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Lend Lease US Investments Limited

**Directors' report and
financial statements**

30 June 2002

Registered number 3365708



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 2002.

Principal activities

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

Results and dividends

The company received no income nor incurred any expenses during the year. Consequently a profit and loss account is not presented. The directors do not recommend the payment of a dividend (2001: £nil).

Directors and directors' interests

The directors of the company were as follows:

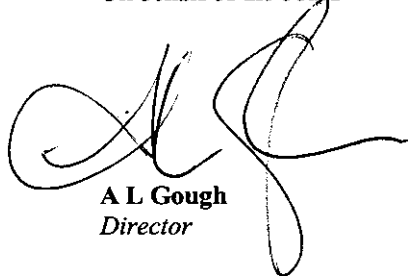
A L Gough
R G Caven
D S Hutton (resigned 22 August 2002)
C M Foster-Taylor (appointed 22 August 2002)

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

Our auditors KPMG have indicated to the directors that their business has transferred to a limited liability partnership, KPMG LLP. Accordingly, they resigned as auditors of the company and the directors appointed KPMG LLP to fill the vacancy arising with effect from 10 June 2002. A resolution for the appointment of KPMG LLP as auditors of the company is to be proposed at a forthcoming General Meeting.

On behalf of the board



A L Gough
Director

23 Kingsway
London WC2B 6UJ
25 April 2003

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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.

The above statement should be read in conjunction with the statement of auditors' responsibilities set out in the auditors' report on page 3.

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

We have audited the financial statements on pages 4 to 9.

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 are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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 of the state of the company's affairs as at 30 June 2002 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG LLP
Chartered Accountants
Registered Auditor

8 Salisbury Square
London
EC4Y 8BB
25 April 2003

Statement of total recognised gains and losses

For the year ended 30 June 2002

	2002 £	2001 £
Profit for the financial year	-	-
Unrealised foreign exchange (loss)/gain on foreign currency investments	(3,571,417)	10,472,630
Unrealised foreign exchange gain/(loss) on related borrowings	3,542,510	(10,387,865)
Total recognised gains and losses	(28,907)	84,765

The company received no income nor incurred any expenses during the year. Consequently a profit and loss account is not presented.

The notes to and forming part of these financial statements are set out on pages 6 to 9.

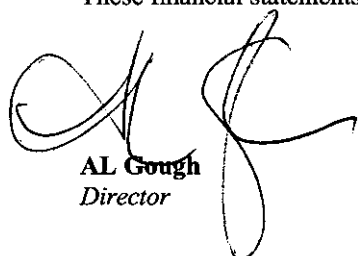
Balance sheet

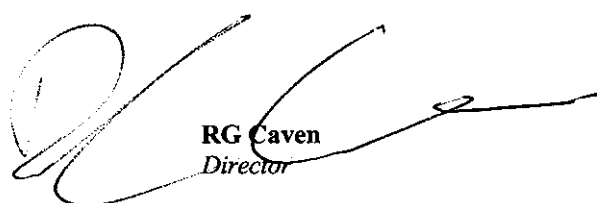
at 30 June 2002

	<i>Note</i>	2002 £	2001 £
Fixed assets			
Investments	4	137,958,737	141,530,154
Current assets			
Debtors	5	120,000,001	132,135,306
Creditors: amounts falling due within one year	6	(136,833,496)	(152,511,311)
Net current liabilities		(16,833,495)	(20,376,005)
Net assets		121,125,242	121,154,149
Capital and reserves			
Called up share capital	7	120,000,001	120,000,001
Profit and loss account		1,125,241	1,154,148
Shareholders' funds		121,125,242	121,154,149
Analysis of shareholders' funds			
Equity		1,125,242	1,154,149
Non-equity		120,000,000	120,000,000
		121,125,242	121,154,149

The notes to and forming part of these financial statements are set out on pages 6 to 9.

These financial statements were approved by the board of directors on 25 April 2003 and were signed on its behalf by:


AL Gough
Director


RG Caven
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 UK holding 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 to believe 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 any adjustments that would result from the basis of preparation being inappropriate.

The company has applied the provisions of Financial Reporting Standard No 19 'Deferred tax' for the first time in the year.

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.

Notes to the financial statements (continued)

1 Accounting policies (continued)

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 (2001: £nil).

The company did not employ any staff during the year (2001: nil).

3 Auditors' remuneration

Auditors' 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 Investments

<i>Movement in investment in Lend Lease (US) Inc:</i>	2002	2001
	£	£
At beginning of year	141,530,154	131,057,524
Exchange movements	(3,571,417)	10,472,630
At end of year	137,958,737	141,530,154

The company owns 12 shares of Class A Redeemable Preferred Stock and 100 shares of Class B Redeemable Preferred Stock of Lend Lease (US) Inc, a holding company incorporated in the United States.

For the entire financial year the investments in Lend Lease (US) Inc were hedged by foreign currency loans received from Lend Lease Europe Holdings Limited. As a result the investment in Lend Lease (US) Inc has been retranslated at the year end and the resulting foreign exchange difference has been taken directly to reserves. The exchange difference on the borrowings has been offset, as a reserves movement, against the exchange difference on the investments.

The directors are satisfied that the investment is worth at least the amount at which it is included in the balance sheet.

Note to the financial statements (continued)

5 Debtors

	2002 £	2001 £
Amounts owed by group undertakings	120,000,001	132,135,306
	<u> </u>	<u> </u>

During the year, £12,135,305 was used to offset an outstanding loan with Lend Lease Europe Holdings Limited, the company's parent entity. See Note 6.

6 Creditors: amounts falling due within one year

	2002 £	2001 £
Amounts owed to group undertakings	136,833,496	152,511,311
	<u> </u>	<u> </u>

During the year, £12,135,305 was offset by an outstanding debtor with Lend Lease Europe Holdings Limited, the company's parent entity. See Note 5. The balance of the current period movement is made up of movements on the foreign currency loan associated with the company's investment in LL (US) Inc.

7 Called up share capital

	2002 £	2001 £
<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>

Note to the financial statements (continued)

7 Called up share capital (continued)

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 American 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. 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.

8 Reconciliation of movements in shareholders' funds

	Share capital	Profit and loss account	Total shareholders' funds
	£	£	£
At 1 July 2001	120,000,001	1,154,148	121,154,149
Exchange difference on investment net of movement on associated borrowings	-	(28,907)	(28,907)
At 30 June 2002	120,000,001	1,125,241	121,125,242

9 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, Maindy, Cardiff.