

**Lend Lease Continental Investments
Limited**

**Directors' report and
financial statements**

30 June 2007

Registered number 4250938

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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 Continental Investments Limited is to act as a holding company for investments

Results and dividends

The profit for the year, after taxation, amounted to £5,208,314 (2006 £220,547) The directors approved a dividend of £5,000,000 which was paid in the year (2006 £nil)

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

Directors and directors' interests

The directors of the company during the year were as follows

C S Matheson
D J Kirkby

Subsequent to the year end, D J Kirkby resigned as a director on 30 November 2007, A Pascoe was appointed as a director on the 17 December 2007 and A Brown was appointed as director on the 31 January 2008

Political and charitable contributions

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

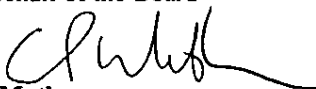
Statement as to disclosure of information to auditors

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/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

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


C S Matheson
Director

19 Hanover Square
London, W1S 1HY
24th April 2008

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 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
EC4Y 8BB
United Kingdom

Independent auditors' report to the members of Lend Lease Continental Investments Limited

We have audited the financial statements of Lend Lease Continental Investments Limited for the year ended 30 June 2007 which comprise the Income Statement, the Balance Sheet, the statement of changes in shareholders' 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.

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 profit 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 £
Income from shares in group undertakings		406,997	224,139
Gross profit		406,997	224,139
Administrative expenses		(157)	-
Profit on sale of investments		4,775,811	-
Profit before interest and taxation		5,182,651	224,139
Financial income		88,262	-
Financial expense		(51,668)	(5,132)
Profit on ordinary activities before taxation		5,219,245	219,007
Tax on profit on ordinary activities	4	(10,931)	1,540
Profit for the financial year		5,208,314	220,547

All activities are continuing

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

There is no difference between the profit 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 8 to 13

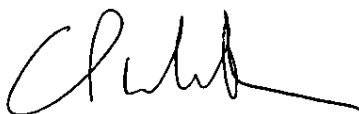
Balance sheet

at 30 June 2007

	<i>Note</i>	2007 £	2006 £
Fixed assets			
Investments	5	-	345,090
Current assets			
Trade and other receivables	6	1,327,077	834,290
Total assets		<u>1,327,077</u>	<u>1,179,380</u>
Current liabilities			
Trade and other payables	7	(34,816)	(19,460)
		<u>(34,816)</u>	<u>(19,460)</u>
Non current liabilities			
Other payables	8	(284,376)	(360,349)
		<u>(284,376)</u>	<u>(360,349)</u>
Total liabilities		<u>(319,192)</u>	<u>(379,809)</u>
Net assets		<u>1,007,885</u>	<u>799,571</u>
Capital and reserves			
Called up share capital	9	1	1
Retained earnings		1,007,884	799,570
Equity shareholders' funds		<u>1,007,885</u>	<u>799,571</u>

The notes to and forming part of these financial statements are set out on pages 8 to 13

These financial statements were approved by the board of directors on 24th April 2008 and were signed on its behalf by



C S Matheson

Director



A Pascoe

Director

Statement of changes in equity

for the year ended 30 June 2007

	Attributable to shareholders		
	Share capital	Retained earnings	Total equity
	£	£	£
Balance at 1 July 2005	1	579,023	579,024
Retained profit for the year	-	220,547	220,547
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2006	1	799,570	799,571
	<hr/>	<hr/>	<hr/>
Balance at 1 July 2006	1	799,570	799,571
Retained profit for the year	-	5,208,314	5,208,314
Dividend	-	(5,000,000)	(5,000,000)
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2007	1	1,007,884	1,007,885
	<hr/>	<hr/>	<hr/>

Cash flow statement

for the year ended 30 June 2007

	2007	2006
	£	£
Cash flows from operating activities		
Profit for the year	5,208,314	220,547
<i>Adjustments to reconcile profit for the year to net cash inflow from operating activities</i>		
Gain on sale of investment	(5,282,739)	-
Interest received	(88,262)	-
Net foreign exchange gain	51,668	5,132
Operating profit before changes in working capital	(111,019)	225,679
Increase in trade and other receivables	(492,787)	-
Decrease in trade and other payables	(60,617)	(520,847)
Net cash from operating activities	(664,423)	(295,166)
Cash flow from investing activities		
Proceeds from sale of equity accounted investments	5,576,161	-
Interest received	88,262	-
Net cash from investing activities	5,664,423	-
Financing activities		
Dividends paid	(5,000,000)	-
Repayment of inter-company borrowings	-	295,166
Net cash from financing activities	(5,000,000)	295,166
Increase in cash and cash equivalents		
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 Continental Investments Limited (the "Company") 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 IFRSs for the first time and consequently has applied IFRS 1. Adoption of IFRSs has no significant affect on the reported financial position, financial performance and cash flows of the Company for the current and previous year. Accordingly no reconciliation of prior year results and equity is presented.

