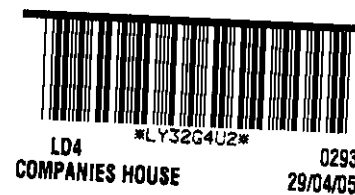


Lend Lease Europe Retail Investments Limited

**Directors' report and
financial statements**

30 June 2004

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 2004.

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 £3,472,825 (2003: £4,244,950). The directors do not recommend the payment of a dividend (2003: £nil).

Directors

The directors during the year were as follows:

C S Matheson	(appointed 29 September 2003)
D K Perry	
J Peacock	(appointed 14 June 2004)
K M Anderson	(resigned 29 September 2003)
A L Gough	(resigned 29 September 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.

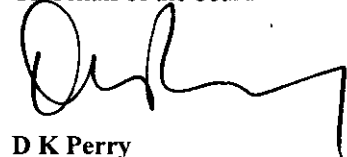
Registered Office

On 21 June 2004 the Company changed its registered office from 23 Kingsway, London, WC2B 6UJ to 10 Maltravers St, 2nd Floor, London, WC2R 3NG.

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



D K Perry
Director

10 Maltravers St, 2nd Floor
London WC2R 3NG
27 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 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 auditor's responsibilities set out in the auditor's report on page 3.

Independent auditor's report to the members of Lend Lease Europe Retail Investments 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 2004 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
27 April 2005

Profit and loss account

for the year ended 30 June 2004

	<i>Note</i>	2004 £	2003 £
Other income		4,934,146	5,153,191
Other expenses		-	(1,617,007)
Movement in provision against investments	6	-	1,606,666
Administrative expenses		(464)	(1,135)
Profit before interest and taxation	4	4,933,682	5,141,715
Interest receivable and similar income		4,580	1,249
Profit on ordinary activities before taxation		4,938,262	5,142,964
Tax on profit on ordinary activities	5	(1,465,437)	(898,014)
Profit on ordinary activities after taxation		3,472,825	4,244,950
Retained profit brought forward		7,529,218	3,284,268
Retained profit carried forward		11,002,043	7,529,218

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 2004

	Note	2004		2003	
		£	£	£	£
Fixed assets					
Investments	6		32,691,212		37,213,356
Current assets					
Investments	6	27,188,160		27,144,623	
Debtors	7	634,163		-	
		27,822,323		27,144,623	
Creditors: amounts falling due within one year	8	(49,511,491)		(56,828,760)	
Net current liabilities			(21,689,168)		(29,684,137)
Net assets			11,002,044		7,529,219
Capital and reserves					
Called up share capital	9		1		1
Profit and loss account			11,002,043		7,529,218
Equity shareholders' funds	10		11,002,044		7,529,219

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 27 April 2005 and were signed on its behalf by:



D K Perry
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. 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 an 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 (2003: £nil).

The company did not employ any staff during the year (2003: 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 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after crediting:

	2004 £	2003 £
Gain on sale of investment	1,578,063	-
	<u>1,578,063</u>	<u>-</u>

5 Tax on profit on ordinary activities

Analysis of charge for the year:

	2004 £	2003 £
Current tax		
UK Corporation tax on profit for the year	1,465,437	898,014
	<u>1,465,437</u>	<u>898,014</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	4,938,262	5,142,964
	<u>4,938,262</u>	<u>5,142,964</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK (30%)	1,481,479	1,542,889
Effects of:		
Distributions from partnerships	(40,825)	(1,060,855)
Share of taxable profits of partnerships	-	894,900
Write (up)/down of investment in Lend Lease Overgate Partnership	-	(478,920)
Sale of participations in LL Retail Partnership	21,703	-
Non deductible expenditure	3,080	-
	<u>1,465,437</u>	<u>898,014</u>
Total current tax	1,465,437	898,014

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	2004 £	2003 £
Investment in Overgate GP Limited	4	4
Investment in Lend Lease Europe GP Limited	2	3
Participations in the Lend Lease Retail Partnership	200	250
Participations in the Lend Lease Overgate Partnership	137	141
Loan to the Lend Lease Retail Partnership	19,371,654	24,099,750
Loan to the Lend Lease Overgate Partnership	13,134,240	13,113,208
Investment in Warrington Retail Limited Partnership	24,975	-
Loan to the Warrington Retail Limited Partnership	160,000	-
	<hr/>	<hr/>
	32,691,212	37,213,356
	<hr/>	<hr/>
 Current asset investments	 2004 £	 2003 £
Participations in the Lend Lease Overgate Partnership	284	281
Loan to the Lend Lease Overgate Partnership	27,187,876	27,144,342
	<hr/>	<hr/>
	27,188,160	27,144,623
	<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 2004 £40,322,116 had been drawn down.

At 30 June 2004, the Overgate Shopping Centre in Dundee, Scotland (the primary asset within the Lend Lease Overgate Partnership) was valued by DTZ Debenham Tie Leung at £139.4 million.

During the year on 18 February 2004 the company sold 20% (50 participations) of its interest in the Lend Lease Retail Partnership for a profit of £1,578,063. At 30 June 2004 the company held £200 for a 3.95% (2003: 4.95%) 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 2004 £19,371,654 had been drawn down.

In addition, on 18 February 2004 the company sold 20% (50 £0.01 shares) of its interest in Lend Lease Europe GP Limited at cost. At 30 June 2004 the company held £2.00 (2003: £2.50) of 'D' shares in Lend Lease Europe GP Limited, the general partner of the Lend Lease Retail Partnership.

On 27 May 2004 the company entered into a joint venture, Warrington Retail Limited Partnership.

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

Notes to the financial statements (continued)

7 Debtors

	2004 £	2003 £
Prepayments and accrued income	634,163	-
	<u>634,163</u>	<u>-</u>

8 Creditors: amounts falling due within one year

	2004 £	2003 £
Amounts owed to group undertakings	49,488,408	56,828,760
Amounts owed to Lend Lease Overgate Partnership	23,083	-
	<u>49,511,491</u>	<u>56,828,760</u>

9 Called up share capital

	2004 £	2003 £
<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

10 Reconciliation of movements in equity shareholders' funds

	2004 £	2003 £
Opening equity shareholders' funds	7,529,219	3,284,269
Profit for the financial year	3,472,825	4,244,950
	<u>11,002,044</u>	<u>7,529,219</u>

Notes to the financial statements (continued)

11 Commitments

	2004	2003
	£	£
Future loan advances:		
Lend Lease Retail Partnership	628,347	900,250
Lend Lease Overgate Partnership	1,777,885	1,942,450
	<hr/>	<hr/>

A commitment of £20,000,000 (2003: £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 2004 £19,371,654 had been drawn down, therefore £628,347 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 2004 £40,322,116 had been drawn down, therefore £1,777,885 may be required in future drawdowns.

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, Maindy, Cardiff.