

**Lend Lease Communities Limited**

**Directors' report and  
financial statements**

30 June 2006

Registered number 3904306

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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 company is involved in property development, dealing and related services

### **Results and dividends**

The loss for the year after taxation amounted to £970,267 (2005 loss of £13,521) The directors do not recommend the payment of a dividend (2005 £nil)

### **Directors and directors' interests**

The directors of the company during the year were as follows

W N Hugill (appointed 2 February 2006)  
H W Martin  
D K Perry (resigned 10 February 2006)  
R I Powell  
D B Reay

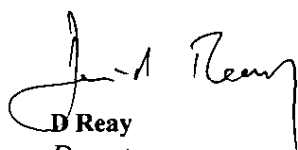
None of the directors who held office at the end of the financial year, or their families and family trusts, had any disclosable interest in the shares of the company In accordance with section 324 of the Companies Act 1985, holdings in the share capital of other group companies are not disclosed

### **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

By order of the board

  
**D Reay**  
Director

142 Northolt Road  
Harrow, Middlesex, HA2 0EE  
26 April 2007

## **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 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 Communities Limited**

We have audited the financial statements of Lend Lease Communities 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.

**Independent auditor's report to the members of Lend Lease Communities Limited**  
*(continued)*

*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  
2007

*26 April*

## **Profit and loss account**

*for the year ended 30 June 2006*

	<i>Note</i>	<b>2006</b> <b>£</b>	<b>2005</b> <b>£</b>
Other income		405,590	-
Administration expenses		(1,699,986)	(19,316)
<b>Loss on ordinary activities before taxation</b>		<b>(1,294,396)</b>	<b>(19,316)</b>
Tax on loss on ordinary activities	4	375,891	5,795
<b>Retained loss for the year</b>	10	<b>(918,505)</b>	<b>(13,521)</b>

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 for the year and the loss on a historical cost basis

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

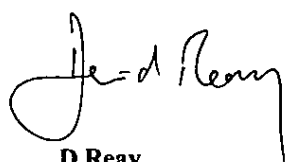
## Balance sheet

at 30 June 2006

	<i>Note</i>	2006	2005
		£	£
<b>Fixed assets</b>			
Investments	5	2,250	-
<b>Current assets</b>			
Work in Progress	6	2,502,588	-
Debtors	7	1,131,627	3,053,347
<b>Creditors amounts falling due within one year</b>	8	(5,644,524)	(4,142,901)
<b>Net liabilities</b>		<u>(2,008,059)</u>	<u>(1,089,554)</u>
<b>Capital and reserves</b>			
Called up share capital	9	1	1
Profit and loss account		(2,008,060)	(1,089,555)
<b>Equity shareholders' deficit</b>	10	<u>(2,008,059)</u>	<u>(1,089,554)</u>

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

These financial statements were approved by the board of directors on 26 April 2007 and were signed on its behalf by



**D Reay**  
Director



**H W Martin**  
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. 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 repayment. 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.

#### ***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.

#### ***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' in order to dispense with the requirement to disclose transactions with other group companies.

### **2 Auditors' remuneration**

Auditors' remuneration is borne by Lend Lease Europe Limited, a company within the Lend Lease Europe Holdings group.

## Notes to the financial statements *(continued)*

### 3 Directors' remuneration 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)

### 4 Tax on loss on ordinary activities

Analysis of credit for the year

	2006 £	2005 £
Current tax (FRS16)		
UK Corporation tax on loss for the year	(375,891)	(5,795)
	<hr/>	<hr/>
Tax losses provided to other group companies at par value	(375,891)	(5,795)
	<hr/>	<hr/>

The tax assessed differs from the application of the standard rate of corporation tax in the UK (30%) to the company's loss before taxation for the following reasons

	2006 £	2005 £
Loss on ordinary activities before tax	(1,294,396)	(19,316)
	<hr/>	<hr/>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK (30%)	(388,319)	(5,795)
	<hr/>	<hr/>
Effects of Expenses not deductible for tax purposes	12,428	-
	<hr/>	<hr/>
Tax losses provided to other Group companies at par value	(375,891)	(5,795)
	<hr/>	<hr/>

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.

There is no deferred tax to be provided in the year.

