Company Registration No. 3841821

KAJIMA PARTNERSHIPS LIMITED

Report and Financial Statements

31 December 2002

Deloitte & Touche
London



KAJIMA PARTNERSHIPS LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

CONTENTS

	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	4
Independent auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes to the accounts	8

KAJIMA PARTNERSHIPS LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

F Suzuki (Chairman)
H Sugimoto
J M Rudd-Jones
R J Longley
N Aoki

SECRETARY

G P Walters

REGISTERED OFFICE

Grove House
248a Marylebone Road
London NW1 6JZ

BANKERS

Sumitomo Mitsui Banking Corporation Europe Limited

AUDITORS

Deloitte & Touche
180 Strand
London WC2R 1BL

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

PRINCIPAL ACTIVITY

The company is part of the Kajima UK Group's ("Kajima") property division, its principal activity being the sourcing, planning and procurement of development projects under the UK Government's Private Finance Initiative ("PFI"). The intention is that new subsidiary companies of Kajima Partnerships Limited ("KPL") will be formed as 'special purpose vehicles' ("SPVs") as and when Kajima is appointed preferred bidder for each PFI development, with the accumulated costs being passed down to the special purpose vehicle if and when the contract becomes unconditional and planning permission has been granted.

RESULTS AND REVIEW OF THE BUSINESS

The company incurred a loss for the year of £3,351,986 (2001: £746,069 loss). The directors do not propose a dividend for the year (2001: £nil).

The company now owns four SPVs via intermediate holding companies. The first of these, Kajima Cambridge Limited, was formed in 1999 to undertake an office development in Cambridge for the Department of Environment, Food and Rural Affairs ("DEFRA") (formerly MAFF). Construction has recently been completed and the offices are now occupied by DEFRA and other Government departments. The total cost of the investment is approximately £24.5m.

In December 2002, financial close was reached on two projects to provide schools for North Tyneside Council and the London Borough of Ealing with a combined value of £64m, construction having since commenced on both developments. The SPVs are named Kajima North Tyneside Limited and Ealing Schools Partnerships Limited, respectively.

During the year the company was also appointed preferred bidder in respect of a further two projects to a total value of £86m to develop a learning centre for Northamptonshire County Council and an office development in Bootle, Merseyside for use as the headquarters of the Health and Safety Executive. Financial close on the former took place in March 2003 – the SPV being Wooldale Partnerships Limited - and is projected for the latter in Summer 2003.

Since the year end, the company has been appointed preferred bidder on a £22m school project for the London Borough of Camden.

The company is currently pursuing PFI projects in the health sector in addition to further opportunities in the educational and office accommodation sectors.

FORMATION OF NEW SUBSIDIARIES AND SHARE TRANSFERS

Kajima Cambridge Limited
Pursuant to an ordinary resolution of the Board on 17 January 2002, the company transferred its 100% holding of 100,000 £1 ordinary shares in KCL to its other subsidiary Kajima Cambridge Holdings Limited "KCH", the consideration being 100 new £1 ordinary shares in KCH.

Kajima North Tyneside Limited
On 19 December 2002, the company subscribed for 305,000 £1 ordinary shares representing a 100% holding in Kajima North Tyneside Holdings Limited which, in turn, acquired 305,000 £1 ordinary shares representing a 100% holding in Kajima North Tyneside Limited.

Ealing Schools Partnerships Limited
On 18 December 2002, the company subscribed for 90,000 £1 ordinary shares representing a 100% holding in Ealing Schools Partnerships Holdings Limited which, in turn, acquired 90,000 £1 ordinary shares representing a 100% holding in Ealing Schools Partnerships Limited.

Wooldale Partnerships Limited
On 28 March 2003, the company subscribed for 90,000 £1 ordinary shares representing a 100% holding in Wooldale Partnerships Holdings Limited which, in turn, acquired 90,000 £1 ordinary shares representing a 100% holding in Wooldale Partnerships Limited.

DIRECTORS' REPORT

DIRECTORS

The current directors of the company are shown on page 1.

