

Lend Lease Europe Retail Investments Limited

**Directors' report and
financial statements**

30 June 2001

Registered number 3635554



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 2001.

Principal activities

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

Results and dividends

The profit for the year after taxation amounted to £1,712,483 (2000: £589,589). The directors do not recommend the payment of a dividend (2000: £nil).

Directors

The directors at 30 June 2001 were as follows:

R G Caven
G I M Cockburn
A L Gough
D S Hutton

According to the register of directors' interest, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families or exercised by them, during the financial year.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board


R G Caven
Director

23 Kingsway
London WC2B 6UJ
16 April 2002

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 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, 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.

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

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

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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG
Chartered Accountants
Registered Auditors

8 Salisbury Square
London
EC4Y 8BB

18 April 2002

Profit and loss account

for the year ended 30 June 2001

	<i>Note</i>	2001 £	2000 £
Distributions receivable from investments		2,500,546	708,465
Administrative expenses		(300)	(429)
Operating profit		2,500,246	708,036
Other interest receivable and similar income		-	76,553
Profit on ordinary activities before taxation		2,500,246	784,589
Tax on profit on ordinary activities	4	(787,763)	(195,000)
Profit on ordinary activities after taxation		1,712,483	589,589
Retained profit brought forward		589,589	-
Retained profit carried forward		2,302,072	589,589

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 9.

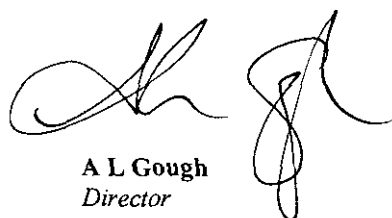
Balance sheet

at 30 June 2001

	Note	2001 £	£	2000 £	£
Fixed assets					
Investments	5		21,936,029		21,858,670
Current assets					
Investments	5	13,204,511		13,204,511	
Debtors	6	623,902		81,605	
Cash at bank and in hand		-		712,380	
		13,828,413		13,998,496	
Creditors: amounts falling due within one year	7	(33,462,369)		(35,267,576)	
Net current liabilities			(19,633,956)		(21,269,080)
Net assets			2,302,073		589,590
Capital and reserves					
Called up share capital	8		1		1
Profit and loss account			2,302,072		589,589
Equity shareholders' funds	9		2,302,073		589,590

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 1st April 2002 and were signed on its behalf by:


A L Gough
Director


R G 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. They have been prepared on a going concern basis on the grounds that Lend Lease Europe Limited will not call in the amount due to it to the extent that the company would be unable to meet its other current liabilities.

Fixed asset investments

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

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

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' remuneration and employees

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

The company did not employ any staff during the year.

3 Auditors' remuneration

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

4 Tax on profit on ordinary activities

	2001 £	2000 £
UK corporation tax at 30%	750,074	195,000
Adjustments relating to prior years	37,689	-
	<hr/>	<hr/>
UK corporation tax at 30%	<hr/> 787,763 <hr/>	<hr/> 195,000 <hr/>

Notes to the financial statements *(continued)*

5 Investments

Fixed asset investments	2001 £	2000 £
Investment in Overgate GP Limited	4	4
Investment in Lend Lease Europe GP Limited	3	3
Equity investment in the Lend Lease Retail Partnership	250	250
Equity investment in the Lend Lease Overgate Partnership	141	141
Loan to the Lend Lease Retail Partnership	15,333,516	15,256,157
Loan to the Lend Lease Overgate Partnership	6,602,115	6,602,115
	<hr/>	<hr/>
	21,936,029	21,858,670
	<hr/>	<hr/>
 Current asset investments	 2001 £	 2000 £
Equity investment in the Lend Lease Overgate Partnership	281	281
Loan to the Lend Lease Overgate Partnership	13,204,230	13,204,230
	<hr/>	<hr/>
	13,204,511	13,204,511
	<hr/>	<hr/>

The company subscribed £422 for a 30% participation in the Lend Lease Overgate Partnership. Of this amount, £141 (10% of the equity investment) is considered to be a long term investment in the Partnership. The remaining equity investment of £281 is being held by the company temporarily until such time as additional investors can be identified and consequently has been disclosed as a current asset investment. In addition the company subscribed £4.22 for 'D' shares in Overgate GP Limited, the general partner of the Lend Lease Overgate Partnership. One of the conditions of acquiring the equity in the partnership is the provision of a loan facility of £42,100,000. As at 30 June 2001 £19,806,345 had been drawn down.

The company subscribed £250 for a 4.95% interest in the Lend Lease Retail Partnership. In addition, the company subscribed £2.50 for 'D' shares in Lend Lease Europe GP Limited, the general partner of the Lend Lease Retail Partnership. One of the conditions of acquiring the equity in the partnership is the provision of a loan facility of £25,000,000. As at 30 June 2001 £15,333,516 had been drawn down.

The directors are satisfied that the investments are worth at least the amount at which they are included in the balance sheet subject to the Post Balance Date Event (Note 11).

Notes to the financial statements (continued)

6 Debtors

	2001 £	2000 £
Amounts owed by the Lend Lease Overgate Partnership	-	72,297
Prepayments and accrued income	623,902	9,308
	<u>623,902</u>	<u>81,605</u>

7 Creditors: amounts falling due within one year

	2001 £	2000 £
Amounts owed to group undertakings	33,462,369	35,080,826
Corporation tax	-	186,750
	<u>33,462,369</u>	<u>35,267,576</u>

8 Called up share capital

	2001 £	2000 £
<i>Authorised</i>		
30,000,000 Ordinary Shares of £1 each	30,000,000	30,000,000
<i>Allotted, called up and fully paid</i>		
1 Ordinary Share of £1	1	1

9 Reconciliation of movements in equity shareholders' funds

	2001 £	2000 £
Opening equity shareholders' funds	589,590	1
Profit for the financial year	1,712,483	589,589
	<u>2,302,073</u>	<u>589,590</u>
Closing equity shareholders' funds		

Notes to the financial statements (continued)

10 Commitments

	2001	2000
	£	£
Future loan advances:		
Lend Lease Retail Partnership	9,666,484	9,743,843
Lend Lease Overgate Partnership	22,293,655	21,023,655
	<hr/>	<hr/>

A commitment of £25,000,000 for future loan advances to the Lend Lease Retail Partnership was made as part of the investment of equity in the partnership. As at 30 June 2001 £15,333,516 had been drawn down. Further drawdowns have been paid as follows £7,250,400 on 27 September 2001, £578,362.98 on 21 December 2001 and £487,693.85 on 22 March 2002.

A commitment of £42,100,000 for future loan advances to the Lend Lease Overgate Partnership was made as part of the investment of equity in the Partnership. As at 30 June 2001 £19,806,345 had been drawn down. A further drawdown of £20,451,204 was paid on 27 September 2001.

11 Post Balance Date Event

At 31 March 2002, the Overgate Shopping Centre in Dundee, Scotland was valued by DTZ Debenham Tie Leung at £125.0 million. This valuation is significantly lower than the £130.1 million carrying value for the asset recorded within the Overgate Partnership (30% of which is held by the company) at 30 June 2001. The decrease in value is due to market trading conditions arising since 31 December 2001 and therefore no adjustment has been made to these financial statements.

12 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 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 the group's website at www.lendlease.com.au.

The largest group registered in England and Wales in which the results of the company are consolidated is that headed by Lend Lease Europe Holdings Limited. Consolidated financial statements may be obtained from the address given below.

The smallest group in which the financial statements of the company are consolidated is that headed by Lend Lease Europe Limited. The consolidated financial statements of this group may be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff.