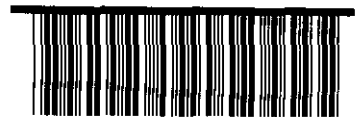


**Lend Lease Urban Regeneration Limited**

**Directors' report and  
financial statements**

30 June 2004

Registered number 3904306



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COMPANIES HOUSE

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0291  
29/04/05

## **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 company is involved in property development and investment activities. In particular, the company facilitates the sale of sites to third party developers on behalf of Newcastle City Council as part of the Newcastle Schools Private Finance Initiative.

### **Results and dividends**

The loss for the year after taxation amounted to £1,076,034 (2003: £nil). The directors do not recommend the payment of a dividend (2003: £nil).

### **Directors and directors' interests**

The directors of the company during the year were as follows:

R G Caven  
D K Perry  
H W Martin

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.

By order of the board



**R G Caven**  
*Director*

142 Northholt Road  
Harrow, Middlesex, HA2 0EE  
24 April 2005

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial period 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.

This statement should be read in conjunction with the statement of auditors' responsibilities set out in the audit report on page 3.

## **Independent auditors' report to the member of Lend Lease Urban Regeneration Limited**

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

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 loss 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  
April 2005

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## **Profit and loss account**

*for the year ended 30 June 2004*

	<i>Note</i>	<b>2004</b> £	<b>2003</b> £
Administration expenses		(37,192)	-
Provision for doubtful debts	4	(1,500,000)	-
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>		(1,537,192)	-
Tax on loss on ordinary activities	5	461,158	-
		<hr/>	<hr/>
<b>Retained loss for the year</b>		(1,076,034)	-
Retained profit brought forward	9	-	-
		<hr/>	<hr/>
<b>Retained loss carried forward</b>		(1,076,034)	-
		<hr/>	<hr/>

All activities are continuing.

The company had no recognised gains or losses other than the loss for the year.

There is no difference between the loss for the year and the loss 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 2004

	Note	2004 £	2003 Restated (See Note 6) £
<b>Current assets</b>			
Debtors	6	3,100,001	1,750,001
<b>Creditors: amounts falling due within one year</b>	7	(4,176,034)	(1,750,000)
<b>Net (liabilities)/assets</b>		<u>(1,076,033)</u>	<u>1</u>
<b>Capital and reserves</b>			
Called up share capital	8	1	1
Profit and loss account		<u>(1,076,034)</u>	<u>-</u>
<b>Equity shareholders' (deficit)/funds</b>	9	<u>(1,076,033)</u>	<u>1</u>

The notes to and forming part of the financial statements are set out on pages 6 to 9.

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

  
**D K Perry**  
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 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 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.

#### ***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' in order to dispense with the requirement to disclose transactions with other group companies.

### **2 Auditors' remuneration**

Auditors' remuneration is borne by Lend Lease Europe Limited, a company within the Lend Lease Europe Holdings group.



## Notes to the financial statements *(continued)*

### 3 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).

### 4 Profit on ordinary activities before taxation

	2004 £	2003 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Provision for expected shortfall on land sale amounts recoverable from Newcastle City Council	(1,500,000)	-
	<hr/>	<hr/>

### 5 Tax on profit on ordinary activities

Analysis of charge for the year:

	2004 £	2003 £
Current tax (FRS16)		
UK Corporation tax on loss for the year	(461,158)	-
	<hr/>	<hr/>
Tax losses provided to other group companies at par value	(461,158)	-
	<hr/>	<hr/>

The tax assessed does not differ from the application of the standard rate of corporation tax in the UK (30%) to the company's (loss)/profit before taxation.

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)*

### 6 Debtors

	2004	2003
	£	<i>Restated</i> £
Amounts owed by Lend Lease Europe Limited	1	1
Deposit paid on Newcastle land	800,000	-
Contractual payments due from Newcastle City Council	3,800,000	1,750,000
Expected shortfall on recovery of contractual payments	(1,500,000)	-
	<hr/>	<hr/>
	3,100,001	1,750,001
	<hr/>	<hr/>

The debtor from Newcastle City Council represents an advance payment made by the company to Newcastle City Council as part of the Newcastle Schools Private Finance Initiative scheme. The company agreed to make an advance payment of up to £6.5 million to Newcastle City Council, and of this sum £5.0 million relates to land sale contracts agreed with third parties subject to planning consent. As at 30 June 2004 planning permission had not been obtained for the development of certain elements of the land. As a result of these planning issues £1.5 million has been provided to cover the potential difference between the estimated sales proceeds to be received from Newcastle City Council and the advance payment obligation.

The amounts due from Newcastle City Council had previously been classified as work in progress. During the year ended 30 June 2004 the directors determined that these would be more appropriately categorised as debtors and the balance has been accordingly reclassified. The balance as at 30 June 2003 has been correspondingly reclassified.

### 7 Creditors: amounts falling due within one year

	2004	2003
	£	£
Accrued expenses	27,228	250,000
Other creditors	3,800,000	1,500,000
Amounts owed to Lend Lease Europe Limited	348,806	-
	<hr/>	<hr/>
	4,176,034	1,750,000
	<hr/>	<hr/>

Other creditors due to Newcastle City Council represent the outstanding amount of the advance payment of £6.5 million. This amount was paid in August 2004.

## Notes to the financial statements (continued)

### 8 Called up share capital

	2004 £	2003 £
<i>Authorised</i>		
100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
1 ordinary share of £1 each	1	1
	<hr/>	<hr/>

### 9 Reconciliation of movements in equity shareholders' (deficit)/funds

	Share capital	Profit and loss account	Total equity shareholders' (deficit)/funds
	£	£	£
At 1 July 2003	1	-	1
Loss for the financial year	-	(1,076,034)	(1,076,034)
	<hr/>	<hr/>	<hr/>
At 30 June 2004	1	(1,076,034)	(1,076,033)
	<hr/>	<hr/>	<hr/>

### 10 Post balance sheet event

In relation to land sale contracts, Newcastle City Council and the Government Office for the North East have confirmed since the balance sheet date they are "minded to grant" planning consent, subject to vacant possession, on a major parcel of land under the contract. Accordingly, the directors continue to expect to recover the debtors balance of £3.1 million. It has been classified as current debtors, as the amounts are expected to be received by 30 June 2005.

### 11 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 Retail Investments 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 the group's website at [www.lendlease.com.au](http://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.