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23 September 2004

The Manager
Company Announcements Office
Australian Stock Exchange Limited
Level 4, Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir,

WESTFIELD HOLDINGS LIMITED – ANNUAL REPORT

Attached is the Annual Report for Westfield Holdings Limited for the year ended 30 June 2004.

Yours faithfully
WESTFIELD GROUP

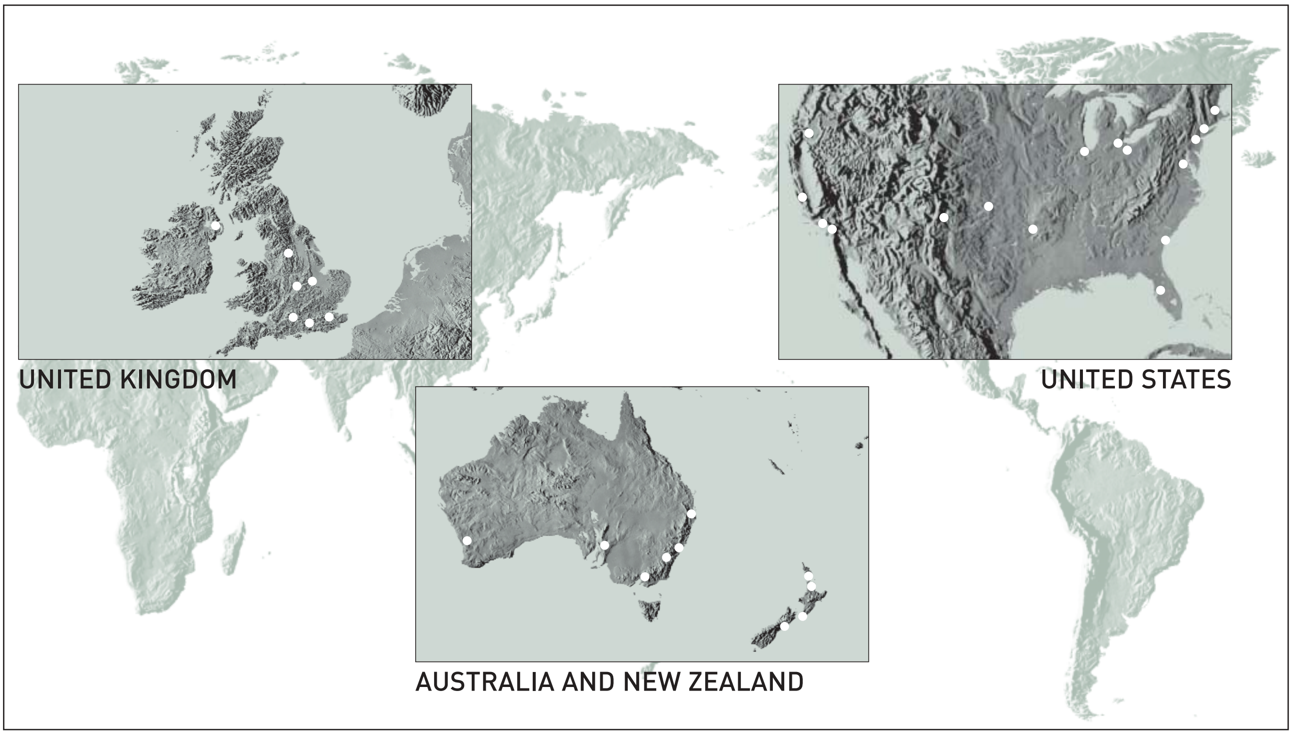
Simon Tuxen
Company Secretary

WESTFIELD HOLDINGS LIMITED
ANNUAL REPORT 2004

2004

WESTFIELD GROUP GLOBAL SHOPPING CENTRE MANAGEMENT PORTFOLIO

Number of centres	124
Number of retail outlets	20,200
Total gross lettable area	9.8 million square metres
Value of assets under management	$36.5 billion



CONTENTS

DIRECTORS' REVIEW

"IN AUGUST, WESTFIELD HOLDINGS LIMITED ANNOUNCED A PROFIT AFTER TAX, EXCLUDING MERGER AND RESTRUCTURE CHARGES, OF $328.5 MILLION FOR THE YEAR TO 30 JUNE 2004, UP 13.9% ON LAST YEAR'S RESULT OF $288.4 MILLION.

THIS REFLECTS EARNINGS PER SHARE OF 58.10 CENTS, UP 13.6% ON LAST YEAR."

DIRECTORS' REVIEW CONTINUED

All parts of the group's global portfolio are performing well. The result is particularly pleasing given that management has also completed a complex corporate restructuring while at the same time intensively managing the group's shopping centre operations.

The results are in line with forecasts contained in the merger Explanatory Memorandum issued in May 2004.

The total dividend payout for the year is 28.92 cents per share, up 13.1% on last year. The final dividend of 13.58 cents per share was paid on 31 August 2004 and is 50% franked.

During August, the Westfield Group released operational results for each entity for the relevant period to June 2004. These indicated solid performances in each of the markets in which the group operates.

In August, Westfield Holdings Limited announced a profit after tax, excluding merger and restructure charges, of $328.5 million for the year to 30 June 2004, up 13.9% on last year's result of $288.4 million. This reflects earnings per share of 58.10 cents, up 13.6% on last year.

The merger during the year of the three listed Westfield entities – Westfield Trust, Westfield America Trust and Westfield Holdings – led to merger and restructure charges of $524.8 million, related primarily to an accounting write-down of Westfield Holdings' interest in Westfield America Trust. These charges resulted in Westfield Holdings recording a loss after tax and restructure charges for the year to 30 June 2004 of $196.4 million.

Since completion of the merger in July 2004 interests have been acquired in $1 billion of additional properties in Australia and the United States. The Westfield Group now has interests in 124 shopping centres with a value of more than $36.5 billion comprising 20,200 retailers and approximately 9.8 million square metres of retail space.

Australia and New Zealand

During the six month period to June 2004 Westfield completed the redevelopment of WestCity in Auckland, New Zealand.

There is currently $1.2 billion of projects under construction in Australia and New Zealand including the continuation of Bondi Junction in Sydney, The Pines in Melbourne and Riccarton in Christchurch, New Zealand.

The $750 million redevelopment of Bondi Junction, the group's largest project to date, is nearing completion. The centre reflects the latest in innovation and provides a world-class shopping centre which has been well received by retailers and consumers.

The group has recently commenced construction at Helensvale on the Gold Coast, Mt Gravatt in Brisbane and Queensgate in Wellington, New Zealand.

A further $2.0 billion of projects are currently planned in Australia and New Zealand.

In August 2004, Westfield announced a number of property transactions including four new joint ventures with Deutsche Diversified Fund, worth $790 million. In addition, Westfield enhanced its holding in the Sydney's CBD with the acquisition of Skygarden and the future acquisition of Imperial Arcade. Westfield also acquired the remaining 50% interest in its existing property holdings at Newmarket in Auckland, New Zealand.

Post completion of these transactions Westfield will have interests in 51 shopping centres in Australia and New Zealand with a value of $16.9 billion, comprising 3.4 million square metres of retail space and 10,200 retailers.

Retail sales in the group's 32 owned and managed Australian centres totalled $5.0 billion, up 11.1% for the six months to 30 June 2004. On a comparable basis, total retail sales increased 7.7% and specialty store sales also increased 7.7% for the six month period.

Retail sales for the group's 11 shopping centres in New Zealand increased 5.6% to total NZ$700 million for the six months to 30 June 2004. On a comparable basis, total retail sales increased 4.4% and specialty store sales increased 6.4% for the six month period.

The Australian and New Zealand portfolios have continued to perform well and maintained occupancy levels in excess of 99.5% with retailer demand continuing to be strong.

United States

Westfield currently has 11 projects totalling approximately US$1.2 billion under construction in the US. This is the largest number of projects Westfield has undertaken in the United States at one time.

Construction continues at the San Francisco Centre in downtown San Francisco, California; Wheaton in Wheaton, Maryland; Santa Anita in Los Angeles, California; Franklin Park in Toledo, Ohio; Gateway in Lincoln, Nebraska and Parkway in San Diego, California.

Five projects commenced construction during the past six months including major projects at Century City in Los Angeles, California; Connecticut Post in Milford, Connecticut and Chesterfield in St Louis, Missouri.

A further US$1 billion of projects are currently planned in the United States.

In June, Prudential plc's US affiliate increased its ownership in Garden State Plaza by 25%, bringing its total ownership interest in the property to 50%.

Westfield recently acquired, for US$85 million, a 13 level office block strategically located adjacent to Century City in Los Angeles.

Westfield has interests in 66 properties in the United States with a value of US$12.2 billion, comprising 6.2 million square metres of retail space and 9,300 retailers.

Specialty sales for the group's US portfolio amounted to US$2.9 billion for the six months to June 2004, up 7.9%. On a comparable basis, specialty retail sales increased 7.6% per square foot for the six month period.

At June 2004 the US portfolio was 93% leased, consistent with last year.

United Kingdom

In April, outline planning permission was received for a £140 million redevelopment of the Friary shopping centre in Guildford. This represents Westfield's fourth outline planning consent.

The group anticipates commencing construction on the £200 million redevelopment of The Eagle Centre, at Derby by the end of this calendar year.

Westfield has interests in seven properties in the UK with a book value of £930 million, comprising 700 retailers and 250,000 square metres of retail space.

The Westfield UK portfolio continues to perform well with occupancy levels in excess of 99% at 30 June 2004. Retail sales in the UK generally were up approximately 2.6% on a like-for-like basis for the six month period to June 2004. This has been reflected in sales achieved at Westfield's centres.

Outlook

The completion of the merger of Westfield Holdings, Westfield Trust and Westfield America Trust provides the Westfield Group with a strong financial and operating platform to take advantage of global growth opportunities.

The Westfield Group confirms distribution forecasts made in the Explanatory Memorandum of May 2004 of $1.03 per stapled security for the year ending 30 June 2005 and increasing to $1.10 for the year ending 30 June 2006.

BOARD OF DIRECTORS

FRANK P LOWY, AC
CHAIRMAN

Frank Lowy is executive chairman and co-founder of Westfield. He is a member of the board of the Reserve Bank of Australia and a director of Daily Mail and General Trust plc (UK), and chairman of the Australian Soccer Association and the Lowy Institute for International Policy. He is chairman of the Westfield Group Nomination Committee.

FREDERICK G HILMER, AO
DEPUTY CHAIRMAN

Frederick Hilmer was appointed a non executive director of Westfield Holdings in 1991 and a non-executive deputy chairman in 1997. He is chairman of the Westfield Group Audit and Compliance Committee and the Remuneration Committee. Mr Hilmer is the chief executive officer and director of John Fairfax Holdings Limited and was appointed to this position in 1998. Between 1989 and 1997, Mr Hilmer was dean and Professor of Management at the Australian Graduate School of Management (University of NSW). Mr Hilmer holds degrees in law from the universities of Sydney and Pennsylvania and an MBA from the Wharton School of Finance. Following the merger of Westfield Holdings with Westfield Trust and Westfield America Trust in July 2004, Mr Hilmer was appointed to the boards of Westfield Management Ltd, the responsible entity of Westfield Trust and Carindale Property Trust, and Westfield America Management Ltd, the responsible entity of Westfield America Trust.

DAVID H LOWY, AM
DEPUTY CHAIRMAN

Appointed non-executive deputy chairman of Westfield Holdings in June 2000, David Lowy holds a Bachelor of Commerce degree from the University of NSW. He joined Westfield in 1977 and was appointed executive director in 1982 and became managing director in 1987, a position he held until June 2000. David Lowy is a principal of LFG Holdings. He is the founder and president of Temora Aviation Museum. Following the merger of Westfield Holdings with Westfield Trust and Westfield America Trust in July 2004, Mr Lowy was appointed to the boards of Westfield Management Ltd, the responsible entity of Westfield Trust and Carindale Property Trust, and Westfield America Management Ltd, the responsible entity of Westfield America Trust. Mr Lowy is chairman of the Westfield Group Risk Management Committee.

