

Lend Lease US Investments Limited

Directors' report and financial statements

30 June 2007

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 2007

Principal activities

The principal activity of Lend Lease US Investments Limited is to hold investments

Results and dividends

The profit for the year amounted to £nil (2006 loss of £6,435,646) The directors do not recommend the payment of a dividend (2006 nil)

During the year, the company adopted International Financial Reporting Standards (IFRSs)

Directors and directors' interests

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

RG Caven
CS Matheson
TW Lee

Subsequent to the year end D Nicklin was appointed as a director on the 23 July 2007 and GJ Scott on 28 March 2008 C Matheson resigned as a director on 23 July 2007 and TW Lee on 28 March 2008

Political and charitable contributions

The Company made no political or charitable contributions during the year (2006 £nil)

Statement as to disclosure of information to 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 audit 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

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting

By order of the board


RG Caven
Director

142 Northolt Road
Harrow, Middlesex, HA2 0EE
15th April 2008

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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 IFRSs as adopted by the EU.

The financial statements are required by law to present fairly the financial position and the performance of the Company. The Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 they have been prepared in accordance with IFRSs as adopted by the EU, 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.

KPMG LLP

8 Salisbury Square
London
United Kingdom
EC4Y 8BB

Independent auditors' 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 2007 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 2.

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 whether the financial statements have been 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.

In addition we 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.

Independent auditors' report to the members of Lend Lease US Investments Limited *(continued)*

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Company's affairs as at 30 June 2007 and of its result 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
Chartered Accountants
Registered Auditor

 2008

Income statement

for the year ended 30 June 2007

	<i>Note</i>	2007 £	2006 £
Revenue		-	-
Cost of Sales		-	-
Gross profit		-	-
Loss on sale of investments		-	(6,435,646)
Loss on ordinary activities before taxation		-	(6,435,646)
Taxation	4	-	-
Loss on ordinary activities after taxation		-	(6,435,646)

All activities are continuing

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

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

The notes to and forming part of the financial statements are set out on pages 10 to 15

Balance sheet

at 30 June 2007

	Note	2007 £	2006 £
Current assets			
Trade and other receivables	5	116,922,850	147,367,574
Total assets		<u>116,922,850</u>	<u>147,367,574</u>
Current liabilities			
Trade and other payables	6	(2,384,169)	(32,828,893)
		<u>(2,384,169)</u>	<u>(32,828,893)</u>
Non current liabilities			
Financial liabilities	7	(120,000,000)	(120,000 000)
		<u>(120,000,000)</u>	<u>(120,000 000)</u>
Total liabilities		<u>(122,384,169)</u>	<u>(152,828,893)</u>
Net liabilities		<u>(5,461,319)</u>	<u>(5,461,319)</u>
Capital and reserves			
Called up share capital	8	1	1
Retained earnings		(5,461,320)	(5,461,320)
Shareholders' funds		<u>(5,461,319)</u>	<u>(5,461,319)</u>

The notes to and forming part of these financial statements are set out on pages 10 to 15

These financial statements were approved by the board of directors on 15th April 2008 and were signed on its behalf by


R G Caven
Director


D Nicklin
Director

Statement of changes in equity
for the year ended 30 June 2007

	Share capital	Attributable to shareholders		Total equity
		Retained earnings	Revaluation reserve	
	£	£	£	£
Balance at 1 July 2005	1	-	974,326	974,326
Retained loss for the year	-	(6,435,646)	-	(6,435,646)
Transfer between revaluation reserve and retained earnings	-	974,326	(974,326)	-
Balance at 30 June 2006	1	(5,461,320)	-	(5,461,319)
Balance at 1 July 2006	1	(5,461,320)	-	(5,461,319)
Retained profit for the year	-	-	-	-
Balance at 30 June 2007	1	(5,461,320)	-	(5,461,319)

Cash flow statement

for the year ended 30 June 2007

	2007 £	2006 £
Cash flows from operating activities		
Loss for the year	-	(6,435,646)
Adjustments for		
Realised net foreign exchange	-	6 435,646
Operating profit before changes in working capital	-	-
Change in trade and other receivables	-	-
Change in trade and other payables	-	-
Net cash from operating activities	-	-
Cash flow from investing activities		
Proceeds on sale of investment	-	113,948,573
Net cash from investing activities	-	113,948,573
Cash flow from financing activities		
Drawdown of intercompany borrowings	30,444,724	11,697,824
Repayment of intercompany borrowings	(30,444,724)	(125 646,397)
Net cash from financing activities	-	(113 948,573)
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at 1 July	-	-
Cash and cash equivalents at 30 June	-	-

Notes to the financial statements

1 Accounting policies

Lend Lease US Investments Limited is a company incorporated in the UK

The Company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs")

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening IFRS balance sheet at 1 July 2005 for the purposes of the transition to Adopted IFRSs

Transition to Adopted IFRSs

The Company is preparing its financial statements in accordance with Adopted IFRS for the first time and consequently has applied IFRS 1. An explanation of how the transition to Adopted IFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in note 10

Basis of Preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The company is dependant for its working capital on funds provided to it by Lend Lease Europe Holdings Limited, the company's ultimate UK undertaking. Lend Lease Europe Holdings Limited has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as they are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other Group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include adjustments that would result in the basis of preparation being inappropriate.

Revenue

Revenue is stated net of value added tax and is derived from the provision of fund and asset management services.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction.