Foreign currency

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

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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)*

2 Accounting policies *(continued)*

Taxation *(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 provision for Lend Lease Real Estate Investments GmbH restructuring costs.

2 Directors' remuneration 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 Lend Lease Europe Limited, the immediate parent undertaking.

The directors estimate the tax attributable to the company is £3,400 (2006: £3,000)

4 Taxation

Recognised in the income statement:

	2007	2006
	£	£
Current tax		
UK Corporation tax on profit for the year	10,931	(1,540)
	<u> </u>	<u> </u>

Reconciliation of the total tax charge:

Profit on ordinary activities before tax	5,219,245	219,007
	<u> </u>	<u> </u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK (30%)	1,565,773	65,702

Effects of:

Income not assessable to corporation tax	(1,554,842)	(67,242)
	<u> </u>	<u> </u>
Total current tax	10,931	(1,540)
	<u> </u>	<u> </u>

There is no 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 tax rate from 30% to 28% from 1 April 2008.

Notes to the financial statements *(continued)*

5 Investments

	2007 £	2006 £
Opening balance	345,090	345,090
Disposals in the year		
Shareholding in Lend Lease Real Estate Investments GmbH	(345,090)	-
	<hr/>	<hr/>
Closing balance	-	345,090
	<hr/>	<hr/>

On 7 August 2003, the company purchased 49.5% of the ordinary share capital of GLL Real Estate Partners GmbH, a company incorporated in Germany and involved in investing funds in Europe, from LLHR UK Limited (formerly Lend Lease Continental Holdings Limited), a company within the Lend Lease Europe Holdings Group. On 6 September 2006, the company sold its investment to Generali Investments Luxembourg S.A.

6 Trade and other receivables

	2007 £	2006 £
Amounts owed by Lend Lease Europe Limited	1,327,077	834,290
	<hr/>	<hr/>
	1,327,077	834,290
	<hr/>	<hr/>

Included within trade and other receivables is £nil (2006: £nil) expected to be recovered in more than 12 months.

7 Trade and other payables

	2007 £	2006 £
Amounts owed to Lend Lease US Inc	34,816	19,460
	<hr/>	<hr/>
	34,816	19,460
	<hr/>	<hr/>

Notes to the financial statements (continued)

8 Non current liability

	2007 £	2006 £
Provision for Lend Lease Real Estate Investments GmbH restructuring costs	284,376	360,349
	<u>284,376</u>	<u>360,349</u>

The provision relates to restructuring costs of Lend Lease Real Estate Investments GmbH. The underlying asset was sold in 2003, however there are costs that are yet to be incurred for payment.

9 Called up share capital

	2007 £	2006 £
<i>Authorised</i>		
4,554,540 'B' redeemable shares of £1 each	4,554,540	4,554,540
100 'O' ordinary shares of £1 each	100	100
	<u>4,554,640</u>	<u>4,554,640</u>
<i>Allotted, called up and fully paid</i>		
1 'O' ordinary share of £1	1	1
	<u>1</u>	<u>1</u>

Notes to the financial statements (continued)

10 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.

Financial Instruments – Interest Rate Exposure

The Company's policy is to manage interest rate risk that impacts directly on the Group's assets and liabilities.

At 30 June 2007, it is estimated that an increase of one percentage point in interest rates would have increased the Company's profit before tax by approximately £22,000 (2006: £nil).

	Effective interest rate	Floating interest rate £	Non interest bearing £	Total £
As at 30 June 2007				
FINANCIAL ASSETS				
Related Party Receivables				
Trade and other receivables		-	1,327,077	1,327,077
		-	1,327,077	1,327,077
FINANCIAL LIABILITIES				
Related Party Creditors				
Trade and other payables		-	34,816	34,816
Non current liability		-	284,376	284,376
		-	319,192	319,192

Notes to the financial statements *(continued)*

10 Financing Arrangements and Financial Instruments *(continued)*

Financial Instruments – Interest Rate Exposure *(continued)*

	Effective interest rate	Floating interest rate £	Non interest bearing £	Total £
As at 30 June 2006				
FINANCIAL ASSETS				
Related Party Receivables				
Trade and other receivables		-	834,290	834,290
		<hr/>	<hr/>	<hr/>
		-	834,290	834,290
		<hr/>	<hr/>	<hr/>
FINANCIAL LIABILITIES				
Related Party Creditors				
Trade and other payables		-	19,460	19,460
Non current liability		-	360,349	360,349
		<hr/>	<hr/>	<hr/>
		-	379,809	379,809
		<hr/>	<hr/>	<hr/>

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's immediate parent undertaking is Lend Lease Europe 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.

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.