ROY L FURMAN

Roy Furman was appointed as a non-executive director of Westfield Holdings and Westfield Management Ltd, the responsible entity of Westfield Trust and Carindale Property Trust, in July 2004 following the merger of Westfield Holdings with Westfield Trust and Westfield America Trust. Mr Furman is also a non-executive director of Westfield America Management Ltd, the responsible entity of Westfield America Trust a position he has held since 2002. Mr Furman holds a degree in law from the Harvard Law School. He is based in the US and is vice chairman of Jefferies & Company and chairman of Jefferies Capital Partners, a group of private equity funds. He was co-founder of Furman Selz (1973), an international investment banking, institutional brokerage and money-management firm. He is a member of the Westfield Group Remuneration Committee.

DAVID M GONSKI, AO

Appointed as a non executive director of Westfield Holdings in 1985, Mr Gonski holds degrees in law and commerce. He is chairman of Investec Wentworth Pty Ltd and Coca-Cola Amatil Limited. He is a director of John Fairfax Holdings Ltd and ANZ Banking Group Ltd. Mr Gonski is also president of the Art Gallery of NSW Trust and chairman of the National Institute of Dramatic Art and the Australia Council. Following the merger of Westfield Holdings with Westfield Trust and Westfield America Trust in July 2004, Mr Gonski was appointed to the boards of Westfield Management Ltd, the responsible entity of Westfield Trust and Carindale Property Trust, and Westfield America Management Ltd, the responsible entity of Westfield America Trust. Mr Gonski is a member of the Westfield Group Audit and Compliance Committee, the Remuneration Committee and the Nomination Committee.

STEPHEN P JOHNS

Stephen Johns is a non-executive director of the Westfield Holdings, Westfield Management Ltd, the responsible entity of Westfield Trust and Carindale Property Trust, and Westfield America Management Ltd, the responsible entity of Westfield America Trust. Mr Johns holds a Bachelor of Economics degree from the University of Sydney and is a Fellow of the Institute of Chartered Accountants in Australia. Mr Johns was appointed an executive director of Westfield Holdings and Westfield Management Ltd in 1985 and Westfield America Management Ltd in 1996. He held a number of positions within Westfield, including Group Finance Director from 1985 to 2002, and became a non-executive director of the three boards in October 2003. Mr Johns is also a director of Brambles Industries Limited and Brambles Industries plc, a member of the Council of Governors of Ascham School and a director of Ascham Foundation Limited, and a director of Sydney Symphony Orchestra Holdings Pty Limited. He is a member of the Westfield Group Audit and Compliance Committee and the Risk Management Committee.

PETER S LOWY
MANAGING DIRECTOR

Peter Lowy is managing director of the Westfield Group and an executive director of Westfield Holdings, Westfield Management Ltd, the responsible entity of Westfield Trust and Carindale Property Trust, and Westfield America Management Ltd, the responsible entity of Westfield America Trust. Mr Lowy holds a Bachelor of Commerce degree from the University of NSW. Prior to joining Westfield in 1983, he worked in investment banking in the US and UK. He has resided in the US since 1990 and was appointed managing director in 1997. He serves on the board of governors for the National Association of Real Estate Investment Trusts, is on the board of directors of the Association of Foreign Investors in Real Estate, is a member of ICSC, and is founding chairman of the e-Fairness Coalition. He is also a director of the Lowy Institute for International Policy.

STEVEN M LOWY
MANAGING DIRECTOR

Steven Lowy is managing director of the Westfield Group, and an executive director of Westfield Holdings, Westfield Management Ltd, the responsible entity of Westfield Trust and Carindale Property Trust, and Westfield America Management Ltd. Mr Lowy holds a Bachelor of Commerce (Honours) degree from the University of NSW. Prior to joining Westfield in 1987, he worked in investment banking in the US. In 1997, he was appointed managing director. He is a director of the Victor Chang Cardiac Research Institute and a director of the Lowy Institute for International Policy.

JOHN B STUDDY, AM

Mr Studdy was appointed as a non executive director of Westfield Holdings in July 2004 following the merger of Westfield Holdings with Westfield Trust and Westfield America Trust. John Studdy was appointed as a non-executive director Westfield Management Ltd, the responsible entity of Westfield Trust and Carindale Property Trust, and Westfield America Management, the responsible entity of Westfield America Trust in January 2004. Mr Studdy is a non-executive director of Angus & Coote (Holdings) Ltd. and a director and former chairman of Ten Network Holdings Limited. Mr Studdy holds a Bachelor of Economics degree from the University of Sydney and is a Fellow of the Institute of Chartered Accountants in Australia. He is also an honorary vice-president of the International Federation of MS Societies, Emeritus President of the MS Society of NSW and chairman of the Pain Management Research Institute. He is a member of the Westfield Group Audit and Compliance Committee.

GARY H WEISS

Gary Weiss was appointed as a non-executive director of the Westfield Holdings and Westfield America Management Ltd, the responsible entity of Westfield America Trust, in July 2004 following the merger of Westfield Holdings with Westfield Trust and Westfield America Trust. Dr Weiss has been a non-executive director of Westfield Management Ltd, the responsible entity of Westfield Trust and Carindale Property Trust, since 2002. Dr Weiss holds a bachelor and a masters degree in law, as well as a Doctor of Juridical Science from Cornell University, New York. Dr Weiss is an executive director of Guinness Peat Group plc, chairman of Coats plc, Ariadne Australia Ltd and MEM Group Ltd. He is also a director of Capral Aluminium Ltd and Tower Limited, as well as various other public companies in Australia. He has considerable international business experience and is a highly respected commercial lawyer in Australia and New Zealand. He is a member of the Westfield Group Risk Management Committee.

DEAN R WILLS, AO

Appointed as a non executive director of Westfield Holdings in 1994 Mr Wills is chairman of Transfield Services Ltd, the Coca-Cola Australia Foundation, John Fairfax Holdings Ltd, and a Fellow of the Australian Institute of Company Directors (AICD) and the Australian Marketing Institute (AMI). Mr Wills is a member of the Westfield Group Nomination Committee. Following the merger of Westfield Holdings with Westfield Trust and Westfield America Trust in July 2004, Mr Wills was appointed to the boards of Westfield Management Ltd, the responsible entity of Westfield Trust and Carindale Property Trust, and Westfield America Management Ltd, the responsible entity of Westfield America Trust.

CARLA M ZAMPATTI, AM

Appointed as a non executive director of Westfield Holdings in 1997, Carla Zampatti is executive chairman of the Carla Zampatti Group. She is chairman of the Special Broadcasting Service (SBS), a director of McDonald's Australia Limited and a trustee of the Sydney Theatre Company Foundation Trust. Ms Zampatti is a member of the Westfield Group Nomination Committee. Following the merger of Westfield Holdings with Westfield Trust and Westfield America Trust in July 2004, Ms Zampatti was appointed to the boards of Westfield Management Ltd, the responsible entity of Westfield Trust and Carindale Property Trust, and Westfield America Management Ltd, the responsible entity of Westfield America Trust.

WESTFIELD HOLDINGS LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2004

	Note	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	PARENT COMPANY 2004 $000	PARENT COMPANY 2003 $000
Revenue from trading activities	3	1,245,934	1,101,851	495,110	195,199
Other revenue	3	7,578	45,568	–	4,502
Revenue from ordinary activities	3	**1,253,512**	**1,147,419**	**495,110**	**199,701**
Expenses from trading activities	4	(1,032,209)	(922,616)	(4,629)	(13,050)
Other expenses	4	(3,183)	(44,443)	–	–
Expenses before Merger and capital restructure charges	4	**(1,035,392)**	**(967,059)**	**(4,629)**	**(13,050)**
Merger and capital restructure charges					
– write down of associates/subsidiaries	2,4	(477,019)	–	(398,916)	–
– charges	2,4	(42,703)	–	(34,495)	–
Total Merger and capital restructure charges	2,4	**(519,722)**	**–**	**(433,411)**	**–**
Expenses from ordinary activities	4	**(1,555,114)**	**(967,059)**	**(438,040)**	**(13,050)**
Share of net profits of equity accounted associates before Merger charges		210,342	222,782	–	–
Share of Merger charges included in associates net profit	2	(5,105)	–	–	–
Share of net profits of equity accounted associates	27(b)	**205,237**	**222,782**	**–**	**–**
Borrowing costs		(17,094)	(42,710)	–	–
(Loss)/profit from ordinary activities before income tax (expense)/benefit		**(113,459)**	**360,432**	**57,070**	**186,651**
Income tax (expense)/benefit relating to ordinary activities	5	(82,909)	(72,046)	1,876	3,826
(Loss)/profit from ordinary activities after income tax (expense)/benefit	2,19	**(196,368)**	**288,386**	**58,946**	**190,477**
Increase in asset revaluation reserve	18(a)	184,915	56,864	–	–
Net exchange difference on translation of the financial report of foreign controlled entities and equity accounted associates	18(b)	(4,258)	(119,957)	–	–
Total revenues, expenses and valuation adjustments attributable to members of Westfield Holdings Limited and recognised directly in equity		**180,657**	**(63,093)**	**–**	**–**
Total changes in equity other than those resulting from transactions with owners as owners attributable to members of Westfield Holdings Limited	20	**(15,711)**	**225,293**	**58,946**	**190,477**

		Cents	Cents
Basic earnings per share before Merger and capital restructure charges	6	58.10	51.13
Diluted earnings per share before Merger and capital restructure charges	6	57.70	50.63
Basic earnings per share	6	(34.74)	51.13
Diluted earnings per share	6	(34.41)	50.63
Dividend per share	22	28.92	25.57

WESTFIELD HOLDINGS LIMITED
STATEMENT OF FINANCIAL POSITION
as at 30 June 2004

	Note	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	PARENT COMPANY 2004 $000	PARENT COMPANY 2003 $000
Current assets					
Cash assets	21(a)	71,733	54,998	1,028	592
Receivables	7	69,969	58,695	678,940	827,262
Dividends and distributions receivable		71,439	65,648	–	–
Inventories	8	66,122	68,112	–	–
Income tax receivable		11,994	3,125	–	–
Other assets	9	143,479	48,931	–	–
Total current assets		**434,736**	**299,509**	**679,968**	**827,854**
Non current assets					
Equity accounted investments	10	2,083,462	2,341,850	–	–
Other investments	11	34,752	31,053	1,215,335	1,273,250
Fixed assets	12	150,190	113,707	–	–
Receivables	7	63,862	80,481	–	–
Deferred tax assets		17,894	31,805	21,199	25,940
Other assets	9	236,269	223,228	–	–
Total non current assets		**2,586,429**	**2,822,124**	**1,236,534**	**1,299,190**
Total assets		**3,021,165**	**3,121,633**	**1,916,502**	**2,127,044**
Current liabilities					
Payables	13	232,228	220,254	897,089	1,006,496
Interest bearing liabilities	14	12,154	2,333	–	–
Non interest bearing liabilities		2,108	16,065	–	–
Current tax liabilities		46,583	39,212	22,101	25,551
Dividend payable	22	77,432	–	77,432	–
Other liabilities	15	20,980	15,984	–	–
Total current liabilities		**391,485**	**293,848**	**996,622**	**1,032,047**
Non current liabilities					
Payables	13	21,186	14,651	–	–
Interest bearing liabilities	14	1,063,595	985,943	–	–
Deferred tax liabilities		140,986	138,444	138,981	113,238
Other liabilities	15	56,261	65,578	–	–
Total non current liabilities		**1,282,028**	**1,204,616**	**138,981**	**113,238**
Total liabilities		**1,673,513**	**1,498,464**	**1,135,603**	**1,145,285**
Net assets		**1,347,652**	**1,623,169**	**780,899**	**981,759**
Equity					
Contributed equity	16	696,142	715,192	699,082	718,132
Reserves	18	268,888	88,231	40,129	40,129
Retained profits	19	382,622	819,746	41,688	223,498
Total equity	20	**1,347,652**	**1,623,169**	**780,899**	**981,759**

WESTFIELD HOLDINGS LIMITED
STATEMENT OF CASH FLOWS
for the year ended 30 June 2004

