

Lend Lease US Investments Limited

**Directors' report and
financial statements**

30 June 2004

Registered number 3365708



Directors' report and financial statements

Contents

Directors' report	1
Statement of directors' responsibilities	2
Independent auditor's report to the members of Lend Lease US Investments Limited	3
Statement of total recognised gains and losses	4
Balance sheet	5
Notes to the financial statements	6 - 9

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2004.

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 (2003: £nil).

Directors and directors' interests

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

A L Gough	(resigned 29 September 2003)
R G Caven	
M Larkin	(appointed 20 October 2003, resigned 10 August 2004)
CS Matheson	(appointed 28 July 2004)

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

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


R G Caven
Director

142 Northolt Road
Harrow, Middlesex, HA2 0EE
31 March 2005

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; 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 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 auditor's responsibilities set out in the auditor's report on page 3.

Independent auditor's 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 2004 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
31 March 2005

Statement of total recognised gains and losses

For the year ended 30 June 2004

	<i>Note</i>	2004 £	2003 £
Unrealised foreign exchange loss on foreign currency investments		-	(17,574,518)
Unrealised foreign exchange gain on related borrowings		-	17,423,603
Total recognised gains and losses	8	-	(150,915)

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 2004

	Note	2004 £	2003 £
Fixed assets			
Investments	4	120,384,219	120,384,219
Current assets			
Debtors	5	43,381,013	39,671,803
Creditors: amounts falling due within one year	6	(42,790,905)	(39,081,695)
Net current assets		590,108	590,108
Net assets		120,974,327	120,974,327
Capital and reserves			
Called up share capital	7	120,000,001	120,000,001
Revaluation reserve	8	974,326	974,326
Shareholders' funds	8	120,974,327	120,974,327
Analysis of shareholders' funds			
Equity		974,327	974,327
Non-equity		120,000,000	120,000,000
		120,974,327	120,974,327

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 31 March 2005 and were signed on its behalf by:

C S Matheson
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.

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.

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 (2003: £nil).

The company did not employ any staff during the year (2003: nil).

Notes to the financial statements *(continued)*

3 Auditor's remuneration

Auditor's 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>	2004	2003
	£	£
At beginning of year	120,384,219	137,958,737
Exchange movements	-	(17,574,518)
At end of year	120,384,219	120,384,219

The company owns 12 units of Class A Redeemable Preferred Stock and 100 units of Class B Redeemable Preferred Stock of Lend Lease (US) Inc, a holding company incorporated in the United States. The Redeemable Preferred Stock carry voting rights equal to the voting rights attached to the number of ordinary shares that the preferred stock is convertible into.

The investments in Lend Lease (US) Inc are in US Dollars and have been previously hedged by US Dollar loans from Lend Lease Europe Holdings Limited.

On 20 June 2003 the US Dollar loan from Lend Lease Europe Holdings Limited was repaid. At this date the investment ceased to be hedged. The exchange movements on the investment and associated borrowings in the period to 20 June 2003 were taken to reserves. Since that date the investment has been carried at cost.

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

5 Debtors

	2004	2003
	£	£
Amounts owed by group undertakings:		
- Lend Lease Europe Holdings Limited	590,108	590,108
- Lend Lease Real Estate Investments Inc	42,790,905	39,081,695
	43,381,013	39,671,803

Notes to the financial Statements (*continued*)

6 Creditors: amounts falling due within one year

	2004 £	2003 £
Amounts owed to group undertakings:		
- Lend Lease Europe Holdings Limited	42,790,905	39,081,695
	<u> </u>	<u> </u>

7 Called up share capital

	2004 £	2003 £
<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>

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 2004 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 Reconciliation of movements in shareholders' funds

	Share capital	Revaluation Reserve	Total shareholders' funds
	£	£	£
At 1 July 2003	120,000,001	974,326	120,974,327
Exchange difference on final movement on repayment of borrowings	-	-	-
At 30 June 2004	120,000,001	974,326	120,974,327

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.