Trade and other receivables

Trade and other receivables are stated at their nominal amount (discounted if material) less impairment losses.

Taxation

Tax on the profit for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Notes to the financial statements *(continued)*

1 **Accounting policies** *(continued)*

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised

Key estimates and judgements

These accounts are prepared under IFRSs as adopted by the EU. The choice of accounting policies involves, in some cases, management evaluating and choosing the policy that gives the most true and fair view.

The most relevant to the company is in relation to provisions amount receivable.

2 **Directors and employees**

The directors did not receive any emoluments in respect of their services to the company (2006: £nil).

The company did not employ any staff during the year (2006: nil).

3 **Auditor's remuneration**

Auditor's remuneration in respect of audit and other fees were paid by a fellow subsidiary within the Lend Lease Europe Holdings Limited group.

The directors estimate the fee attributable to the company is £2,300 (2006: £2,200).

4 **Taxation**

Recognised in the income statement

	2007 £	2006 £
Current tax expense	-	-

Reconciliation of effective tax rate

Loss before tax	-	(6,435,646)
Tax using the UK corporation tax rate of 30% (2006: 30%)	-	1,930,694

Effects of:

Losses subject to substantial shareholding exemption on sale of Lend Lease (US) Inc preference shares	-	(1,930,694)
Total tax in income statement	-	-

There is no unprovided deferred 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.

On 26 June 2007 the UK government passed the 2007 Finance Act which will change the prevailing rate of corporation tax from 30% to 28% from 1 April 2008.

Notes to the financial Statements *(continued)*

5 Trade and other receivables

	2007 £	2006 £
Amounts owed by group undertakings		
- Lend Lease Europe Holdings Limited	113,948,573	113,948,573
- Lend Lease Real Estate Investments Inc	2,384,169	32,828,893
- Lend Lease Europe Limited	590,108	590,108
	<u>116,922,850</u>	<u>147,367,574</u>

6 Trade and other payables

	2007 £	2006 £
Amounts owed to group undertakings		
- Lend Lease Europe Holdings Limited	2,384,169	32,828,893
	<u>2,384,169</u>	<u>32,828,893</u>

7 Financial liabilities

Non current

	2007 £	2006 £
Liability component of preference shares		
- Lend Lease Europe Holdings Limited	120,000,000	120,000,000
	<u>120,000,000</u>	<u>120,000,000</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 2007 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)*

8 Called up share capital

	2007 £	2006 £
Authorised		
250,000,000 ordinary shares of £1	250,000,000	250,000,000
Allotted, called up and fully paid		
1 ordinary share of £1	1	1

9 Financing Arrangements and Financial Instruments

Fair values of financial assets and liabilities – on balance sheet

There is no significant difference between the carrying value and fair value of the financial instruments

Financial Instruments - Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The Company is compliant with the Lend Lease Consolidated Group's framework for risk management including credit risk. There are no significant concentrations of external credit risk with the Company's exposure to only Lend Lease Consolidated Group related parties.

10 Transition to IFRS

As stated in note 1, these are the Company's first financial statements prepared in accordance with Adopted IFRSs.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 June 2007, the comparative information presented in these financial statements for the year ended 30 June 2006 and in the preparation of an opening IFRS balance sheet at 1 July 2005 (the Company's date of transition).

Presentation of financial statements

The primary statements within the financial information contained in this document have been presented substantially in accordance with IAS 1 "Presentation of Financial Statements". However, this format and presentation may require modification in the event that further guidance is issued and as practice develops.

Notes to the financial statements (continued)

10 Transition to IFRS (continued)

Reconciliation of equity

	Note	UK GAAP	1 July 2005 Effect of transition to IFRS	IFRS	UK GAAP	30 June 2006 Effect of transition to IFRS	IFRS
Non current assets							
Investment		120 384,219	-	120,384,219	-	-	-
Current assets							
Trade and other receivables		45,116,824	-	45,116,824	147,367,574	-	147,367,574
Total assets		165,501,043	-	165,501,043	147,367,574	-	147,367,574
Current liability							
Trade and other payable		(44,526,716)	-	(44,526,716)	(32,828,893)	-	(32,828,893)
		(44,526,716)	-	(44,526,716)	(32,828,893)	-	(32,828,893)
Non current liabilities							
Financial liabilities	a	-	(120,000,000)	(120,000,000)	-	(120,000,000)	(120,000,000)
		-	(120,000,000)	(120,000,000)	-	(120,000,000)	(120,000,000)
Total liabilities		(44,526,716)	(120,000,000)	(164,526,716)	(32,828,893)	(120,000,000)	(152,828,893)
Net assets/(liabilities)		120,974,327	(120,000,000)	974,327	114,538,681	(120,000,000)	(5,461,319)
Capital and reserves							
Called up share capital	a	120 000,001	(120,000,000)	1	120,000,001	(120 000,000)	1
Profit and loss account		974,326	-	974,326	(5,461,320)	-	(5,461,320)
Equity shareholders' funds		120,974,327	(120,000,000)	974,327	114,538,681	(120,000,000)	(5,461,319)

Notes to the reconciliation of equity

a) The reconciling items reflect the change in accounting treatment of the Preference Dividends which are classified as debt and no longer form part of equity

Notes to the financial statements (continued)

11 Subsequent events

There have been no significant post balance sheet events

12 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.