	Note	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	PARENT COMPANY 2004 $000	PARENT COMPANY 2003 $000
Cash flows from operating activities					
Receipts from customers		1,327,135	1,215,691	39	86
Payments to suppliers and employees		(1,095,315)	(960,841)	(4,651)	(7,486)
Dividends and distributions received		201,700	199,854	494,999	195,000
Income taxes paid		(70,371)	(47,840)	(12,091)	(2,001)
Goods and services taxes paid		(30,650)	(30,717)	–	–
Net cash flows from operating activities	21(b)	**332,499**	**376,147**	**478,296**	**185,599**
Cash flows from investing activities					
Payment for purchases of property, plant and equipment		(59,642)	(25,919)	–	–
Proceeds from sale of property, plant and equipment		3,101	39	–	–
Payment for purchases of equity accounted investments		(39,210)	(19,533)	–	–
Payment for purchases of investments in subsidiaries		–	–	(341,000)	(370)
Proceeds from sale and realisation of equity accounted and other investments		110	64,212	–	500
Loans repaid by/(advanced to) other entities		16,619	(73,520)	74,706	(56,721)
Dividends and distributions received		109	181	23	113
Net cash flows used in investing activities		**(78,913)**	**(54,540)**	**(266,271)**	**(56,478)**
Cash flows from financing activities					
Proceeds from issues of securities		3,285	6,320	3,285	6,790
Extinguishment of share option		(32,865)	–	(32,865)	–
Merger and capital restructure costs		(18,684)	–	(18,684)	–
Purchase of interest rate option		(40,911)	–	–	–
Interest bearing liabilities		78,027	(144,405)	–	–
Non interest bearing liabilities and deposits		(57,777)	10,362	–	–
Dividends paid	22(c)	(163,324)	(141,094)	(163,324)	(141,094)
Interest received		4,413	2,002	–	4,502
Borrowing costs		(17,371)	(45,870)	–	–
Net cash flows used in financing activities		**(245,207)**	**(312,685)**	**(211,588)**	**(129,802)**
Net increase in cash held		8,379	8,922	437	(681)
Add opening cash brought forward		52,665	47,575	592	1,499
Effects of exchange rate changes on opening cash brought forward		(165)	(3,832)	(1)	(226)
Cash at the end of the year	21(a)	**60,879**	**52,665**	**1,028**	**592**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

(a) Basis of Preparation and Accounting Policies

This General Purpose Financial Report has been prepared on the basis of historical cost accounting and does not purport to disclose current values except where indicated in respect of the revaluation of non current assets. The Financial Statements have been drawn up in accordance with the Corporations Act 2001, applicable Accounting Standards and other mandatory professional reporting requirements, including Urgent Issues Group Consensus Views.

The accounting policies adopted are consistent with those applied in the previous financial year except as otherwise stated.

(b) Consolidation and Classification

The Consolidated Financial Statements comprise the Financial Statements of the chief entity, Westfield Holdings Limited ("Parent Company"), and each of its controlled entities ("Subsidiaries") as from the date the Parent Company obtains control until such time control ceases. The Parent Company and Subsidiaries are collectively referred to as the economic entity known as the Westfield Holdings Limited Group ("Group"). Subsidiaries are detailed in Note 36. Where entities adopt accounting policies which differ from those of the Group, adjustments have been made so as to achieve consistency within the Group. In preparing the Consolidated Financial Statements all inter-company transactions and balances are eliminated.

On 25 June 2004 the members of the Parent Company, Westfield Trust ("WFT") and Westfield America Trust ("WAT") voted in favour of combining the three entities by way of stapling their securities ("the Merger") to form the Westfield Group (although each entity will remain in separate legal existence), thus creating a common investor base. As a result of the Merger, the Parent Company is considered, for accounting purposes, to have gained control of WFT and WAT and will consolidate WFT and WAT from the date control is obtained. As the Merger was not effective until 2 July 2004, being the date an order made by the Supreme Court of New South Wales approving the share scheme was lodged with the Australian Securities and Investment Commission, WFT and WAT have not been consolidated in this financial report. Refer to Note 37 for further details on the Merger.

(c) Associated Entities

An associated entity is one over which the Group exercises significant influence but not control. Associated entities are brought to account under the equity method of accounting.

(d) Revenue and Expenses from Ordinary Activities

Revenue from property development and construction is recognised on a percentage completion basis. Stage of completion is assessed by independent quantity surveyors.

Revenue from property and funds management is recognised on an accruals basis, in accordance with the terms of the relevant management contracts.

All other revenues and expenses are brought to account on an accruals basis.

(e) Foreign Currencies

Foreign currency transactions are converted to Australian dollars at exchange rates ruling at the date of those transactions.

Amounts payable and receivable in foreign currency at balance date are translated to Australian dollars at exchange rates ruling at that date. Exchange differences arising from amounts payable and receivable are treated as operating revenue or expense in the period in which they arise, except as noted below.

The Statement of Financial Position of foreign self-sustaining subsidiaries and equity accounted associates are translated at exchange rates ruling at balance date and the Statement of Financial Performance of foreign self-sustaining subsidiaries and equity accounted associates are translated at average exchange rates for the period. Exchange differences arising on translation of the interests in foreign self-sustaining operations and equity accounted associates are taken directly to the Exchange Fluctuation Reserve. On consolidation, exchange differences and the related tax effect on loans and cross currency swaps denominated in foreign currencies which hedge net investments in foreign self-sustaining operations and equity accounted associates are taken directly to the Exchange Fluctuation Reserve.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

(e) Foreign Currencies (continued)

Other exchange differences, costs and premiums on contracts to hedge specific foreign currency denominated transactions, assets or liabilities are brought to account with the underlying transactions, assets or liabilities. Exchange differences, costs and premiums on all other hedge contracts are included as revenue or expense in the period in which the exchange differences arise.

(f) Derivative and Other Financial Instruments

The Group's activities expose it to changes in interest rates and foreign exchange rates. There are policies and limits approved by the Board of Directors in respect of the usage of derivative and other financial instruments to hedge cash flows subject to interest rate and currency risks. Management reports to the Board on a regular basis as to the monitoring of the policies in place.

The accounting policies adopted in relation to material financial instruments are detailed as follows:

(i) Financial Assets

Investments in Listed and Unlisted Securities

Refer Note 1(h) below.

Receivables

Trade and sundry debtors are carried at cost, less provision for doubtful debts, and are due within 30 days.

Other Loans

Loans are carried at cost. Interest is credited as income on an accruals basis.

(ii) Financial Liabilities

Payables

Trade and sundry creditors are carried at cost, and are generally payable within 60 days.

Bank and Other Loans

Loans are carried at cost. Interest is charged as an expense on an accruals basis. Terms and conditions are set out in Note 21(c).

Cross Currency Swaps and Forward Exchange Contracts

The Group enters into cross currency swaps and forward exchange contracts where it agrees to buy or sell specified amounts of foreign currencies in the future at predetermined exchange rates. The objective is to minimise the risk of exchange rate fluctuation in respect of certain of its foreign currency denominated assets, liabilities, revenues and expenses. The value of the cross currency swaps and forward exchange contracts are brought to account in conjunction with the assets and liabilities as recorded on the Statement of Financial Position at the end of the financial year, or in conjunction with the revenue and expense in the period to which the hedges relate. Terms and conditions are set out in Note 28(b) and 28(c).

The Group only enters into derivative financial instruments to hedge certain underlying assets, liabilities, revenues and expenses. The Group does not trade in derivative financial instruments for speculative purposes. The Group continually reviews its exposures and revises its treasury policies and procedures. Revenues or expenses arising from changes in the net market values of hedging instruments are matched and brought to account with the carrying values and income streams of the underlying assets or liabilities.

Interest Rate Swaps

The Group enters into interest rate swap agreements that are used to convert certain variable interest rate borrowings to fixed interest rates. The swaps are entered into with the objective of hedging the risk of interest rate fluctuations in respect of underlying borrowings. Net receipts and payments in relation to interest rate swaps are recognised as interest income or interest expense as appropriate on an accruals basis over the life of the hedges. Terms and conditions are set out in Note 28(a).

1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

(f) Derivative and Other Financial Instruments (continued)

(ii) Financial Liabilities (continued)

Disclosure of Fair Values

Recognised financial assets and liabilities are recorded at balance date at their net fair values with the exception of investments in associates which are carried at lower of cost or equity accounted values refer note 1(h). The fair value of unrecognised financial instruments is set out in Note 28.

Applicable market rates, values, prices and terms in respect of derivative and other financial instruments are set out in the notes to these Financial Statements.

(g) Borrowing Costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings and other costs incurred in connection with the arrangement of borrowings. Borrowing costs are expensed as incurred unless they relate to a qualifying asset. A qualifying asset is an asset which generally takes more than 12 months to get ready for its intended use or sale. In these circumstances, the borrowing costs are capitalised to the cost of the asset. Where funds are borrowed by the Group for the acquisition or construction of a qualifying asset, the amount of borrowing costs capitalised are those incurred in relation to that borrowing.

(h) Investments

The carrying amount of this class of assets is reviewed annually by the Directors. Where applicable, the potential effect of any capital gains tax in respect of revalued assets has been taken into account in determining the carrying amount.

In line with the Group's principal activities, its material investments are in retail property interests. Investments in retail property take the form of interests in retail property owning companies, partnerships and trusts as well as direct interests in retail property.

Investments in associated entities are accounted for using the equity method and are stated at values based on the Group's equity share of those associates underlying net asset values, including property assets at fair value. Fair value is based on independent valuations assessed principally upon the capitalisation of net income of the underlying property assets, which are supported by discounting future net cash flows to their present value.

Listed investments in entities other than associates are stated at fair value based on their market values.

Unlisted investments other than associates are stated at fair value of the Group's interest in the underlying assets.

Investments in subsidiaries are carried at the lower of cost or net realisable value.

The carrying value of foreign currency denominated investments have been translated into Australian dollars at the exchange rates at balance date.

(i) Property Development Projects and Construction Contracts

Property development projects are brought to account at the lower of cost and net realisable value. Where appropriate, cost includes the cost of acquisition, development, rates, taxes and financing costs incurred during development, provided the resultant carrying value does not exceed the expected recoverable amount. Profit is recognised on property sales to the extent that it is probable that economic benefits will flow to the entity on settlement and after contractual duties are completed.

Work in progress represents the value of work actually completed and is assessed in terms of the contract, and provision made for losses, if any, anticipated. Profits are recognised on unconditional construction contracts when construction has reached the stage when the costs to complete can be reliably estimated. Stage of completion is assessed by independent quantity surveyors.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

(j) Depreciation and Amortisation

Fixed assets and deferred costs are carried at acquisition cost or recoverable amount less depreciation and amortisation. Depreciation and amortisation is applied over the estimated economic life using the straight line method from the date of acquisition or from the time the asset is ready for use. The estimated economic lives of items in the asset class plant and equipment is 3 to 15 years.

(k) Income Tax

Tax effect accounting has been adopted, whereby income tax expense has been calculated on pre-tax accounting profits after adjusting for permanent differences. The tax effect of timing differences which occur where items are assessed or deducted for income tax purposes in a period different to that for accounting, where appropriate, is shown in Deferred Tax Liability and Deferred Tax Asset, as applicable, at taxation rates applicable when such timing differences are expected to reverse.

The Parent Company and its Australian resident wholly owned subsidiaries have formed a Tax Consolidation Group. Accordingly, the Parent Company will assume the income tax assets, liabilities, expenses and revenues of the Tax Consolidation Group. However, the Parent Company has entered into tax funding arrangements with its Australian resident wholly owned subsidiaries, so that each subsidiary has agreed to pay or receive a tax equivalent amount to or from the Parent Company based on the net taxable amount or loss, including timing differences, of the subsidiary at the current tax rate. Amounts owing to or from the Parent Company are in accordance with the tax funding arrangement and are recognised as a component of income tax expense or revenue and inter entity receivables and payables.

(l) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on purchase of goods and services is not recoverable from the tax authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated with the amounts of GST included.

The net amount of GST payable or receivable is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(m) Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property, and operating leases under which the lessor effectively retains all such risks and benefits. Operating lease payments are charged to the Statement of Financial Performance in the periods to which they relate.

(n) Cash Assets

Cash on hand, at bank and short term deposits are stated at nominal value. For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank, short term money market deposits and bank accepted bills of exchange readily convertible to cash, net of bank overdrafts and short term loans. Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.

(o) Employee Entitlements

The liability for employees' entitlements to wages, salaries and annual leave is accrued to balance date based on the Group's present obligation to pay resulting from the employees' services provided. The liability for employees' entitlements to long service leave is provided to balance date based on the present values of the estimated future cash flows to be paid by the Group resulting from the employees' services provided.

1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

(p) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(q) Recoverable Amount

The carrying amount of non current assets is assessed annually and where the carrying value materially exceeds its recoverable amount, the asset is written down. In determining recoverable amount, the expected net cash flows have been discounted to their present value using a market determined risk adjusted discount rate or, where applicable, a direct sales comparison method.

(r) Rounding

Pursuant to ASIC Class Order 98/0100, the amounts shown in the Financial Report have, unless otherwise indicated, been rounded to the nearest thousand dollars.

(s) Comparative Figures

Where applicable, certain comparative figures are restated in order to comply with the current year's presentation of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

	CONSOLIDATED		PARENT COMPANY	
	2004 $000	2003 $000	2004 $000	2003 $000
2 PROFIT FROM ORDINARY ACTIVITIES BEFORE MERGER AND CAPITAL RESTRUCTURE CHARGES				
(Loss)/profit from ordinary activities after income tax expense	(196,368)	288,386	58,946	190,477
Add back				
Merger and capital restructure charges				
– Write down of equity accounted associates/ investments in subsidiaries	477,019	–	(398,916)	–
– Capital restructure charges	8,208	–	–	–
– Merger charges	34,495	–	(34,495)	–
	519,722	–	(433,411)	–
– Share of Merger charges included in associates net profit	5,105	–	–	–
	524,827	–	(433,411)	–
Profit from ordinary activities after tax and before Merger and capital restructure charges	328,459	288,386	492,357	190,477
3 REVENUE FROM ORDINARY ACTIVITIES				
Revenue from trading activities				
Property development and construction	953,186	828,043	–	–
Property and funds management	239,617	228,587	–	–
Property investment	53,131	45,221	111	199
Dividends from subsidiaries	–	–	494,999	195,000
Total revenue from trading activities	1,245,934	1,101,851	495,110	195,199
Other revenue				
Interest income				
– Other corporations	2,097	2,051	–	13
– Related corporations	2,270	–	–	4,489
Proceeds on disposal of non current assets	3,211	43,517	–	–
Total other revenue	7,578	45,568	–	4,502
Total revenue from ordinary activities	1,253,512	1,147,419	495,110	199,701

4 EXPENSES FROM ORDINARY ACTIVITIES

	CONSOLIDATED		PARENT COMPANY	
	2004 $000	2003 $000	2004 $000	2003 $000
Expenses from trading activities				
Cost of materials and supplies	(723,221)	(635,548)	(49)	(35)
Employment expense	(233,317)	(216,208)	(551)	(434)
Corporate overheads	(13,820)	(10,832)	(4,028)	(3,843)
Operating lease rental expense	(44,760)	(38,453)	–	–
Depreciation and amortisation	(17,838)	(20,441)	–	–
Realised foreign currency loss	747	(1,134)	(1)	(8,738)
Total expenses from trading activities	(1,032,209)	(922,616)	(4,629)	(13,050)
Other expenses				
Write back of non current assets	–	6,396	–	–
Foreign currency:				
– Net write down of fixed assets due to exchange rate movement	(1,697)	(18,424)	–	–
– Unrealised gain on currency loans funding fixed assets	1,697	9,909	–	–
Book value of non current assets sold	(3,183)	(42,324)	–	–
Total other expenses	(3,183)	(44,443)	–	–
Merger and capital restructure charges (i)				
Recoverable amount write down of investments in equity accounted associates (ii)	(458,086)	–	–	–
Termination of excess interest rate swaps on close out of excess cross currency swaps in respect of equity accounted associates	(18,933)	–	–	–
Recoverable amount write down of investments in subsidiaries	–	–	(398,916)	–
	(477,019)	–	(398,916)	–
Merger charges (iii)	(34,495)	–	(34,495)	–
Capital restructure charges	(8,208)	–	–	–
	(42,703)	–	(34,495)	–
Total Merger and capital restructure charges	(519,722)	–	(433,411)	–
Total expenses from ordinary activities	(1,555,114)	(967,059)	(438,040)	(13,050)

(i) No income tax benefit has been applied to these expenses

(ii) The Group's investment in WAT participated in the consolidation of WAT units but did not participate in the issue of stapled securities or the stapling distribution. As a result, the Group's investment in WAT was diluted and the resultant reduction in carrying value of $544.7 million was charged to the Statement of Financial Performance ($458.1 million) and the Asset Revaluation Reserve ($86.6 million).

(iii) Parent Company's share of Merger charges.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

	CONSOLIDATED		PARENT COMPANY	
	2004 $000	2003 $000	2004 $000	2003 $000
5 INCOME TAX EXPENSE				
The prima facie tax on (loss)/profit from ordinary activities before income tax is reconciled to the income tax expense provided in the financial statements as follows:				
Prima facie tax receivable/(payable) on (loss)/profit from ordinary activities at 30% (2003: 30%)	34,038	(108,130)	(17,121)	(55,995)
Tax effect of permanent differences				
Differential tax rates of foreign operations	42,171	38,286	–	–
Non deductible Merger and capital restructure charges	(155,917)	–	(130,023)	–
Prior year under provision	(497)	(545)	–	–
Other items	(2,704)	(1,657)	520	1,321
Inter-company dividends	–	–	148,500	58,500
Income tax (expense)/benefit attributable to ordinary activities	(82,909)	(72,046)	1,876	3,826

	CONSOLIDATED	
	2004 cents	2003 cents
6 EARNINGS PER SHARE		
Basic earnings per share before Merger and capital restructure charges	58.10	51.13
Diluted earnings per share before Merger and capital restructure charges	57.70	50.63
Basic earnings per share	(34.74)	51.13
Diluted earnings per share	(34.41)	50.63

Basic earnings per share is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and other non discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	CONSOLIDATED	
	2004 $000	2003 $000
Net profit after tax and before Merger and capital restructure charges	323,354	288,386
Share of associates Merger charges	5,105	–
Earnings used in calculating basic and diluted earnings per share after tax and before Merger and capital restructure charges	328,459	288,386
Merger and capital restructure charges	(519,722)	–
Share of associates Merger charges	(5,105)	–
Earnings used in calculating basic and diluted earnings per share	(196,368)	288,386

6 EARNINGS PER SHARE (continued)

	No. of Shares	No. of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	565,314,865	563,985,762
Bonus element of share options which are considered to be dilutive	5,343,531	5,615,598
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	570,658,396	569,601,360
Non dilutive options in respect of ordinary shares	1,600,100	4,442,486

Conversions, calls, subscription or issues after 30 June 2004

Since the end of the financial year:

- 3,940,066 ordinary shares have been issued pursuant to the executive share incentive scheme and the executive option plan; and
- 1,112,871,884 ordinary shares have been issued on 16 July 2004 pursuant to the Merger.

There have been no other conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this report.

		CONSOLIDATED		PARENT COMPANY	
	Note	2004 $000	2003 $000	2004 $000	2003 $000
7 RECEIVABLES					
CURRENT					
Trade debtors		70,417	59,160	–	–
Less: provision for doubtful debts		(448)	(465)	–	–
Amounts due from subsidiaries		–	–	678,940	827,262
		69,969	58,695	678,940	827,262
NON CURRENT					
Loans and advances	32(h)(v)	63,862	80,481	–	–
8 INVENTORIES					
Work in progress		1,049,896	617,768	–	–
Less: progress payments received		(945,304)	(520,362)	–	–
progress payments receivable		(38,470)	(29,294)	–	–
		66,122	68,112	–	–

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

	Note	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	PARENT COMPANY 2004 $000	PARENT COMPANY 2003 $000
9 OTHER ASSETS					
CURRENT					
Sundry debtors		25,965	26,239	–	–
Prepayments and deposits		55,623	6,708	–	–
Prepaid interest rate hedge option		40,911	–	–	–
Receivables under forward exchange contracts		20,980	14,859	–	–
Unrealised exchange loss on forward exchange contracts		–	1,125	–	–
		143,479	48,931	–	–
NON CURRENT					
Sundry debtors and other assets		12,902	11,591	–	–
Receivables under cross currency contracts		167,106	146,059	–	–
Receivables under forward exchange contracts		56,261	65,578	–	–
		236,269	223,228	–	–
10 EQUITY ACCOUNTED INVESTMENTS					
Listed investments		1,393,292	1,828,276	–	–
Unlisted investments		690,170	513,574	–	–
	27(a)	2,083,462	2,341,850	–	–
11 OTHER INVESTMENTS					
Listed investments at market value		4,427	3,082	–	–
Unlisted investments		30,325	27,971	308	308
Investments in subsidiaries		–	–	1,215,027	1,272,942
		34,752	31,053	1,215,335	1,273,250
12 FIXED ASSETS					
At cost		217,633	160,992	–	–
Accumulated depreciation		(122,567)	(107,901)	–	–
		95,066	53,091	–	–
At recoverable amount		55,124	60,616	–	–
Total fixed assets		150,190	113,707	–	–
Opening balance		113,707	130,746	–	–
Additions		59,642	25,918	–	–
Disposals		(3,073)	(42)	–	–
Depreciation expense		(17,279)	(19,901)	–	–
Write down due to exchange rate movement		(1,697)	(18,424)	–	–
Retranslation of foreign operations and other differences		(1,110)	(4,590)	–	–
Closing balance		150,190	113,707	–	–

Fixed assets of $150.2 million (2003: $113.7 million) comprises the following items: aircraft $86.1 million (2003: $60.6 million); property, plant and equipment $34.7 million (2003: $29.2 million); and other fixed assets $29.4 million (2003: $23.9 million).

	Note	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	PARENT COMPANY 2004 $000	PARENT COMPANY 2003 $000
13 PAYABLES					
CURRENT					
Trade creditors and accruals		138,082	160,467	–	–
Sundry creditors and accruals		80,007	46,428	1,431	559
Employee entitlements		14,139	13,359	–	–
Amounts owing to subsidiaries		–	–	895,658	1,005,937
		232,228	220,254	897,089	1,006,496
NON CURRENT					
Sundry creditors and accruals		9,269	3,316	–	–
Employee entitlements		11,917	11,335	–	–
		21,186	14,651	–	–
14 INTEREST BEARING LIABILITIES					
CURRENT					
Bank overdraft unsecured	21(a)	10,854	2,333	–	–
Bank loans – unsecured		1,300	–	–	–
		12,154	2,333	–	–
NON CURRENT					
Bank loans – unsecured		1,063,595	985,943	–	–
Refer Note 21(c) for terms and conditions in respect of the Group's financing facilities.					
15 OTHER LIABILITIES					
CURRENT					
Payables under forward exchange contracts		–	1,125	–	–
Unrealised exchange gain on forward exchange contracts		20,980	14,859	–	–
		20,980	15,984	–	–
NON CURRENT					
Unrealised exchange gain on forward exchange contracts		56,261	65,578	–	–
		56,261	65,578	–	–

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

16 CONTRIBUTED EQUITY

	Note	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	PARENT COMPANY 2004 $000	PARENT COMPANY 2003 $000
Issued and fully paid ordinary shares					
Balance at the beginning of the year		715,192	708,872	718,132	711,342
Extinguishment of Possfund options	17(a)(i)	(32,865)	–	(32,865)	–
Exercise of Executive options		3,285	6,320	3,285	6,790
Issue of share options to Possfund	17(a)(ii)	10,530	–	10,530	–
Balance at the end of the year		696,142	715,192	699,082	718,132
		Shares	Shares	Shares	Shares
Number of shares on issue					
Balance at the beginning of the year		564,265,850	563,226,350	564,265,850	563,226,350
Extinguishment of Executive options		1,983,477	1,039,500	1,983,477	1,039,500
Balance at the end of the year		566,249,327	564,265,850	566,249,327	564,265,850

Since the end of the financial year:

- 2,813,560 ordinary shares were issued for cash consideration totalling $26.8 million and 1,126,506 ordinary shares were issued for $nil consideration following the exercise of the executive option plan and executive performance share plan options over 6,591,090 unissued ordinary shares; and
- to implement the Westfield Group Merger, refer note 37(a), 629,615,967 ordinary shares were issued to Members of WFT for cash consideration totalling $6.3 million and 483,255,917 ordinary shares were issued to Members of WAT for cash consideration totalling $4.8 million.

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

	Note	PARENT COMPANY 2004 Number of Options	2003 Number of Options
17 SHARE OPTIONS			
Balance at the beginning of the year		23,531,112	20,732,000
Movement in Possfund options			
Options exercised during the year			
– extinguished by payment of cash equal to the difference between market value and the exercise price	17(a)(i)	(8,000,000)	–
Options issued during the year	17(a)(ii)	7,950,000	–
Movement in Executive options			
Options issued during the year	17(b)(ii)	1,591,931	4,463,612
Options exercised during the year			
– extinguished by issuance of new shares	17(b)(iii)	(507,370)	(1,039,500)
– extinguished by transfer of existing shares	17(b)(iv)	(2,435,893)	(206,250)
– extinguished by issuance of new shares for $nil consideration equal to the difference between market value and the exercise price	17(b)(v)	(5,685,250)	–
Options lapsed during the year	17(b)(vi)	(423,540)	(418,750)
Balance at the end of the year [I]		16,020,990	23,531,112
Options on issue to Possfund	17(a)(ii)	7,950,000	8,000,000
Options on issue pursuant to the Executive Option Plans [II]	17(b)(i)	8,070,990	15,531,112
	17(c)	16,020,990	23,531,112

(I) 6,591,090 Executive options were exercised between the end of the financial year and 2 July 2004 being the effective Merger date, leaving 7,950,000 Possfund Options and 1,479,900 Executive Options outstanding on 2 July 2004. As a result of the Merger the outstanding options on 2 July 2004 will, on exercise, receive Westfield Group stapled securities.

(II) Represents 1.43% (2003: 2.75%) of the issued shares of the Parent Company.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

17 SHARE OPTIONS (continued)

(a) (i) Options exercised by Possfund

On 13 August 2003 Possfund exercised 50,000 options, issued on 22 May 2000, at an exercise price of $8.74. Under the terms of the Possfund Option agreement, the exercise of the options was extinguished by the payment of $302,875 to Possfund, being the difference between the volume weighted average trading price for the 20 days preceding 13 August 2003 and the exercise price of the options.

On 1 April 2004 Possfund exercised 7,950,000 options, issued on 22 May 2000, at an exercise price of $8.74. Under the terms of the Possfund Option agreement, the exercise of the options was extinguished by the payment of $32,562,405 to Possfund, being the difference between the volume weighted average trading price for the 20 days preceding 1 April 2004 and the exercise price of the options.

(ii) Possfund Options

These options were issued to Possfund Custodian Trustee Limited ("Possfund") at an exercise price per option of $12.84 on 1 April 2004 with an expiry date 22 May 2005. They may be exercised at any time during the period commencing on 1 April 2004 and expiring on 22 May 2005.

These options have no entitlement to dividends and no voting rights. The value of these options issued during the year, based upon the Black-Scholes valuation model, was $10.5 million.

The Terms of the Possfund Options, allowed the Parent Company, at its election on exercise of an option, to either:

(i) issue or transfer one share in respect of each option exercised subject to payment of the exercise price;

(ii) issue or transfer the number of shares whose value represents the difference between the market value of the shares that would otherwise have been issued on exercise of the option as at the date of their exercise and their exercise price (that difference being the "profit component"); or

(iii) paying to Possfund an amount equal to the profit component.

Following the stapling of securities on 16 July 2004, the terms of the Possfund Options will allow the Group, on exercise of a Possfund Option, to issue or transfer to Possfund the number of Stapled Securities that Possfund would have received had it exercised those options prior to the stapling of securities. Also, following the stapling of securities, the terms of the Possfund Options will allow the calculation of the profit component on the basis of the market value of Stapled Securities.

17 SHARE OPTIONS (continued)

(b) Options issued pursuant to the Executive Option Plans

(i) Executive options balance at the beginning and end of the year:

Issue date	Expiry date	Exercise price	Note	Number on issue at 2 July 2004	[a]Number on issue at 30 June 2004	Number Exercisable at 30 June 2003	Number on issue at 30 June 2003
3 Sep 1998	3 Sep 2003	$7.580		–	–	–	1,590,000
14 Sep 1998	14 Sep 2003	$7.540		–	–	–	240,000
9 Jun 1999	9 Jun 2004	$9.450		–	–	212,500	462,500
1 Oct 1999	1 Oct 2004	$9.310		–	120,000	120,000	813,750
1 Oct 1999	1 Oct 2004	$9.310		–	3,750,000	1,062,500	4,250,000
4 Nov 1999	4 Nov 2004	$9.820		–	55,000	28,750	115,000
23 Dec 1999	23 Dec 2004	$10.080	(b)	102,500	376,060	191,250	810,000
3 Feb 2000	3 Feb 2005	$9.160		–	62,500	–	93,750
10 Apr 2000	10 Apr 2005	$9.320	(b)	50,000	270,000	150,000	637,500
22 Sep 2000	22 Sep 2005	$12.550	(b)	110,000	360,000	–	815,000
9 Nov 2000	9 Nov 2005	$13.460		–	75,000	–	75,000
22 Dec 2000	22 Dec 2005	$14.210	(b)	20,000	20,000	–	50,000
30 Apr 2001	30 Apr 2006	$13.030	(b)	50,000	250,000	–	275,000
6 Aug 2001	6 Aug 2006	$15.050	(b)	405,000	455,000	–	530,000
12 Nov 2001	12 Nov 2006	$17.360	(b)	100,000	100,000	–	100,000
11 Jan 2002	11 Jan 2007	$17.340		–	–	–	25,000
20 Mar 2002	20 Mar 2007	$17.140	(b)	75,000	75,000	–	75,000
15 Apr 2002	15 Apr 2007	$17.040	(b)	25,000	25,000	–	25,000
26 Jun 2002	26 Jun 2007	$15.370	(b)	100,000	100,000	–	100,000
24 Jul 2002	24 Jul 2007	$14.760		–	150,000	–	150,000
1 Oct 2002	1 Oct 2007	$0.000		–	–	–	160,340
1 Oct 2002	1 Oct 2007	$13.520		–	–	–	240,000
25 Oct 2002	25 Oct 2007	$12.910	(b)	71,500	271,500	–	575,000
20 Dec 2002	20 Dec 2007	$13.800	(b)	35,000	145,000	–	355,000
13 Jan 2003	13 Jan 2008	$13.800		–	–	–	30,000
27 Feb 2003	27 Feb 2008	$13.190		–	–	–	400,000
27 Feb 2003	27 Feb 2010	$0.000		–	–	–	162,090
28 Feb 2003	28 Feb 2008	$13.140		–	142,500	–	885,000
28 Feb 2003	28 Feb 2008	$13.140		–	–	–	428,000
28 Feb 2003	28 Feb 2008	$0.000		–	–	–	49,750
28 Feb 2003	28 Feb 2010	$13.140		–	575,000	–	650,000
20 Mar 2003	20 Mar 2007	$0.000		–	–	–	13,390
20 Mar 2003	20 Mar 2008	$0.000		–	–	–	186,752
31 Mar 2003	31 Mar 2008	$13.140		–	–	–	100,000
10 Jun 2003	10 Jun 2008	$0.000		–	20,710	–	63,290
19 Aug 2003	19 Aug 2008	$15.600	(b)	30,000	30,000	–	–
1 Sep 2003	1 Sep 2008	$15.560	(b)	252,600	252,600	–	–
1 Sep 2003	1 Sep 2008	$0.000	(c)	3,300	25,500	–	–
13 Nov 2003	13 Nov 2008	$14.810	(b)	50,000	50,000	–	–
19 Dec 2003	19 Dec 2008	$0.000		–	127,550	–	–
1 Jan 2004	1 Jan 2009	$0.000		–	112,070	–	–
28 Feb 2004	28 Feb 2011	$13.550		–	75,000	–	–
				1,479,900	8,070,990	1,765,000	15,531,112

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

17 SHARE OPTIONS (continued)

(b) Options issued pursuant to the Executive Option Plans (continued)

(i) Executive options balance at the beginning and end of the year: (continued)

(a) Under the terms of the Executive Option Plan and Executive Performance Share plan as a result of the Merger, the vesting dates of the options and share awards were accelerated, so that Executives had the right to exercise all their options and/or share awards until 2 July 2004, being the effective date of the Merger. Any options or share awards outstanding at this date continue with the original vesting dates, as described in Note 17(b)(i)(b) below.

(b) Under the terms of the 1998 Executive Option Plan under which these options were granted, 25% of these options may be exercised at any time after the third anniversary of their respective grant dates, 25% of these options may be exercised at any time after the fourth anniversary of the grant dates and the remaining 50% of these options may be exercised on the fifth anniversary of their grant dates.

(c) Under the terms of the 1998 Executive Performance Share Plan under which these share awards were granted, 25% of these share awards may be exercised at any time after the third anniversary of their respective grant dates, 25% of these share awards may be exercised at any time after the fourth anniversary of the grant dates and the remaining 50% of these share awards may be exercised on the fifth anniversary of their grant dates.

The Rules of the Executive Option Plan permitted the Parent Company to satisfy the exercise of an Executive Option in one of the following ways:

(i) issuing or transferring a share to the Executive Option holder;

(ii) paying the Executive Option holder an amount equal to the difference between the market value of a share as at the date of exercise (determined under section 139FA of the Income Tax Assessment Act 1936) and the exercise price for the Executive Option ("Profit Element"); or

(iii) issuing or transferring shares to the Executive Option holder equal to the value of the Profit Element.

These options have no entitlement to dividends and no voting rights.

As a result of the Merger, the Option Plan Rules and the Executive Performance Share Plan Rules were amended. Executive options and share awards outstanding and not exercised on or before 2 July 2004 will now receive stapled securities on exercise of an Executive option or share award, subject to the terms and conditions of the respective plans.

The share price at 30 June 2004 was $15.40 (2003: $14.60). The market value in excess of the exercise price of the executive options currently on issue at 30 June 2004 is $37.1 million (2003: $66.7 million), representing $4.88 (2003: $4.59) per option.

17 SHARE OPTIONS (continued)

(b) Options issued pursuant to the Executive Option Plans (continued)

(ii) Executive options issued during the year:

Issue date	Expiry date	Exercise price	Note	Number Issued 2004	Number Issued 2003
24 Jul 2002	26 Jul 2007	$14.760	(a)	–	150,000
1 Oct 2002	1 Oct 2007	$13.520	(a)	–	240,000
25 Oct 2002	25 Oct 2007	$12.910	(a)	–	575,000
20 Dec 2002	20 Dec 2007	$13.800	(a)	–	370,000
13 Jan 2003	13 Jan 2008	$13.800	(a)	–	30,000
27 Feb 2003	27 Feb 2008	$13.190	(a)	–	400,000
28 Feb 2003	28 Feb 2008	$13.140	(a)	–	885,000
28 Feb 2003	28 Feb 2008	$13.140	(a)	–	428,000
28 Feb 2003	28 Feb 2010	$13.140	(a)	–	650,000
31 Mar 2003	31 Mar 2008	$13.140	(a)	–	100,000
1 Sep 2003	1 Sep 2008	$15.560	(a)	252,600	–
13 Nov 2003	13 Nov 2008	$14.810	(a)	50,000	–
19 Aug 2006	19 Aug 2008	$15.600	(a)	30,000	–
1 Oct 2003	1 Oct 2008	$15.010	(a)	240,000	–
27 Feb 2004	27 Feb 2009	$13.550	(a)	400,000	–
28 Feb 2004	28 Feb 2011	$13.550	(a)	150,000	–
				1,122,600	3,828,000
1 Oct 2002	1 Oct 2007	$0.000	(b)	–	160,340
27 Feb 2003	27 Feb 2010	$0.000	(b)	–	162,090
28 Feb 2003	28 Feb 2010	$0.000	(b)	–	49,750
20 Mar 2002	20 Mar 2007	$0.000	(b)	–	13,390
20 Mar 2003	20 Mar 2008	$0.000	(b)	–	186,752
10 Jun 2003	10 Jun 2008	$0.000	(b)	–	63,290
1 Sep 2003	1 Sep 2008	$0.000	(b)	93,890	–
19 Dec 2003	19 Dec 2008	$0.000	(b)	127,550	–
1 Jan 2004	1 Jan 2009	$0.000	(b)	112,070	–
1 Mar 2004	1 Mar 2009	$0.000	(b)	135,821	–
				469,331	635,612
				1,591,931	4,463,612

(a) Pursuant to the Company's Executive Option Plan, options over 1,122,600 (2003: 3,828,000) unissued ordinary shares were granted during the financial year. The exercise price for the options was set at 105% of the market value of the Company's shares at the time the options were issued. The Company has a policy of not recognising a value for options granted, accordingly no amounts have been recorded in the Statement of Financial Performance in respect of the issue of these options. These options have no entitlement to dividends and no voting rights. The value of these options issued during the year, based upon the higher of cost or Black-Scholes valuation model, was $2.7 million (2003: $12.0 million).

(b) Pursuant to the Company's Executive Performance Share Plan, share awards over 469,331 (2003: 635,612) unissued ordinary shares were granted during the financial year. The exercise price for the awards was $nil. The Company has a policy of not recognising a value for awards granted, accordingly no amounts have been recorded in the Statement of Financial Performance in respect of the issue of these awards. These awards have no entitlement to dividends and no voting rights. The value of these awards issued during the year, based upon the higher of cost or Black-Scholes valuation model, was $6.5 million (2003: $8.1 million).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

17 SHARE OPTIONS (continued)

(b) Options issued pursuant to the Executive Option Plans (continued)

(iii) Options exercised during the year and extinguished by the issuance of new shares:

Issue date	Expiry date	Exercise date	Exercise price $	Number of shares issued	Cash received at exercise date $000	Fair value of shares at exercise date $000
For the year ended 30 June 2004:						
14 Sept 1998	14 Sept 2003	16 Jul 2003	7.540	50,000	377	724
14 Sept 1998	14 Sept 2003	15 Aug 2003	7.540	110,000	829	1,620
14 Sept 1998	14 Sept 2003	14 Sep 2003	7.540	80,000	603	15
23 Dec 1999	23 Dec 2004	15 Sep 2003	10.080	10,000	101	146
22 Sept 2000	22 Sept 2005	26 Sept 2003	12.550	8,750	110	127
23 Dec 1999	23 Dec 2004	26 Nov 2003	10.080	8,750	88	128
22 Sept 2000	22 Sept 2005	8 Dec 2003	12.550	43,750	549	614
23 Dec 1999	23 Dec 2004	18 Dec 2003	10.080	8,750	88	120
23 Dec 1999	23 Dec 2004	23 Dec 2003	10.080	7,500	76	104
23 Dec 1999	23 Dec 2004	30 Jan 2004	10.080	6,440	65	86
23 Dec 1999	23 Dec 2004	8 Mar 2004	10.080	10,000	101	130
23 Dec 1999	23 Dec 2004	21 May 2004	10.080	25,000	252	368
28 Feb 2003	28 Feb 2008	3 Jun 2004	–	49,750	–	740
1 Sep 2003	1 Sep 2008	3 Jun 2004	–	6,200	–	92
1 Oct 1999	1 Oct 2004	4 Jun 2004	9.310	5,000	47	75
1 Sep 2003	1 Sep 2008	4 Jun 2004	–	1,200	–	18
1 Sep 2003	1 Sep 2008	10 Jun 2004	–	2,700	–	40
1 Sep 2003	1 Sep 2008	11 Jun 2004	–	4,100	–	62
1 Sep 2003	1 Sep 2008	16 Jun 2004	–	2,500	–	38
10 June 2003	10 June 2008	16 Jun 2004	–	35,160	–	533
1 Sep 2003	1 Sep 2008	22 Jun 2004	–	2,700	–	42
1 Sep 2003	1 Sep 2008	23 Jun 2004	–	8,600	–	135
1 Sep 2003	1 Sep 2008	24 Jun 2004	–	4,900	–	76
10 Jun 2003	10 Jun 2008	24 Jun 2004	–	7,420	–	116
1 Sep 2003	1 Sep 2008	30 Jun 2004	–	8,200	–	126
				507,370	3,286	6,275
For the year ended 30 June 2003:						
13 Nov 1997	13 Nov 2002	3 Jul 2002	5.990	100,000	599	1,501
23 Jun 1995	18 Sep 2002	12 Jul 2002	2.246	49,500	111	747
13 Nov 1997	13 Nov 2002	5 Aug 2002	5.990	100,000	599	1,400
13 Nov 1997	13 Nov 2002	13 Sep 2002	5.990	150,000	899	1,994
28 Nov 1997	28 Nov 2002	27 Sep 2002	6.070	275,000	1,669	3,561
13 Nov 1997	13 Nov 2002	13 Nov 2002	5.990	175,000	1,048	2,249
5 Feb 1998	5 Feb 2003	7 Dec 2002	7.100	75,000	533	1,034
23 Dec 1999	23 Dec 2004	23 Dec 2002	10.080	7,500	76	104
5 Feb 1998	5 Feb 2003	5 Feb 2003	7.100	100,000	710	1,301
23 Dec 1999	23 Dec 2004	10 Jun 2003	10.080	7,500	76	115
				1,039,500	6,320	14,006

The fair value of shares at the exercise date is measured as the quoted price at the close of trade on that date.

17 SHARE OPTIONS (continued)

(b) Options issued pursuant to the Executive Option Plans (continued)

(iv) Options exercised during the year and extinguished by the transfer of existing shares:

Issue date	Expiry date	Exercise date	Exercise price $	Number of shares issued	Cash received at transfer date $000	Fair value of shares at transfer date $000
For the year ended 30 June 2004:						
9 Jun 1999	9 Jun 2004	2 Jul 2003	9.450	5,000	47	72
9 Jun 1999	9 Jun 2004	3 Sep 2003	9.450	15,000	142	221
9 Jun 1999	9 Jun 2004	10 Sep 2003	9.450	12,500	118	185
10 April 2000	10 April 2005	19 Sep 2003	9.320	37,500	350	540
1 Oct 2002	1 Oct 2007	1 Oct 2003	–	71,580	–	1,013
1 Oct 1999	1 Oct 2004	1 Oct 2003	9.310	70,000	652	991
1 Oct 1999	1 Oct 2004	17 Oct 2003	9.310	10,000	93	141
1 Oct 1999	1 Oct 2004	6 Nov 2003	9.310	7,500	70	107
1 Oct 1999	1 Oct 2004	8 Dec 2003	9.310	31,250	291	438
1 Oct 1999	1 Oct 2004	27 Jan 2004	9.310	10,000	93	135
9 Jun 1999	9 Jun 2004	28 Jan 2004	9.450	12,500	118	164
27 Feb 2003	27 Feb 2010	27 Feb 2004	–	32,420	–	418
3 Feb 2000	3 Feb 2005	16 Mar 2004	9.160	31,250	286	394
1 Oct 2002	1 Oct 2007	4 Jun 2004	–	88,760	–	1,324
27 Feb 2003	27 Feb 2010	4 Jun 2004	–	129,670	–	1,935
20 Mar 2003	20 Mar 2008	4 Jun 2004	–	186,752	–	2,786
20 Mar 2003	20 Mar 2007	4 Jun 2004	–	13,390	–	200
1 Mar 2004	1 Mar 2009	4 Jun 2004	–	135,821	–	2,026
9 Jun 1999	9 Jun 2004	9 Jun 2004	9.450	387,500	3,662	5,743
1 Oct 1999	1 Oct 2004	9 Jun 2004	9.310	15,000	140	222
1 Oct 1999	1 Oct 2004	15 Jun 2004	9.310	15,000	140	225
1 Oct 1999	1 Oct 2004	17 Jun 2004	9.310	120,000	1,117	1,873
10 Apr 2000	10 Apr 2005	17 Jun 2004	9.320	25,000	233	390
1 Oct 1999	1 Oct 2004	24 Jun 2004	9.310	45,000	419	702
1 Oct 1999	1 Oct 2004	25 Jun 2004	9.310	227,500	2,118	3,485
10 Apr 2000	10 Apr 2005	25 Jun 2004	9.320	30,000	280	460
1 Oct 1999	1 Oct 2004	30 Jun 2004	9.310	537,500	5,004	8,278
4 Nov 1999	4 Nov 2004	30 Jun 2004	9.820	30,000	295	462
10 Apr 2000	10 Apr 2005	30 Jun 2004	9.320	87,500	816	1,348
22 Dec 2000	22 Dec 2005	30 Jun 2004	14.210	15,000	213	231
				2,435,893	16,697	36,509
For the year ended 30 June 2003:						
9 Jun 1999	9 Jun 2004	1 Jul 2002	9.450	7,500	71	113
9 Jun 1999	9 Jun 2004	17 Jul 2002	9.450	5,000	47	71
1 Oct 1999	1 Oct 2004	1 Oct 2002	9.310	55,000	512	702
1 Oct 1999	1 Oct 2004	7 Oct 2002	9.310	5,000	47	62
9 Jun 1999	9 Jun 2004	29 Nov 2002	9.450	6,250	59	88
1 Oct 1999	1 Oct 2004	12 Mar 2003	9.310	31,250	291	397
9 Jun 1999	9 Jun 2004	9 Jun 2003	9.450	12,500	118	189
1 Oct 1999	1 Oct 2004	9 Jun 2003	9.310	7,500	70	113
1 Oct 1999	1 Oct 2004	25 Jun 2003	9.310	12,500	116	185
10 Apr 2000	10 Apr 2005	25 Jun 2003	9.320	12,500	117	185
9 Jun 1999	9 Jun 2004	30 Jun 2003	9.450	20,000	189	292
3 Feb 2000	3 Feb 2005	30 Jun 2003	9.160	31,250	286	456
				206,250	1,923	2,853

The fair value of shares at the exercise date is measured as the quoted price at the close of trade on that date. These options were granted to executives over shares purchased by the Group and held in trust for the executives. Cash received from the executives is equal to the amount of the exercise price.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

17 SHARE OPTIONS (continued)

(b) Options issued pursuant to the Executive Option Plans (continued)

(v) Options exercised during the year and extinguished by the issue of new shares for $nil consideration equal to the difference between market value and the exercise price

Issue date	Expiry date	Exercise date	Exercise price $	Number of Options exercised	Number of shares issued	Fair value of shares at exercise date $000
For the year ended 30 June 2004:						
3 Sep 1998	3 Sep 2003	4 Jul 2003	7.580	1,590,000	763,942	10,909
23 Dec 1999	23 Dec 2004	3 Jun 2004	10.080	46,250	14,567	214
23 Dec 1999	23 Dec 2004	4 Jun 2004	10.080	25,000	7,904	117
25 Oct 2002	25 Oct 2007	10 Jun 2004	12.910	40,000	5,192	77
20 Dec 2002	20 Dec 2007	10 Jun 2004	13.800	25,000	1,745	26
9 June 1999	9 June 2004	11 Jun 2004	9.450	30,000	10,961	163
1 Oct 1999	1 Oct 2004	11 Jun 2004	9.310	10,000	3,748	56
23 Dec 1999	23 Dec 2004	11 Jun 2004	10.080	10,000	3,231	48
22 Sep 2000	22 Sep 2005	11 Jun 2004	12.550	20,000	3,143	47
20 Dec 2002	20 Dec 2007	11 Jun 2004	13.800	20,000	1,464	22
23 Dec 1999	23 Dec 2004	16 Jun 2004	10.080	60,000	19,632	294
22 Sep 2000	22 Sep 2005	16 Jun 2004	12.550	40,000	6,494	97
25 Oct 2002	25 Oct 2007	16 Jun 2004	12.910	15,000	2,075	31
1 Oct 1999	1 Oct 2004	22 Jun 2004	9.310	80,000	31,578	486
23 Dec 1999	23 Dec 2004	22 Jun 2004	10.080	50,000	17,255	266
30 Apr 2001	30 Apr 2006	22 Jun 2004	13.030	25,000	3,836	59
13 Jan 2003	13 Jan 2008	22 Jun 2004	13.800	30,000	3,102	48
28 Feb 2003	28 Feb 2008	22 Jun 2004	13.140	10,000	1,463	23
23 Dec 1999	23 Dec 2004	23 Jun 2004	10.080	20,000	6,946	107
25 Oct 2002	25 Oct 2007	23 Jun 2004	12.910	13,500	2,215	34
20 Dec 2002	20 Dec 2007	23 Jun 2004	13.800	10,000	1,064	16
23 Dec 1999	23 Dec 2004	24 Jun 2004	10.080	37,500	13,267	207
22 Sep 2000	22 Sep 2005	24 Jun 2004	12.550	100,000	19,542	305
1 Oct 2002	1 Oct 2007	24 Jun 2004	13.520	240,000	31,975	499
25 Oct 2002	25 Oct 2007	24 Jun 2004	12.910	200,000	34,469	538
27 Feb 2003	27 Feb 2008	24 Jun 2004	13.190	400,000	61,754	963
28 Feb 2003	28 Feb 2008	24 Jun 2004	13.140	1,160,500	182,884	2,853
28 Feb 2003	28 Feb 2010	24 Jun 2004	13.140	75,000	11,820	184
1 Oct 2003	1 Oct 2008	24 Jun 2004	15.010	240,000	9,049	141
27 Feb 2004	27 Feb 2009	24 Jun 2004	13.550	400,000	52,522	819
28 Feb 2004	28 Feb 2011	24 Jun 2004	13.550	75,000	9,848	154
4 Nov 1999	4 Nov 2004	30 Jun 2004	9.820	30,000	11,617	182
23 Dec 1999	23 Dec 2004	30 Jun 2004	10.080	76,250	27,050	423
22 Sep 2000	22 Sep 2005	30 Jun 2004	12.550	196,250	37,794	591
25 Oct 2002	25 Oct 2007	30 Jun 2004	12.910	35,000	6,115	96
20 Dec 2002	20 Dec 2007	30 Jun 2004	13.800	75,000	8,530	133
10 Apr 2000	10 Apr 2005	30 Jun 2004	9.320	75,000	30,315	474
31 Mar 2003	31 Mar 2008	30 Jun 2004	13.140	100,000	15,999	250
				5,685,250	1,476,107	21,952

There were no options exercised and extinguished by the issue of new shares for $nil consideration equal to the difference between market value and the exercise price during the year ended 30 June 2003.

The fair value of shares issued at the exercise date is measured as the volume weighted average trading price for the 5 days preceding that date.

17 SHARE OPTIONS (continued)

(b) Options issued pursuant to the Executive Option Plans (continued)

(vi) Executive options lapsed during the year:

Issue date	Expiry date	Exercise price	Number 2004	Number 2003
9 Jun 1999	9 Jun 2004	$9.450	–	53,750
22 Sep 2000	22 Sep 2005	$12.550	–	55,000
1 Nov 2000	1 Nov 2005	$13.100	–	125,000
9 Nov 2000	9 Nov 2005	$13.460	–	30,000
22 Dec 2000	22 Dec 2005	$14.210	–	20,000
30 Apr 2001	30 Apr 2006	$13.030	–	100,000
6 Aug 2001	6 Aug 2006	$15.050	–	20,000
20 Dec 2002	20 Dec 2007	$13.800	–	15,000
1 Oct 1999	1 Oct 2004	$9.310	10,000	–
23 Dec 1999	23 Dec 2004	$10.080	32,500	–
10 Apr 2000	10 Apr 2005	$9.320	112,500	–
22 Sep 2000	22 Sep 2005	$12.550	46,250	–
22 Dec 2000	22 Dec 2005	$14.210	15,000	–
6 Aug 2001	6 Aug 2006	$15.050	75,000	–
11 Jan 2002	11 Jan 2007	$17.340	25,000	–
20 Dec 2002	20 Dec 2007	$13.800	80,000	–
1 Sep 2003	1 Sep 2008	$0.000	27,290	–
			423,540	418,750

(c) Details of movements in share options since 30 June 2004 and the date of this report

	Exercise date	Issue date	Expiry date	Exercise price	Number of Options
Possfund Options as at 30 June 2004					7,950,000
Executive Options as at 30 June 2004					8,070,990
Executive Options exercised since the end of the year and on or before 2 July 2004					
– extinguished by issuance of new shares					
	1 Jul 04	1 Oct 1999	1 Oct 2004	$9.310	2,500,000
	1 Jul 04	23 Dec 1999	23 Dec 2004	$10.080	18,560
	1 Jul 04	10 Jun 2003	10 Jun 2008	$0.000	20,710
	1 Jul 04	1 Sep 2003	1 Sep 2008	$0.000	10,400
	1 Jul 04	19 Dec 2003	19 Dec 2008	$0.000	127,550
	1 Jul 04	1 Jan 2004	1 Jan 2009	$0.000	112,070
	2 Jul 04	23 Dec 1999	23 Dec 2004	$10.080	162,500
	2 Jul 04	22 Sep 2000	22 Sep 2005	$12.550	25,000
	2 Jul 04	25 Oct 2002	25 Oct 2007	$12.910	65,000
	2 Jul 04	28 Feb 2003	28 Feb 2008	$13.140	42,500
	2 Jul 04	1 Sep 2003	1 Sep 2008	$0.000	11,800

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

17 SHARE OPTIONS (continued)

(c) Details of movements in share options since 30 June 2004 and the date of this report (continued)

	Exercise date	Issue date	Expiry date	Exercise price	Number of Options
– extinguished by transfer of existing shares					
	2 Jul 04	1 Oct 1999	1 Oct 2004	$9.310	90,000
	2 Jul 04	4 Nov 1999	4 Nov 2004	$9.820	55,000
	2 Jul 04	3 Feb 2000	3 Feb 2005	$9.160	62,500
	2 Jul 04	10 Apr 2000	10 Apr 2005	$9.320	20,000
	2 Jul 04	30 Apr 2001	30 Apr 2006	$13.030	50,000
	2 Jul 04	20 Dec 2002	20 Dec 2007	$13.800	45,000
– extinguished by the issue of new shares for $nil consideration equal to the difference between the market value and the exercise price.					
	1 Jul 04	1 Oct 1999	1 Oct 2004	$9.310	1,250,000
	1 Jul 04	23 Dec 1999	23 Dec 2004	$10.080	75,000
	1 Jul 04	10 Apr 2000	10 Apr 2005	$9.320	100,000
	1 Jul 04	22 Sep 2000	22 Sep 2005	$12.550	75,000
	1 Jul 04	9 Nov 2000	9 Nov 2005	$13.460	75,000
	1 Jul 04	30 Apr 2001	30 Apr 2006	$13.030	150,000
	1 Jul 04	6 Aug 2001	6 Aug 2006	$15.050	50,000
	1 Jul 04	25 Oct 2002	25 Oct 2007	$12.910	85,000
	1 Jul 04	20 Dec 2002	20 Dec 2007	$13.800	15,000
	1 Jul 04	28 Feb 2003	28 Feb 2010	$13.140	75,000
	1 Jul 04	28 Feb 2004	28 Feb 2011	$13.550	75,000
	2 Jul 04	1 Oct 1999	1 Oct 2004	$9.310	30,000
	2 Jul 04	23 Dec 1999	23 Dec 2004	$10.080	17,500
	2 Jul 04	10 Apr 2000	10 Apr 2005	$9.320	100,000
	2 Jul 04	22 Sep 2000	22 Sep 2005	$12.550	150,000
	2 Jul 04	24 July 2002	24 July 2007	$14.760	150,000
	2 Jul 04	25 Oct 2002	25 Oct 2007	$12.910	50,000
	2 Jul 04	20 Dec 2002	20 Dec 2007	$13.800	30,000
	2 Jul 04	20 Dec 2002	20 Dec 2007	$13.800	20,000
	2 Jul 04	28 Feb 2003	28 Feb 2008	$13.140	100,000
	2 Jul 04	22 Feb 2003	22 Feb 2010	$13.140	500,000
Executive Options as at 2 July 2004					1,479,900
Options issued pursuant to the Merger					
– WFT 2009 Options (i)		16 July 2004	5 Jan 2009	$338.00	850,000
– WAT Series F Special Options (ii)					52,500
– WAT Series G Special Options (iii)					694,445
– WAT Series G1 Special Options (iv)					277,778
– WAT Series H Special Options (v)					14,070,072
– WAT Series I Special Options (vi)					13,260,859
Options issued pursuant to the Merger					29,205,654
Balance of share options on issue as at the date of this report					38,635,554

17 SHARE OPTIONS (continued)

(c) Details of movements in share options since 30 June 2004 and the date of this report (continued)

(i) On 1 December 2003 the Responsible Entity of WFT issued 850,000 call options over ordinary units in WFT to Deutsche Bank AG Sydney Branch. The options are exercisable at any time between 1 January 2004 and 5 January 2009. The options were issued at a strike price of $3.75.

As a result of the Merger the terms of the WFT Options were amended so that the strike price will be $13.3928 (being the old strike price of $3.75 divided by the 0.28 WFT Merger ratio) and the exercise property will become Westfield Group stapled securities. The number of Westfield Group securities to be issued on exercise of a WFT option will be calculated by dividing $1,000 being the exercise price per WFT option by the strike price (as may be amended from time to time). The Option terms were also amended to exclude capital distributions of project profits triggering an adjustment to the strike price.

Accordingly, the Parent Company and WAT have each granted 850,000 options to the Responsible Entity of WFT to enable WFT to satisfy its obligations to deliver the Westfield Group securities to the holder of the WFT Option on exercise of that WFT Option. The exercise price payable by WFT to the Parent Company is $338.00 (33.8% of the exercise price of the WFT Option).

(ii) Each WAT Series F Special Option ("Series F Option") entitled the holder the right to subscribe for 1,049 fully paid ordinary units in WAT in exchange for either US$1,000 or 1 Series F Cumulative Preferred Stock ("Series F Preferred Share") in Westfield America Inc. ("WEA"). The Series F Option are exercisable during the period 1 June 2007 and 1 June 2020.

As a result of the Merger, on exercise of a Series F Option the holder will receive 157.35 Westfield Group stapled securities in exchange for either US$1,000 or 1 Series F Cumulative Preferred Stock in WEA. The number of Westfield Group securities to be issued on exercise of all Series F Options would be 8,260,875.

Accordingly, the Parent Company and WFT have each granted 52,500 options to the Responsible Entity of WAT to enable WAT to satisfy its obligations to deliver Westfield Group securities to the holder of the Series F Option on exercise of that Series F Option. Where the exercise of a Series F Option is satisfied by delivery of US$1,000, WAT must pay the Parent Company US$338.00 (33.8% of the exercise price). Where the exercise of the Series F Option is satisfied by delivery of a Series F Preferred Share WAT must pay the Parent Company US$338.00 being 33.8% of US$1,000 (being the value of the Series F Preferred Share under the Option).

(iii) Each WAT Series G Special Option ("Series G Option") entitled the holder to deliver a Series G Preferred Share in WEA (or the number of Series A common shares into which series G preferred Share has been converted) ("Series G Preferred Share"). On exercise the holder would have received 231.0883 ordinary units in WAT. The ratio would have been appropriately adjusted where, instead of delivering a Series G Preferred Share, the holder would have delivered the number of WEA Series A common shares into which a Series G Preferred Share had been converted. The Series G Options are exercisable any time after September 2003 and expire on the date being 10 days prior to the date of termination of WAT.

