Notes to the financial Statements *(continued)*

9 Reconciliation of movements in shareholders' funds

	Share capital	Profit and loss account	Revaluation Reserve	Total shareholders' funds
	£	£	£	£
At 1 July 2005	120,000,001	-	974,326	120,974,327
Loss for the financial year	-	(6,435,646)	-	(6,435,646)
Transfer between revaluation reserve and profit and loss account	-	974,326	(974,326)	-
At 30 June 2006	120,000,001	(5,461,320)	-	114,538,681

10 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Lend Lease Europe Holdings Limited, which is registered in England and Wales. Its ultimate parent undertaking is Lend Lease Corporation Limited, which is incorporated in Australia.

The largest group in which the results of the company are consolidated is that headed by Lend Lease Corporation Limited. The consolidated financial statements of that group may be obtained from www.lendlease.com.au

The smallest group in which the financial statements of the company are consolidated is that headed by Lend Lease Europe Holdings Limited. The consolidated financial statements of that group may be obtained from The Registrar of Companies, Companies House, Crown Way, Mandy, Cardiff