

Blueco Limited

**Directors' report and
financial statements**

30 June 2003

Registered number 3196199



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 2003.

Principal activities

The principal activity of Blueco Limited is property development.

Results and dividends

The profit for the year after taxation amounted to £12,614,942 (2002: £11,841,896). The directors propose payment of a £35,000,000 dividend (2002: £35,000,000).

Directors

The directors of the company were as follows:

D S Hutton	(resigned 27 February 2004)
R G Caven	
J P Allwood	(appointed 29 September 2003)
C S Matheson	(appointed 29 September 2003)
D K Perry	(appointed 30 May 2003)
A L Gough	(resigned 29 September 2003)
K M Anderson	(appointed 22 August 2002, resigned 29 September 2003)
C M Foster Taylor	(appointed 22 August 2002, resigned 30 May 2003)
A Jeffrey	(appointed 22 August 2002, resigned 28 January 2003)

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

23 Kingsway
London WC2B 6UJ
26 April 2004

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 auditors' responsibilities set out in the auditors' report on page 3.

Report of the independent auditors to the members of Blueco Limited

We have audited the financial statements on pages 4 to 10.

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 2003 and of its profit 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
26 April 2004

Profit and loss account

for the year ended 30 June 2003

	<i>Note</i>	2003 £	2002 £
Turnover	1	18,780,364	17,385,952
Cost of sales		(617,850)	(585,000)
		<hr/>	<hr/>
Gross profit		18,162,514	16,800,952
Other income		-	144,226
Administrative expenses		(107,903)	(24,991)
		<hr/>	<hr/>
Operating profit		18,054,611	16,920,187
Interest receivable and similar income		3,011	5,360
		<hr/>	<hr/>
Profit on ordinary activities before taxation	4	18,057,622	16,925,547
Tax on profit on ordinary activities	5	(5,442,680)	(5,083,651)
		<hr/>	<hr/>
Profit for the financial year		12,614,942	11,841,896
Dividends			
Ordinary dividend proposed		(35,000,000)	(35,000,000)
		<hr/>	<hr/>
Retained deficit for the year	11	(22,385,058)	(23,158,104)
Retained profit brought forward		60,689,538	83,847,642
		<hr/>	<hr/>
Retained profit carried forward		38,304,480	60,689,538
		<hr/>	<hr/>

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 6 to 10.


Balance sheet

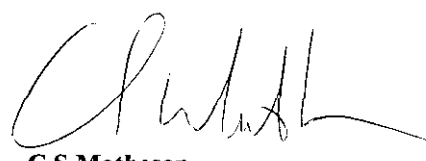
at 30 June 2003

	Note	2003 £	2002 £
Current assets			
Development property	6	227,804,691	227,444,108
Debtors	7	442,731	44,658,324
Cash at bank		500	500
		<hr/>	<hr/>
Creditors: amounts falling due within one year	8	228,247,922 (35,630,743)	272,102,932 (47,955,460)
		<hr/>	<hr/>
Net current assets		192,617,179	224,147,472
Creditors: amounts falling due after more than one year	9	(94,312,689)	(103,457,924)
		<hr/>	<hr/>
Net assets		98,304,490	120,689,548
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	10	60,000,010	60,000,010
Profit and loss account	11	38,304,480	60,689,538
		<hr/>	<hr/>
Equity shareholders' funds	11	98,304,490	120,689,548
		<hr/>	<hr/>

The notes to and forming part of these financial statements are set out on pages 6 to 10.

These financial statements were approved by the board of directors on 26 April 2004 and were signed on its behalf by:


R G Caven
Director


C S Matheson
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.

Development property

Property acquired for development and sale in the ordinary course of business is carried at cost to date. Interest is capitalised to individual holdings where the project is externally financed. The net recoverable amount of each material holding is assessed annually by independent valuers and a provision for diminution in value is made where cost exceeds the valuation. Where the valuation is made on a completion basis, estimated costs to completion are considered in this valuation.

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.

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.

Turnover

Turnover is stated net of value added tax and is derived from the following sources:

	2003 £	2002 £
Net Rental income	18,780,364	17,385,952

All turnover was attributable to the United Kingdom.

Notes to the financial statements (continued)

2 Directors' remuneration and employees

The directors did not receive any emoluments in respect of their services to the company (2002: £nil).

The company employed no staff in the year (2002: nil).

3 Auditors' remuneration

Auditors' remuneration in respect of audit and other fees was borne by Lend Lease Europe Limited, the immediate parent undertaking.

4 Profit on ordinary activities before taxation

	2003 £	2002 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Amortisation of lease prepayment	84,645	-
	<u>84,645</u>	<u>-</u>

5 Tax on profit on ordinary activities

Analysis of charge for the year:

	2003 £	2002 £
Current tax (FRS 16)		
UK Corporation tax on profit for the year	5,442,680	5,083,651
	<u>5,442,680</u>	<u>5,083,651</u>
Total current tax	<u>5,442,680</u>	<u>5,083,651</u>

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:

Profit on ordinary activities before tax	18,057,622	16,925,547
	<u>18,057,622</u>	<u>16,925,547</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK (30%)	5,417,287	5,077,664
	<u>5,417,287</u>	<u>5,077,664</u>
Effects of:		
Non-deductible expenditure	25,393	5,987
	<u>25,393</u>	<u>5,987</u>
Total current tax	<u>5,442,680</u>	<u>5,083,651</u>

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.

Notes to the financial statements (continued)

6 Development property

	2003 £	2002 £
Bluewater development at cost	227,804,691	227,444,108

Included in the balance above is capitalised interest of £7,040,000 (2002: £7,040,000).

7 Debtors

	2003 £	2002 £
Trade debtors	876	1,463
Amounts owed by group undertakings	-	44,626,653
Other debtors	-	30,208
Prepayments and accrued income	441,855	-
	<u>442,731</u>	<u>44,658,324</u>

8 Creditors: amounts falling due within one year

	2003 £	2002 £
Amounts owed to group undertakings	23,326,734	-
Amounts owed to related parties	1,458,099	549,344
Taxation and social security	731,000	-
Dividend proposed	-	35,000,000
Other creditors	7,316,144	7,316,145
Accruals and deferred income	2,798,766	5,089,971
	<u>35,630,743</u>	<u>47,955,460</u>

Notes to the financial statements (continued)

9 Creditors: amounts falling due after more than one year

	2003 £	2002 £
Other creditors	94,312,689	103,457,924

Other creditors falling due after more than one year represent an accrual for future payments on a lease relating to plant and machinery at Bluewater.

10 Called up share capital

	2003 £	2002 £
<i>Authorised</i> 60,000,100 Ordinary shares of £1	60,000,100	60,000,100
<i>Allotted, called up and fully paid</i> 60,000,010 Ordinary shares of £1	60,000,010	60,000,010

11 Reconciliation of movements in equity shareholders' funds

	Share capital £	Profit and loss account £	Total shareholders' funds £
At 30 June 2002	60,000,010	60,689,538	120,689,548
Retained deficit for the financial year	-	(22,385,058)	(22,385,058)
At 30 June 2003	60,000,010	38,304,480	98,304,490

Notes to the financial statements *(continued)*

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 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. The consolidated financial statements of that group may be obtained from The Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff.