

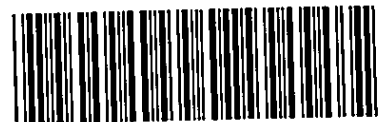
Lend Lease Europe Retail Investments Limited

Directors' report and financial statements

30 June 2006

Registered number 3635554

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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 2006

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 £2,336,279 (2005 £2,279,474) The directors do not recommend the payment of a dividend (2005 £nil)

Directors

The directors during the year were as follows

C S Matheson

R G Caven

J Peacock (resigned 30 January 2006)

T W Lee (appointed 2 February 2006)

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

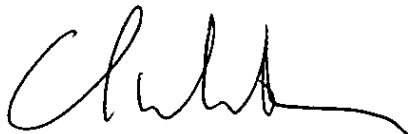
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

A resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at a forthcoming Annual General Meeting

Registered Office

On 23 October 2006 the Company changed its registered office from 10 Maltravers St, 2nd Floor, London, WC2R 3NG to 19 Hanover Square, London, W1S 1HY

On behalf of the board



C S Matheson

Director

19 Hanover Square
London W1S 1HY
29 March 2007

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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.

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

We have audited the financial statements of Lend Lease Europe Retail Investments Limited for the year ended 30 June 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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 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

As described in the Statement of Directors' Responsibilities on page two, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

8 Salisbury Square
London

13 April EC4Y 8BB
2007

Profit and loss account

for the year ended 30 June 2006

	<i>Note</i>	2006 £	2005 £
Other income		3,354,814	3,322,949
Administrative expenses		(2,168)	(27,077)
		<hr/>	<hr/>
Profit before interest and taxation		3,352,646	3,295,872
Interest receivable and similar income		986	17,011
Interest payable and similar charges	4	(1,126)	-
		<hr/>	<hr/>
Profit on ordinary activities before taxation		3,352,506	3,312,883
Tax on profit on ordinary activities	5	(1,016,227)	(1,033,409)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		<u>2,336,279</u>	<u>2,279,474</u>

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 7 to 11


Balance sheet

at 30 June 2006

	Note	2006		2005	
		£	£	£	£
Fixed assets					
Investments	6		59,627,585		48,313,317
Current assets					
Investments	6	27,188,160		27,188,160	
Debtors	7	-		149	
		27,188,160		27,188,309	
Creditors: amounts falling due within one year	8	(71,197,948)		(62,220,108)	
Net current liabilities			(44,009,788)		(35,031,799)
Net assets			15,617,797		13,281,518
Capital and reserves					
Called up share capital	9		1		1
Profit and loss account			15,617,796		13,281,517
Equity shareholders' funds	10		15,617,797		13,281,518

The notes to and forming part of these financial statements are set out on pages 7 to 11

These financial statements were approved by the board of directors on **29 March** 2007 and were signed on its behalf by


C S Matheson
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. The financial statements have been prepared on the going concern basis, which the directors believe to be appropriate for the following reasons. The company is dependant for its working capital on funds provided to it by Lend Lease Europe Holdings Limited, the company's ultimate UK undertaking. Lend Lease Europe Holdings Limited has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as they are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for repayment. As with any company placing reliance on other Group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result in the basis of preparation being inappropriate.

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.

Fixed asset investments

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

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

The directors did not receive any emoluments in respect of their services to the company (2005 £nil).

The company did not employ any staff during the year (2005 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, the immediate parent undertaking

4 Interest payable and similar charges

	2006 £	2005 £
On bank loans and overdrafts	1,126	-

5 Tax on profit on ordinary activities

Analysis of charge for the year

	2006 £	2005 £
Current tax		
UK Corporation tax on profit for the year	1,016,227	1,033,409

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	3,352,506	3,312,883
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK (30%)	1,005,752	993,865
Effects of:		
Distributions from Partnerships	(8,425)	31,815
Non deductible expenditure	18,900	7,729
Total current tax	1,016,227	1,033,409

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 Investments

Fixed asset investments	2006 £	2005 £
Investment in Overgate GP Limited	4	4
Investment in Lend Lease Europe GP Limited	2	2
Participations in the Lend Lease Retail Partnership	200	200
Participations in the Lend Lease Overgate Partnership	137	137
Loan to the Lend Lease Retail Partnership	19,371,654	19,371,654
Loan to the Lend Lease Overgate Partnership	13,134,240	13,134,240
Investment in Warrington Retail Unit Trust	27,121,348	15,807,080
	<hr/>	<hr/>
	59,627,585	48,313,317
	<hr/>	<hr/>
Current asset investments	2006 £	2005 £
Participations in the Lend Lease Overgate Partnership	284	284
Loan to the Lend Lease Overgate Partnership	27,187,876	27,187,876
	<hr/>	<hr/>
	27,188,160	27,188,160
	<hr/>	<hr/>

The company subscribed £421 for a 30.7% participation in the Lend Lease Overgate Partnership. Of this amount, £137 (10% of the equity investment) is considered to be a long term investment in the Partnership. The remaining equity investment of £284 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 £4.21 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 2006 £40,322,116 had been drawn down.

At 30 June 2006, the Overgate Shopping Centre in Dundee, Scotland (the primary asset within the Lend Lease Overgate Partnership) was valued by DTZ Debenham Tie Leung at £183.3 million.

At 30 June 2006 the company held £200 for a 3.95% (2005: 3.95%) interest in the Lend Lease Retail Partnership. One of the conditions of acquiring the equity in the partnership is the provision of a loan facility of £20,000,000. As at 30 June 2006 £19,371,654 had been drawn down.

At 30 June 2006 the company held £2.00 (2005: £2.00) of 'D' shares in Lend Lease Europe GP Limited, the general partner of the Lend Lease Retail Partnership.

At 30 June 2006 the company held units in the sum of £27,121,348, representing a 50% interest, in the Warrington Retail Unit Trust, which is the Limited Partner of the Warrington Retail Limited Partnership.

Notes to the financial statements *(continued)*

6 Investments *(continued)*

The directors are satisfied that the investments are worth at least the amount at which they are included in the balance sheet

7 Debtors

	2006 £	2005 £
Prepayments and accrued income	-	-
Other taxes and social security	-	149
	<hr/> -	<hr/> 149
	<hr/>	<hr/>

8 Creditors: amounts falling due within one year

	2006 £	2005 £
Amounts owed to group undertakings	71,197,948	62,220,108
Amounts owed to Lend Lease Overgate Partnership	-	-
	<hr/> 71,197,948	<hr/> 62,220,108
	<hr/>	<hr/>

9 Called up share capital

	2006 £	2005 £
<i>Authorised</i>		
30,000,000 Ordinary Shares of £1 each	30,000,000	30,000,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
1 Ordinary Share of £1	1	1
	<hr/>	<hr/>

Notes to the financial statements (continued)

10 Reconciliation of movements in equity shareholders' funds

	2006 £	2005 £
Opening equity shareholders' funds	13,281,518	11,002,044
Profit for the financial year	2,336,279	2,279,474
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Closing equity shareholders' funds	15,617,797	13,281,518
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11 Commitments

	2006 £	2005 £
Future loan advances		
Lend Lease Retail Partnership	628,346	628,346
Lend Lease Overgate Partnership	1,777,884	1,777,884
Future units to be issued		
Warrington Retail Unit Trust	11,253,748	22,568,016
	<hr/>	<hr/>

A commitment of £20,000,000 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 2006, £19,371,654 had been drawn down, therefore £628,346 may be required in future drawdowns.

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 2006, £40,322,116 had been drawn down, therefore £1,777,884 may be required in future drawdowns.

On 22 November 2006 the Lend Lease Overgate Partnership requested a loan advance of £1,321,940 from Lend Lease Europe Retail Investments, which has reduced the potential future drawdown to £455,944.

When the initial investment of £24,975 was made in the Warrington Retail Unit Trust, a commitment of £38,350,121 for future units in the Warrington Retail Unit Trust was made as part of the equity investment. As at 30 June 2006, units in the sum of £27,096,373 had been issued, therefore units in the sum of £11,253,748 are still committed to be paid in the future.

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 smallest group 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 Registrar of Companies, Companies House, Crown Way, Mandy, Cardiff.