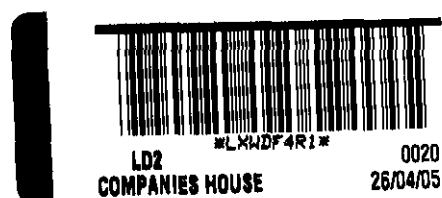


Lend Lease Europe Limited

**Directors' report and
financial statements**

30 June 2004

Registered number 3196202



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 2004.

Principal activities, future developments and review of the business

The principal activity of Lend Lease Europe Limited is to make and hold investments in European subsidiaries and to provide administration services for its wholly owned subsidiaries. The principal activities of the companies within the group are investment management, property development, property investment, project management services and administration.

The principal activities of the group will continue into the foreseeable future.

Results

The profit for the year after taxation amounted to £405,000 (2003: £41,596,000). The directors do not recommend the payment of a dividend (2003: £Nil).

Directors and directors' interests

The directors during the year were as follows:

RG Caven	
DK Perry	
A Chamberlain	(appointed 3 November 2003)
CS Matheson	(appointed 3 March 2004)
DS Hutton	(resigned 3 March 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.


Donations

During the year, the company made charitable donations of £nil (2003: £nil). No donations were made to political parties.

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


R G Caven
Director

142 Northolt Road
Harrow, Middlesex, HA2 0EE
21 April 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 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 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 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 auditor's report to the members of Lend Lease Europe Limited

We have audited the financial statements on pages 4 to 14.

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 profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
*Chartered Accountants
Registered Auditor*

8 Salisbury Square
London
EC4Y 8BB
22 Apr 2005

Profit and loss account

for the year ended 30 June 2004

	<i>Note</i>	2004 £000	2003 £000
Other operating income		2,334	5,195
Administrative expenses		(7,666)	(13,538)
Operating loss		(5,332)	(8,343)
Income from shares in group undertakings		5,574	50,500
Profit before interest and taxation		242	42,157
Interest receivable and similar income		559	2,497
Interest payable and similar charges	2	(2,300)	(2,926)
(Loss) / profit on ordinary activities before taxation	5	(1,499)	41,728
Tax on (loss) / profit on ordinary activities	6	1,904	(132)
Profit on ordinary activities after taxation		405	41,596
Retained profit brought forward		90,997	49,401
Retained profit carried forward		91,402	90,997

All activities are continuing. 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 7 to 14.

Statement of total recognised gains and losses

For the year ended 30 June 2004

	<i>Note</i>	2004 £000	2003 £000
Profit for the financial year		405	41,596
Unrealised foreign exchange loss on related borrowings		9	-
		<hr/>	<hr/>
Total recognised gains	14	414 <hr/> <hr/>	41,596 <hr/> <hr/>

The notes to and forming part of these financial statements are set out on pages 7 to 14.

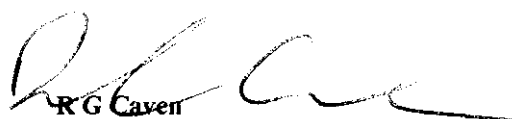
Balance sheet


at 30 June 2004

		2004 £000	£000	2003 £000	£000
Fixed assets					
Tangible assets	7		133		112
Investments	8		69,190		69,180
			69,323		69,292
Current assets					
Work in progress	9	1,313		1,319	
Debtors	10	154,294		115,506	
		155,607		116,825	
Creditors: amounts falling due within one year	11	(131,184)		(92,313)	
Net current assets			24,423		24,512
Total assets less current liabilities			93,746		93,804
Provisions for liabilities and charges	12		(745)		(1,217)
Net assets			93,001		92,587
Capital and reserves					
Called up share capital	13		1,512		1,512
Other reserves	15		87		78
Profit and loss account	15		91,402		90,997
Equity shareholders' funds	14		93,001		92,587

Notes to and forming part of these financial statements are set out on pages 7 to 14.

These financial statements were approved by the board of directors on 21 April 2005 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.

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 therefore 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.

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.

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.

Related party transactions

The company has taken advantage of the exemption in FRS 8 'Related Party Disclosures' to dispense with the requirement to disclose transactions with group companies.

Post retirement benefits

The company operates a defined contribution pension scheme and contributions are charged to the profit and loss account in the year to which they relate. The details of the contributions to this scheme are included in the financial statements of Lend Lease Europe Holdings Limited.

Fixed asset investments

Fixed asset investments are stated at cost less provision for impairment in value.

Tangible fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets over their estimated useful economic lives as follows:

Plant, equipment, fixtures and fittings	-	33% per annum on a straight line basis
Leasehold improvements	-	25% per annum on a straight line basis

Work in progress

Work in progress is stated at the lower of cost and net realisable value.

Notes to the financial statements (continued)

1 Accounting policies (continued)

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 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.

Leases

Operating lease rentals are charged to the profit and loss account in the year to which they relate.

2 Interest payable and similar charges

	2004 £000	2003 £000
On bank loans and overdrafts	2,076	2,926
Payable to ultimate parent company and fellow subsidiaries	224	-
	<u>2,300</u>	<u>2,926</u>

3 Remuneration of directors

Emoluments in respect of the directors are disclosed in the consolidated financial statements of Lend Lease Europe Holdings Limited as they relate to services to the group as a whole.

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2004	2003
Administration	28	37
Operational	107	148
	<u>135</u>	<u>185</u>

The aggregate payroll costs of these persons were as follows:

	2004 £000	2003 £000
Wages and salaries	11,053	18,370
Social security costs	1,296	2,402
Pension costs	1,180	1,468
	<u>13,529</u>	<u>22,240</u>

A portion of the above payroll costs have been allocated to other group companies based on work performed by employees during the year.

Notes to the financial statements *(continued)*

5 (Loss)/profit on ordinary activities before taxation

	2004 £000	2003 £000
<i>(Loss)/profit on ordinary activities before tax is stated after charging/(crediting):</i>		
Auditors' remuneration:		
Audit	266	236
Other services	175	457
Depreciation	135	333
Gain on disposal of investment	-	(4,923)
Exchange gains	(26)	(1,095)
Hire of other assets – operating leases:		
Land and buildings	400	1,257
Plant and equipment	11	22
Motor vehicles	35	42

The company has borne the audit fee for all of its UK subsidiaries.

6 Tax on profit on ordinary activities

	2004 £000	2003 £000
UK corporation tax on profit for the year	(1,904)	132

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:

	2004 £000	2003 £000
(Loss) / profit on ordinary activities before tax	(1,499)	41,728
(Loss) / profit on ordinary activities multiplied by the standard rate of corporation tax in the UK (30%)	(450)	12,518
Income not assessable to corporation tax	(1,672)	(15,150)
Expenses and provisions not deductible for tax purposes	218	2,764
	(1,904)	132

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 deferred tax to be provided in the year.

Notes to the financial statements (continued)

7 Tangible fixed assets

	Leasehold Improvements £000	Plant and equipment £000	Fixtures and fittings £000	Total £000
Cost				
At 1 July 2003	-	850	663	1,513
Additions during the year	146	10	-	156
At 30 June 2004	146	860	663	1,669
Depreciation				
At 1 July 2003	-	801	600	1,401
Charge for the year	21	51	63	135
At 30 June 2004	21	852	663	1,536
Net book value				
At 30 June 2004	125	8	-	133
At 30 June 2003	-	49	63	112

8 Investments

Fixed asset investments represent shares in subsidiary undertakings and investments in joint ventures at cost. A full list of the company's subsidiaries is included in the company's annual return. The following information relates to those subsidiaries and joint ventures which, in the opinion of the directors, principally affect the results and net assets of the company:

Company	Country of registration	Activity
Lend Lease Real Estate Solutions (UK) Limited	England and Wales	Project Management
Lend Lease Global Investment Plc	England and Wales	Property Development
Lend Lease Fareham Limited	England and Wales	Property Investment
Blueco Limited	England and Wales	Property Development
Lend Lease Dundee Development Limited	England and Wales	Property Development
Lend Lease Bluewater Park Limited	England and Wales	Property Development
Lend Lease Solihull Limited	England and Wales	Property Development
Lend Lease Fareham (Market Quay) Limited	England and Wales	Property Development
Clacton Centre Limited	England and Wales	Property Development
Meridian Delta Limited (51% joint venture)	England and Wales	Property Development
Meridian Delta Dome Limited (51% joint venture)	England and Wales	Property Investment
Lend Lease Real Estate Investments Limited	England and Wales	Fund Operator
Lend Lease Norwich Limited	England and Wales	Property Development
LL HR UK Limited (formerly Lend Lease Continental Holdings Limited)	England and Wales	Overseas Holdings
Lend Lease Continental Investments Limited (formerly LL HR UK Limited)	England and Wales	Overseas Holdings
Lend Lease Europe GP Limited	England and Wales	General Partner

Notes to the financial statements (continued)

8 Investments (continued)

Bovis Lend Lease SA (formerly Lend Lease España SA)	Spain	Property Services
European Retail Services Limited	England and Wales	Property Services
Lend Lease España 1 BV	Netherlands	Investment
Chapelfield GP Limited	England and Wales	General Partner
Overgate GP Limited	England and Wales	General Partner
Lend Lease Europe Retail Investments Limited	England and Wales	Investment
Lend Lease Real Estate Investment Services Limited	England and Wales	Property Services
Warrington (General Partner) Limited (50% joint venture)	* England and Wales	General Partner

*Acquired/incorporated during the year

In the opinion of the directors the investments in and amounts due from the company's subsidiary undertakings and joint ventures are worth at least the amounts at which they are stated in the balance sheet.

<i>Movement in investments:</i>	2004	2003
	£000	£000
At beginning of year	69,180	74,031
Additions	10	-
Disposals	-	(4,851)
At end of year	<u>69,190</u>	<u>69,180</u>

9 Work in progress

	2004	2003
	£000	£000
Work in progress	2,224	2,230
Provision for diminution in value	(911)	(911)
	<u>1,313</u>	<u>1,319</u>

Work in progress relates to costs incurred investigating potential investments for the UK group.

10 Debtors

	2004	2003
	£000	£000
Trade debtors	46	135
Amounts owed by ultimate parent company and fellow subsidiaries	152,001	110,782
Amounts owed by undertakings in which the company has a participating interest	1,063	774
Prepayments and accrued income	351	1,032
Other debtors	833	2,783
	<u>154,294</u>	<u>115,506</u>

Notes to the financial statements *(continued)*

11 Creditors: amounts falling due within one year

	2004 £000	2003 £000
Bank overdraft	43,630	26,168
Trade creditors	10	180
Amounts owed to ultimate parent company and fellow subsidiaries	74,977	48,470
Corporation tax	9,637	11,445
Other creditors including tax and social security	47	207
Accruals and deferred income	2,883	5,843
	<u>131,184</u>	<u>92,313</u>

12 Provisions for liabilities and charges

	Employee benefits £000	York House dilapidations £000	Tres Aguas warranty £000	Total £000
At 1 July 2003	306	329	582	1,217
Utilised in the year	(122)	(285)	-	(407)
Released to profit & loss account	(65)	-	-	(65)
At 30 June 2004	<u>119</u>	<u>44</u>	<u>582</u>	<u>745</u>

The employee benefits provision represents amounts provided to cover annual leave payments and other benefits accruing under Employee Share Plans.

The York House dilapidation provision represents amounts provided for costs to be incurred to restore the York House, London premises to its original state.

The Tres Aguas provision represents amounts provided for possible future maintenance and warranty claims under the purchase and sale agreement for the Tres Aguas Shopping Centre in Spain. The provision is made up of a number of items for which the warranties will expire over the next few years.

Notes to the financial statements (continued)

13 Called up share capital

	2004 £000	2003 £000
<i>Authorised</i>		
5,000,000 ordinary A shares of £1	5,000	5,000
5,000,000 ordinary B shares of £1	5,000	5,000
	<u>10,000</u>	<u>10,000</u>
<i>Allotted, called up and fully paid</i>		
2 ordinary A shares of £1	-	-
1,512,134 ordinary B shares of £1	1,512	1,512
	<u>1,512</u>	<u>1,512</u>

The ordinary B shares are redeemable at par on call, at the option of the company. The ordinary A and B shares rank equally for dividends and voting rights and are treated as equity shares.

14 Reconciliation of movements in equity shareholders' funds

	2004 £000	2003 £000
Profit for the financial year	405	41,596
Unrealised foreign exchange loss on related borrowings	9	-
	<u>414</u>	<u>41,596</u>
Increase in equity shareholders' funds	414	41,596
Opening equity shareholders' funds	92,587	50,991
	<u>93,001</u>	<u>92,587</u>

15 Reserves

	Other reserves £000	Profit and loss account £000	Total £000
At 1 July 2003	78	90,997	91,075
Profit for the financial year	-	405	405
Unrealised foreign exchange loss on related borrowings	9	-	9
	<u>87</u>	<u>91,402</u>	<u>91,489</u>
At 30 June 2004	87	91,402	91,489

Notes to the financial statements *(continued)*

16 Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	2004 Other £000	2003 Other £000
Operating leases which expire:		
Within one year	60	30
In the second to fifth years inclusive	74	111
Over five years	-	-
	<u>134</u>	<u>141</u>

17 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 this group may be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff.