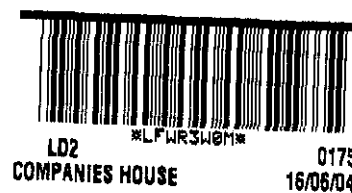


Lend Lease Urban Regeneration Limited

**Directors' report and
financial statements**

30 June 2003

Registered number 3904306



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 2003.

On 10 March 2003 the company changed its registered office from 23 Kingsway, London WC2B 6UJ to 142 Northolt Road, Harrow, Middlesex HA2 0EE.

Principal activities

The company is involved in property development and investment activities.

Results and dividends

The company received no income nor incurred any expenses during the year. Consequently a profit and loss account is not presented (2002: £nil).

Directors and directors' interests

The directors of the company were as follows:

A L Gough (resigned 10 March 2003)
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 Northolt Road
Harrow, Middlesex, HA2 0EE
// June 2004

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 7.

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 2003 and of its result 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
// June 2004

Balance sheet

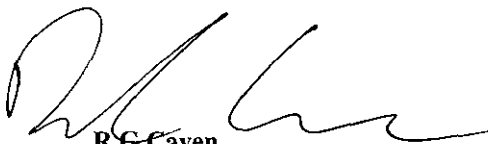
at 30 June 2003

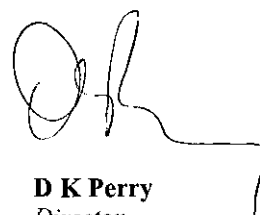
	Note	2003 £	2002 £
Current assets			
Debtors	4	1	1
Work in progress	5	1,750,000	1,113,000
		<hr/>	<hr/>
Total assets less current liabilities		1,750,001	1,113,001
Creditors: amounts falling due after more than one year	6	(1,750,000)	(1,113,000)
		<hr/>	<hr/>
Net assets		1	1
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	7	1	1
Profit and loss account		-	-
		<hr/>	<hr/>
Equity shareholders' funds		1	1
		<hr/>	<hr/>

The company received no income nor incurred any expenses during the year. Consequently a profit and loss account is not presented. There were no recognised gains or losses for the year.

The notes to and forming part of the financial statements are set out on pages 5 to 7.

These financial statements were approved by the board of directors on 11 June 2004 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.

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.

3 Directors' remuneration and employees

The directors did not receive any emoluments in respect of their services to the company (2002: £nil).

The company did not employ any staff during the year (2002: nil).

Notes to the financial statements *(continued)*

4 Debtors

	2003 £	2002 £
Amounts owed by Lend Lease Europe Limited	1	1
	<u>1</u>	<u>1</u>

5 Work in progress

	2003 £	2002 £
Land options	1,750,000	1,113,000
	<u>1,750,000</u>	<u>1,113,000</u>

Work in progress represents the cost of land anticipated to be acquired following the exercise of options granted to the company by Newcastle City Council as part of the Newcastle Schools Private Finance Initiative scheme. The company has guaranteed a payment of up to £6.5 million to Newcastle City Council, of this sum £5.0 million relates to land sale contracts agreed with third parties subject to planning consent.

6 Creditors: amounts falling due after more than one year

	2003 £	2002 £
Accrued expenses	250,000	-
Other creditors	1,500,000	1,113,000
	<u>1,750,000</u>	<u>1,113,000</u>

Other creditors are due to Newcastle City Council for the difference between the proceeds on sale of land in Newcastle guaranteed by the company, and the contracted sale of land to third parties. This amount will be payable by the end of August 2004.

7 Called up share capital

	2003 £	2002 £
<i>Authorised</i>		
100 ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>
<i>Allotted, called up and fully paid</i>		
1 ordinary share of £1 each	1	1
	<u>1</u>	<u>1</u>

Notes to the financial statements *(continued)*

8 Contingent Liability

As part of the Newcastle Schools Private Finance Initiative scheme, the company has guaranteed a payment of up to £6.5 million to the Newcastle City Council relating to land options purchased. Part payment of £800,000 relating to the guarantee is due after balance date (refer to note 9).

9 Post balance sheet events

The company paid £800,000 to Newcastle City Council on 25 July 2003 as part payment of a guarantee for £6.5m per a contract with Newcastle City Council for land options.

10 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.

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.