All directors served throughout the year except as noted:

R J Longley – appointed 2 July 2002

None of the directors had any interests in the shares of the company or any other group company at any time during the year.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

G P Walters – Secretary

30 May 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. 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; and
- prepare the financial statements on a 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 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 are also responsible for the system of internal control and for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KAJIMA PARTNERSHIPS LIMITED

We have audited the financial statements of Kajima Partnerships Limited for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 14. 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 auditors' 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, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom 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 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
London

11 June 2003

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2002

	Note	2002 £	2001 £
TURNOVER	2	706,246	-
Cost of sales		(2,868,336)	(712,439)
GROSS LOSS		(2,162,090)	(712,439)
Administrative expenses		(1,297,396)	(26,477)
Provision for impairment in carrying value of subsidiary company		-	(7,153)
OPERATING LOSS		(3,459,486)	(746,069)
Loss on disposal of fixed asset investment	6	(86,310)	-
Net interest receivable	4	193,810	-
LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION, RETAINED FOR THE YEAR	3, 13	(3,351,986)	(746,069)

All results are derived from continuing operations.

The company had no other recognised gains or losses stated in the current and preceding years. Accordingly, no statement of total recognised gains and losses is required.

BALANCE SHEET
31 December 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Investments	6	395,100	86,412
CURRENT ASSETS			
Debtors: amounts falling due within one year	7	3,346,691	9,072
Debtors: amounts falling due after more than one year	8	5,981,884	-
Stock	9	221,222	90,009
Cash at bank and in hand		19,881	5,310
		9,569,678	104,391
CREDITORS: amounts falling due within one year	10	(8,033,998)	(1,091,097)
NET CURRENT ASSETS/ (LIABILITIES)		1,535,680	(986,706)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,930,780	(900,294)
CREDITORS: amounts falling due after more than one year	11	(6,183,060)	-
NET LIABILITIES		(4,252,280)	(900,294)
CAPITAL AND RESERVES			
Called up share capital	12	100,000	100,000
Profit and loss account	13	(4,352,280)	(1,000,294)
EQUITY SHAREHOLDER'S DEFICIT	13	(4,252,280)	(900,294)

These financial statements were approved by the Board of Directors on 30 May 2003.

Signed on behalf of the Board of Directors

H Sugimoto
Director

30 May 2003

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention, and in accordance with applicable United Kingdom accounting standards.

The accounting policies described below have been consistently applied in the current year and in the preceeding year with the exception of the accounting standard for deferred tax "FRS19", which was adopted during the year as explained in the accounting policy note for deferred tax below.

Basis of preparation

Although the company has net current liabilities, the directors have received an undertaking from the company's immediate UK parent company, Kajima Europe UK Holding Limited ("KEUKH"), that it will provide or procure adequate finance to enable the company to meet its liabilities as they fall due for at least twelve months from the date of approval of these financial statements. Accordingly, the directors are of the opinion that the company will have sufficient funds to meet its liabilities as they fall due and that it is appropriate to prepare these financial statements on the going concern basis.

Group accounts

The company is exempt from the obligation to prepare and deliver group accounts under S.228(2) Companies Act 1985, as it is itself a subsidiary undertaking of an EU parent and is included in the parent's consolidated accounts. The parent company, KEUKH, a company incorporated in the United Kingdom, produces consolidated financial statements. These financial statements present information for the company as an individual undertaking and not as a group.

Pre-contract costs

In accordance with UITF Abstract 34, all costs arising in relation to a contract before the point at which it is virtually certain that the contract will be awarded are written off to the profit and loss account. Costs arising after this point are carried forward as development work in progress with a view to recovery against development fees charged to the relevant "special purpose vehicle", any irrecoverable costs being written off.

Development work in progress

Development work in progress, which is stated net of provision, comprises pre-contract costs incurred when it is virtually certain that a contract will be awarded, which is generally on the company's appointment as the preferred bidder.

Cost of sales

Cost of sales comprises costs written off in respect of bids for projects on which financial close has been achieved in the year, or on which it is virtually certain that this will be achieved after the year end. All other pre-contract costs are allocated to administrative expenses.

Investments

Investments in subsidiary companies are stated at cost less provision for impairment.

Related party transactions

The company is a wholly-owned subsidiary of the Kajima Europe UK Holding Limited group of companies and has taken advantage of the exemption that is conferred by Financial Reporting Standard No. 8, Related Party Disclosures, that allows it not to disclose transactions with group companies.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

1. ACCOUNTING POLICIES (continued)

Deferred taxation

A new financial reporting standard FRS 19 'Deferred Tax' has been adopted for the year. There is no impact on the current and prior years resulting from its implementation.

Deferred taxation is now provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

2. TURNOVER

Turnover represents fee income for development services, exclusive of VAT, and was wholly derived from within the UK.

3. LOSS ON ORDINARY ACTIVITIES

	2002 £	2001 £
This is stated after charging:		
Auditors' remuneration:		
audit fees	3,000	3,000
other services	3,000	2,000
Bid costs	1,184,306	-

Since incorporation, the company has had no employees other than its directors, none of whom received any remuneration for their services as a director of the company during the year (2001: £nil).

4. NET INTEREST RECEIVABLE

	2002 £	2001 £
Interest payable		
European parent company (Note 11)	(268,880)	-
Bank	(14)	-
	(268,894)	-
Interest receivable		
Subordinated loan (Note 8)	462,704	-
	193,810	-

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

There is no corporation tax credit as no deferred tax asset has been recognised for tax losses carried forward.

Factors affecting tax charge for period

The current tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2002 £	2001 £
Loss on ordinary activities before tax	(3,351,988)	(746,069)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	1,005,596	223,821
Effects of:		
Expenses not deductible for tax purposes	(28,797)	(2,146)
Losses arising in period carried forward	(896,134)	(221,675)
Unpaid interest to overseas connected party	(80,665)	-
Current tax charge for period	-	-

No provision has been made for deferred tax assets of £1,180,085 (2001 - £322,953) in respect of tax losses and £80,664 (2001 - £nil) in respect of other timing differences as recoverability in the short term is uncertain.

6. FIXED ASSETS

	Shares in subsidiary undertakings £	Shares in joint venture undertaking £	Total £
Cost and net book value			
At 1 January 2002	86,411	1	86,412
Acquisitions	395,098	-	395,098
Disposals	(86,409)	(1)	(86,410)
At 31 December 2002	395,100	-	395,100
Comprising:			
Kajima Cambridge Holdings Limited	100		
Kajima North Tyneside Limited	90,000		
Ealing Schools Partnerships Limited	305,000		
	395,100		

On 17 February 2002, the company transferred its 100% holding of 100,000 £1 ordinary shares in Kajima Cambridge Limited to its other subsidiary, Kajima Cambridge Holdings Limited, the consideration being 100 new £1 ordinary shares in Kajima Cambridge Holdings Limited.

On 3 December 2002, the company sold its one share representing a 50% holding in Bryanston Square Limited to Occam Green Holdings Limited for a consideration of £1 cash.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

7. DEBTORS: amounts falling due within one year

	2002 £	2001 £
Trade debtors	85,099	-
Amounts owed by subsidiary undertakings	3,214,279	-
Other debtors	47,313	9,072
	3,346,691	9,072

8. DEBTORS: amounts falling due after more than one year

	2002 £	2001 £
Subordinated loan due from subsidiary undertakings	5,981,884	-

This loan to Kajima Cambridge Holdings Limited is in turn loaned to Kajima Cambridge Limited at an interest rate of 10%.

9. STOCK

	2002 £	2001 £
Development work in progress	221,222	90,009

10. CREDITORS: amounts falling due within one year

	2002 £	2001 £
Trade creditors	1,143,395	177,594
Amount owed to European parent undertaking	508,789	-
Amount owed to UK parent undertaking	4,957,999	908,500
Amount owed to fellow subsidiary undertakings	1,383,813	-
Other creditors	2	3
Accruals and deferred income	40,000	5,000
	8,033,998	1,091,097

11. CREDITORS: amounts falling due after more than one year

	2002 £	2001 £
Loan (unsecured)	6,183,060	-

The loan comprises advances by the company's European parent company, Kajima Europe B.V., to finance the company's investments in, and subordinated loans to, its subsidiaries. The loan will not become repayable until funds become available from the eventual sale proceeds of those subsidiaries, which is anticipated to be within the next two to five years. Interest is payable at 2% above the base rate.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

12. CALLED UP SHARE CAPITAL

	2002 £	2001 £
Authorised, allotted, called up and fully paid:		
100,000 ordinary shares of £1 each	100,000	100,000

13. MOVEMENTS ON RESERVES AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S DEFICIT

	Share capital £	Profit and loss account £	Total
At 1 January 2002	100,000	(1,000,294)	(900,294)
Loss for the year	-	(3,351,986)	(3,351,986)
At 31 December 2002	100,000	(4,352,280)	(4,252,280)

14. ULTIMATE AND IMMEDIATE PARENT COMPANY

The company's ultimate controlling entity, ultimate parent company and parent company of the largest group of which the company is a member and for which group financial statements are prepared is Kajima Corporation, a company incorporated in Japan. Copies of the group financial statements of Kajima Corporation are available from 1-2-7 Moto-Akasaka, Minato-Ku, Tokyo.

The smallest group of which the company is a member and for which group financial statements are prepared is Kajima Europe UK Holding Limited, a company incorporated in Great Britain. Copies of the group financial statements are available from Grove House, 248a Marylebone Road, London NW1 6JZ.