

Lend Lease (UK) Management Services Limited

**Directors' report and
financial statements**

30 June 2008

Registered number 3782711

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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 2008.

Principal activities and business review

The principal activity of Lend Lease (UK) Management Services Limited ("the Company") is as a management services company for Lend Lease Europe group. This includes accounting for costs, such as employee, consultant and general administration costs, incurred by Risk, Assurance and EH&S Corporate functions based in the United Kingdom. The majority of costs incurred by the Company are recharged to the ultimate parent undertaking, Lend Lease Corporation Limited, which is incorporated in Australia.

Results and dividends

The loss for the year after taxation amounted to £565,000 (2007 profit: £258,000). The directors did not pay a dividend for the year (2007: £3,500,000).

Directors and directors' interests

The directors who held office during the year were as follows:

Thomas Lee (resigned 28 March 2008)
Georgina Scott (appointed 28 March 2008)

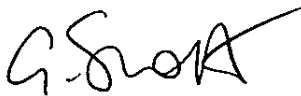
Statement as to disclosure of information to auditors

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 the forthcoming Annual General Meeting.

By order of the board



G Scott
Director

142 Northolt Road
Harrow, Middlesex
HA2 0EE
17 February 2009

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 and applicable laws.

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 (UK) Management Services Limited

We have audited the financial statements of Lend Lease (UK) Management Services Limited for the year ended 30 June 2008 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 2008 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

17/2/2009

Income Statement

for the year ended 30 June 2008

	Note	2008 £000	2007 £000
Corporate Management Fee		3,874	2,029
Other recoveries		2,684	1,292
Administrative expenses		(5,447)	(3,353)
Operating profit/(loss)		1,111	(32)
Financial income		-	-
Financial expenses		-	-
Profit/(Loss) on ordinary activities before taxation		1,111	(32)
Tax on ordinary activities	4	(1,676)	290
(Loss)/Profit on ordinary activities after taxation		(565)	258

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 these accounts are set out on pages 7 to 12.

Balance Sheet

at 30 June 2008

	Note	2008 £000	2007 £000
Current assets			
Receivables	5	1,437	462
Deferred Tax Assets	4 (d)	-	10
Total Assets		<u>1,437</u>	<u>472</u>
Current liabilities			
Trade and other payables	6	(1,724)	(194)
		<u>(1,724)</u>	<u>(194)</u>
Total liabilities		<u>(1,724)</u>	<u>(194)</u>
Net (liabilities)/assets		<u>(287)</u>	<u>278</u>
Capital and reserves			
Called up share capital	7	-	-
Retained earnings		(287)	278
Equity shareholders' (deficit)/funds		<u>(287)</u>	<u>278</u>

The notes to and forming part of these financial statements are set out on pages 7 to 12.

These financial statements were approved by the board of directors on 17 February 2009 and were signed on its behalf by:



G Scott
 Director

Statement of Changes in Shareholders' Equity

For the year ended 30 June 2008

	Attributable to shareholders		
	Share capital	Retained earnings	Total equity
	£000	£000	£000
Balance at 1 July 2006	-	3,520	3,520
Retained profit for the year	-	258	258
Dividends	-	(3,500)	(3,500)
Balance at 30 June 2007	-	278	278
Balance at 1 July 2007	-	278	278
Retained profit for the year	-	(565)	(584)
Balance at 30 June 2008	-	(287)	(306)

Cash Flow Statement

For the year ended 30 June 2008

	2008 £000	2007 £000
Cash flows from operating activities		
Profit for the year	(565)	258
Operating (loss)/profit before changes in working capital	(565)	258
(Increase)/Decrease in trade and other receivables	(975)	3,597
Decrease/(Increase) in deferred tax items	10	(10)
Increase/(Decrease) in trade and other payables	1,530	(102)
Increase/(Decrease) in provisions	-	(243)
Net cash from operating activities	-	3,500
Cash flows from financing activities		
Dividends paid	-	(3,500)
Net cash from financing activities	-	(3,500)
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 (UK) Management Services 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.

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.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and available for sale financial assets. Recognised assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged.

Comparative Figures

Comparative figures are, where appropriate, reclassified so as to be comparable with the figures stated in the current financial year.

Foreign currency

Transactions in currencies other than the entity's functional currency (foreign currencies) are initially recorded at the rates of exchange prevailing on the date of the transaction. At each subsequent balance sheet date assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial period. Foreign exchange differences are taken to the income statement in the period in which they arise. All exchange differences arising are dealt with in the income statement.

Derivative financial instruments and hedging

Derivative financial instruments are recognised initially at fair value on the date a derivative contract is entered into and subsequently remeasured at their fair value. Recognition of any resultant gain or loss depends on the nature of the item being hedged. The fair value of forward exchange contracts is their value at the current quoted forward price at the balance sheet date.