## Notes to the financial statements (continued)

### 5 Investments

<i>Movement in investment in Lend Lease Communities Limited</i>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
At beginning of year	-	-
Acquired during the year	2,250	-
	<hr/>	<hr/>
At end of year	2,250	-
	<hr/>	<hr/>

During the year the company acquired 45% of the share capital of First Base Adelaide Wharf Limited for £2,250. The terms of the purchase did not give the company control so this is accounted for as an investment.

### 6 Work in progress

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Work in progress	2,502,588	-
	<hr/>	<hr/>

Work in progress represents costs incurred by the company in relation to the First Base Adelaide Wharf development project.

### 7 Debtors

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Amounts owed by Lend Lease Europe Limited	30,092	582
Deposit paid on Newcastle land	-	800,000
Contractual payments due from Newcastle City Council	1,094,409	3,752,765
Expected shortfall on recovery of contractual payments	(1,094,409)	(1,500,000)
Amounts due from other related parties (see note 11)	1,076,665	-
Taxation and social security	21,593	-
Other debtors	3,277	-
	<hr/>	<hr/>
	1,131,627	3,053,347
	<hr/>	<hr/>

As part of a PFI contract being undertaken by Bovis Lend Lease Limited (a Lend Lease Europe Holdings company), the Company entered into a surplus land agreement with Newcastle City Council (NCC) in respect of three tranches of land. Under the agreement the Company guaranteed a gross sum to NCC. Payments under this guarantee have been made, and this left a debtor at 30 June 2005 of £3.1 million in relation to Benton Road site A.

Following the granting of planning permission for Benton Road Site A in 2004/05, the site was sold in July 2005 for £3.5 million.

Land options on adjacent sites (Benton Road sites B & C) still remain on the balance sheet but are fully provided against.

## Notes to the financial statements *(continued)*

### 8 Creditors: amounts falling due within one year

	2006 £	2005 £
Accrued expenses	587,600	8,853
Other creditors	910,031	-
Amounts owed to Lend Lease Europe Limited	4,146,893	4,134,048
	<u>5,644,524</u>	<u>4,142,901</u>

### 9 Called up share capital

	2006 £	2005 £
<i>Authorised</i>		
100 ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>
<i>Allotted, called up and fully paid</i>		
1 ordinary share of £1 each	1	1
	<u>1</u>	<u>1</u>

### 10 Reconciliation of movements in equity shareholders' deficit

	Share capital	Profit and loss account	Total equity shareholders' deficit
	£	£	£
At 1 July 2005	1	(1,089,555)	(1,089,554)
Loss for the financial year	-	(918,505)	(918,505)
	<u>1</u>	<u>(918,505)</u>	<u>(918,505)</u>
At 30 June 2006	1	(2,008,060)	(2,008,059)
	<u>1</u>	<u>(2,008,060)</u>	<u>(2,008,059)</u>

## **Notes to the financial statements (continued)**

### **11 Related party disclosures**

The Company receives service recoveries from and recharges some costs to Meridian Delta Limited, an entity in which the Lend Lease Corporation group holds a joint venture interest. During the year the Company recovered £2,959,305 (2005 nil) for services provided to Meridian Delta Limited and the recharge of costs incurred by the Company on behalf of the joint venture. At year end the Company was owed £455,336 (2005 nil) by Meridian Delta Limited in relation to these services and costs.

The Company also received service recoveries from First Base Limited, an entity in which the Company has a 45% non-controlling interest. During the year the Company recovered £355,649 (2005 nil) for services provided to First Base Limited. At year end the Company was owed £233,829 (2005 nil) by First Base Limited in relation to these services.

During the year the Company loaned £387,500 (2005 nil) to First Base Adelaide Wharf Limited. This amount remained outstanding at year end. Interest receivable in relation to this loan is fully provided as management do not expect any interest to be received.

Recoveries are netted against the administrative costs to which they relate.

### **12 Ultimate parent company and parent undertaking of larger group of which the company is a member**

The company's immediate parent undertaking is Lend Lease Europe Retail Investments Limited which is registered in England and Wales. The ultimate parent undertaking of the company 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 the group's website at [www.lendlease.com.au](http://www.lendlease.com.au).

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