Derivative financial instruments designated as effective hedges are accounted for on the same basis as the underlying exposure.

Foreign exchange contracts are converted at the rates of exchange at balance date. The resulting foreign exchange gains or losses are taken to the income statement.

Notes to the financial statements (continued)

1. Accounting policies (continued)

Hedging

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Impairment

The carrying amounts of the Company's assets and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or subsequently enacted by the balance sheet date. Deferred tax assets are not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

Key estimates and judgements

These accounts are prepared under IFRS 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 a provision for doubtful debt. The company makes provision for bad and doubtful debt when conditions suggest the debt will not be recovered. Some of the key areas of judgment and estimate relevant to the company are explained below:

- The company has no exposure to interest rate fluctuations.
- The company makes provision for bad and doubtful debt when conditions suggest the debt will not be recovered.

Revenue

Revenue is derived from a Corporate Management Fee charged to UK related parties, and recoveries from the ultimate parent entity, Lend Lease Corporation.

Notes to the financial statements (continued)

1. Accounting policies (continued)

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30 June 2008, and have not been applied in preparing these financial statements.

- IFRIC 12 Service Concession agreements: applicable for years commencing on or after 1 January 2008. This interpretation relates to the accounting for service concession operators, but not grantors, for public to private service concession arrangements.

- IFRIC 13 Customer Loyalty Programmes: applicable for years commencing on or after 1 July 2008, but has not yet been endorsed for use in the EU. The interpretation addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services.

- IFRS 8 Operating Segments: applicable for years commencing on or after 1 January 2009. The standard introduces the "management approach" to segment reporting where presentation and disclosure of segment information is based on the internal reports regularly reviewed by the Company's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them.

- Revised IAS 23 Borrowing Costs: applicable for years commencing on or after 1 January 2009. The standard removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

- Revised IAS 1 Presentation of Financial Statements: applicable for years commencing on or after 1 January 2009, but has not yet been endorsed for use in the EU. The standard introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

- Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation: applicable for years commencing on or after 1 January 2009. The standard requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met.

2. Directors' remuneration and employees

The directors received no emoluments in respect of their services to the company. Directors' emoluments are disclosed in the consolidated financial statements of Lend Lease Europe Holdings Limited as they relate to services to the group as a whole.

The company did not employ any staff during the year (2007: nil).

3. Auditors' remuneration

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

The directors estimate that the fee attributable to the company is £2,500 (2007: £2,300). There were no other fees paid to the auditors.

Notes to the financial statements (continued)

4. Tax on profit/(loss) on ordinary activities

(a) Analysis of tax (charge)/credit for the year

	2008 £000	2007 £000
UK corporation tax on profit for the year at 29.5% (2007: 30%)	(328)	10
Non deductible permanent differences	(826)	-
Adjustments in respect of prior years	(522)	280
	<hr/>	<hr/>
Total income tax expense (note 4 (b))	(1,676)	290
	<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 unprovided deferred tax.

(b) Factors affecting tax (charge)/credit 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 before taxation for the following reasons:

	2008 £000	2007 £000
Profit/(Loss) on ordinary activities before tax	1,111	(32)
	<hr/>	<hr/>
Profit/(Loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK (2008:29.5%, 2007: 30%)	(328)	10
Non deductible permanent differences	(826)	-
Adjustments in respect of prior years	(522)	280
	<hr/>	<hr/>
	(1,676)	290
	<hr/>	<hr/>

(c) Factors that may affect future tax charges

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.

(d) Deferred Tax Balance

At 30 June 2008 there is a deferred tax asset balance of £Nil (2007: £Nil).

Notes to the financial statements (continued)

5. Current receivables

	2008	2007
	£000	£000
Trade Receivables	32	390
Loan to Lend Lease Europe Limited	1,405	72
	<u>1,437</u>	<u>462</u>

Amounts owed by Lend Lease Europe Limited are inter-group balances for general working capital purposes. The company can recall these amounts at any time.

6. Trade and other payables

	2008	2007
	£000	£000
Current		
Accrued Expenses	(58)	(194)
Income Tax Payable	(1,666)	-
	<u>(1,724)</u>	<u>(194)</u>

7. Called up share capital

	2008	2007
	£	£
Authorised		
100 Ordinary shares of £1	100	100
	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
1 Ordinary share of £1	1	1
	<u>1</u>	<u>1</u>

Notes to the financial statements (continued)

8. 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 the group's website at 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 this group may be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff.

9. Related Party Disclosures

The Company has provided a loan to related parties as detailed in Note 5. Further details of these loans follow:

Amounts owed by Lend Lease Europe Limited are inter-group balances for general working capital purposes. Lend Lease Europe Limited can recall these amounts at any time.

Revenue is derived from a Corporate Management Fee charged to UK related parties, and recoveries from the ultimate parent entity, Lend Lease Corporation.

10. Subsequent events

There have been no significant post balance sheet events