As a result of the Merger, on exercise of a Series G Option the holder will receive 34.6632 Westfield Group stapled securities in exchange for one Series G Preferred Share. The number of Westfield Group securities to be issued on exercise of all Series G Options would be 24,071,717.

Accordingly, the Parent Company and WFT have each granted 694,445 options to the Responsible Entity of WAT to enable WAT to satisfy its obligations to deliver Westfield Group securities to the holder of the Series G Option on exercise of that Series G Option. Where the exercise of the Series G Option is satisfied by delivery of a Series G Preferred Share (or common shares into which the Preferred Share has converted) WAT must pay the Parent Company 33.8% of the value of a Series G Preferred Share (or common shares into which the Preferred Share has converted) at the time of exercise.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

17 SHARE OPTIONS (continued)

(c) Details of movements in share options since 30 June 2004 and the date of this report (continued)

(iv) Each WAT Series G1 Special Option ("Series G1 Option") entitled the holder to deliver a Series D Preferred Share in WEA (or the number of common shares into which a series D preferred Share has been converted) ("Series D Preferred Share"). On exercise the holder would have received 231.0883 ordinary units in WAT. The ratio would have been appropriately adjusted where, instead of delivering a Series D Preferred Share, the holder would have delivered the number of WEA common shares into which a Series D Preferred Share had been converted. The Series G1 Options are exercisable any time after September 2003 and expire on the date being 10 days prior to the date of termination of WAT.

As a result of the Merger, on exercise of a Series G1 Option the holder will receive 34.6632 Westfield Group stapled securities in exchange for one Series D Preferred Share. The number of Westfield Group securities to be issued on exercise of all Series G1 Options would be 9,628,687.

Accordingly, the Parent Company and WFT have each granted 277,778 options to the Responsible Entity of WAT to enable WAT to satisfy its obligations to deliver Westfield Group securities to the holder of the Series G1 Option on exercise of that Series G1 Option. Where the exercise of the Series G1 Option is satisfied by delivery of a Series D Preferred Share (or common shares into which the Preferred Share has converted) WAT must pay the Parent Company 33.8% of the value of Series D Preferred Share (or common shares into which the Preferred Share has converted) at the time of exercise.

(v) Each WAT Series H Special Option ("Series H Option") entitled the holder to deliver a Common Share in WEA ("Common Share"). On exercise the holder would have received 20.3271 ordinary units in WAT. The Series H Options are exercisable any time after September 2003 and expire on the date being 10 days prior to the date of termination of WAT.

As a result of the Merger, on exercise of a Series H Option the holder will receive 3.049 Westfield Group stapled securities in exchange for one Common Share. The number of Westfield Group securities to be issued on exercise of all Series H Options would be 42,900,564.

Accordingly, the Parent Company and WFT have each granted 14,070,072 options to the Responsible Entity of WAT to enable WAT to satisfy its obligations to deliver Westfield Group securities to the holder of the Series H Option on exercise of that Series H Option. Where the exercise of the Series H Option is satisfied by delivery of a WEA Common Share WAT must pay the Parent Company 33.8% of the value of the Common Share at the time of exercise.

(vi) Each WAT Series I Special Option ("Series I Option") entitled the holder to deliver a Common Share in WEA ("Common Share"). On exercise the holder would have received 21.0773 ordinary units in WAT. The Series I Options are exercisable any time after May 2004 and expire on the date being 10 days prior to the date of termination of WAT.

As a result of the Merger, on exercise of a Series I Option the holder is entitled to 3.1616 Westfield Group stapled securities in exchange for one Common Share. The number of Westfield Group securities to be issued on exercise of all Series I Options would be 41,925,466.

Accordingly, the Parent Company and WFT have each granted 13,260,859 options to the Responsible Entity of WAT to enable WAT to satisfy its obligations to deliver Westfield Group securities to the holder of the Series I Option on exercise of that Series I Option. Where the exercise of the Series I Option is satisfied by delivery of a WEA Common Share WAT must pay the Parent Company 33.8% of the value of the Common Share at the time of exercise.

	Note	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	PARENT COMPANY 2004 $000	PARENT COMPANY 2003 $000
18 RESERVES					
Asset revaluation reserve	18(a)	422,504	237,589	40,129	40,129
Exchange fluctuation reserve	18(b)	(153,616)	(149,358)	–	–
		268,888	88,231	40,129	40,129
Movement in reserves					
(a) Asset revaluation reserve					
The nature and purpose of the asset revaluation reserve is to record unrealised movements in the value of non current assets.					
Balance at the beginning of the year		237,589	180,725	40,129	40,129
Share of equity accounted associates asset revaluation reserve increment		270,020	56,159	–	–
Write down of equity accounted investments [i]		(86,559)	–	–	–
Revaluation increment on other listed investments		1,454	705	–	–
Balance at the end of the year		422,504	237,589	40,129	40,129
Represented by:					
Equity accounted associates		420,345	236,884	–	–
Other assets		2,159	705	40,129	40,129
		422,504	237,589	40,129	40,129

(i) The Group's investment in WAT participated in the consolidation of WAT units but did not participate in the issue of stapled securities or the stapling distribution. As a result, the Group's investment in WAT was diluted and the resultant reduction in carrying value of $544.7 million was charged to the Statement of Financial Performance ($458.1 million) and the Asset Revaluation Reserve ($86.6 million).

	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	PARENT COMPANY 2004 $000	PARENT COMPANY 2003 $000
(b) Exchange fluctuation reserve				
The nature and purpose of the exchange fluctuation reserve is to record net exchange differences arising from the translation of net investments in foreign self sustaining controlled entities and equity accounted associates.				
Balance at the beginning of the year	(149,358)	(29,401)	–	–
Foreign exchange movement on				
– equity accounted foreign associates and controlled foreign entities	(23,503)	(397,487)		
– foreign currency loans and derivatives	18,384	341,093	–	–
– tax effect	861	(63,563)	–	–
Balance at the end of the year	(153,616)	(149,358)	–	–
Represented by:				
Equity accounted associates	(142,344)	(138,966)	–	–
Subsidiaries	(11,272)	(10,392)	–	–
	(153,616)	(149,358)	–	–

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

	Note	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	PARENT COMPANY 2004 $000	PARENT COMPANY 2003 $000
19 RETAINED PROFITS					
Balance at the beginning of the year		819,746	599,235	223,498	100,896
(Loss)/profit from ordinary activities after income tax expense		(196,368)	288,386	58,946	190,477
Net effect of changes in accounting policies					
AASB 1044: Provisions, Contingent Liabilities and Contingent Assets – Provision for Dividends	20	–	73,219	–	73,219
Dividends paid or provided for	22	(240,756)	(141,094)	(240,756)	(141,094)
Balance at the end of the year		382,622	819,746	41,688	223,498
20 TOTAL EQUITY					
Balance at the beginning of the year		1,623,169	1,459,431	981,759	852,367
Total changes in equity recognised in the Statement of Financial Performance		(15,711)	225,293	58,946	190,477
Issue of share option		10,530	–	10,530	–
Issue of securities (net of costs)		3,285	6,320	3,285	6,790
Extinguishment of share option		(32,865)	–	(32,865)	–
Net effect of changes in accounting policies					
AASB 1044: Provisions, Contingent Liabilities and Contingent Assets – Provision for Dividends		–	73,219	–	73,219
Dividends paid or provided for	22	(240,756)	(141,094)	(240,756)	(141,094)
Total equity at the end of the year		1,347,652	1,623,169	780,899	981,759
21 NOTES TO THE STATEMENT OF CASH FLOWS					
(a) Components of Cash					
Cash	21(c)	69,625	38,933	1,028	592
Cash-restricted [i]		2,108	16,065	–	–
Cash assets		71,733	54,998	1,028	592
Overdrafts and short term loans	14	(10,854)	(2,333)	–	–
		60,879	52,665	1,028	592

(i) The utilisation of this amount is restricted to the settlement of specific obligations and liabilities.

21 NOTES TO THE STATEMENT OF CASH FLOWS (continued)

(b) Reconciliation of (loss)/profit from ordinary activities after income tax to net cash flows from operating activities

	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	PARENT COMPANY 2004 $000	PARENT COMPANY 2003 $000
Profit from ordinary activities after income tax	(196,368)	288,386	58,946	190,477
Share of Merger costs included in associates net profit	5,105	–	–	–
Merger costs and capital restructure charges	519,722	–	433,411	–
	328,459	288,386	492,357	190,477
Amortisation and depreciation	17,838	20,441	–	–
Share of associates profit in excess of dividend and distribution	(1,912)	(4,123)	–	–
Profit on disposal of non current assets	(28)	(1,193)	–	–
Dividend and distribution income	(109)	(181)	(23)	(113)
Interest income	(4,367)	(2,051)	–	(4,502)
Borrowing costs	17,094	42,710	–	–
Write back of non current assets	–	(6,396)	–	–
Foreign currency				
– Write down of fixed assets due to exchange rate movement	1,697	18,424	–	–
– Unrealised gain on currency loans funding fixed assets	(1,697)	(9,909)	–	–
– Realised (gain)/loss	(747)	1,134	–	–
Increase in net tax liability	12,538	24,206	27,034	109,135
(Increase)/decrease in other assets attributable to operating activities	(36,267)	4,699	(41,072)	(109,398)
Net cash flows from operating activities	332,499	376,147	478,296	185,599

(c) Financing Facilities

	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000
Committed financing facilities available to the Group:		
Total financing facilities at the end of the year	1,666,884	1,565,781
Amounts utilised [i]	(1,072,831)	(998,363)
Available financing facilities	594,053	567,418
Cash	69,625	38,933
Financing resources available at the end of the year	663,678	606,351
The maturity profiles in respect of the above financing facilities are:		
Due within one year	59,162	51,300
Due between one and five years	1,607,722	1,514,481
Total financing facilities	1,666,884	1,565,781

(i) Amounts utilised include overdraft, borrowings and bank guarantees. Amounts which are denominated in foreign currencies are translated at exchange rates ruling at balance date.

These facilities are interest only floating rate facilities. These facilities are subject to negative pledge arrangements which require the Group to comply with certain minimum financial requirements.

As a result of the Merger and in addition to the above Group facilities the Westfield Group has entered into a US$2.25 billion 364 day bridging facility with various financial institutions. This facility is an interest only floating rate facility. The facility is subject to negative pledge arrangements which require the Westfield Group to comply with certain minimum financial requirements. This facility did not become effective until the Merger was implemented, therefore at 30 June 2004 this facility had not been utilised.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

	CONSOLIDATED		PARENT COMPANY	
	2004 $000	2003 $000	2004 $000	2003 $000
22 DIVIDENDS				
(a) Current year final dividend proposed and provided for in the Statement of Financial Position				
13.58 cents per share at 50% franked	77,432	–	77,432	–
Dividends proposed will be franked at the corporate tax rate of 30% and were paid on 31 August 2004.				
(b) Prior year final dividend proposed and not provided for in the Statement of Financial Position				
13.55 cents per share at 50% franked	–	76,458	–	76,458
(c) Dividends paid during the year				
Current year interim dividend				
15.34 cents per share at 50% franked (2003: 12.02 cent per share at 40% franked)	86,728	67,823	86,728	67,823
Previous year final dividend				
13.55 cents per share at 50% franked (2002: 13.00 cent per share at 40% franked)	76,596	73,271	76,596	73,271
	163,324	141,094	163,324	141,094
Dividends paid have been franked at the corporate tax rate of 30%.				
(d) Franking credit balance				
The amount of franking credits available on a tax paid basis for future distributions are:				
– franking credits balance as at the end of the year at the corporate tax rate of 30% (2003: 30%)	1,636	153	1,636	153
– franking credits arising from the payment of income tax provided in this financial report	22,101	25,551	22,101	25,551
Franking credits available for distribution [i]	23,737	25,704	23,737	25,704
– franking debits that will arise from the payment of the final dividend provided (2003: proposed)	(16,593)	(16,384)	(16,593)	(16,384)
– franking debits that will arise from the payment of the one-off stapling dividend paid 16 July 2004	(489)	–	(489)	–
Franking credits available for future distributions	6,655	9,320	6,655	9,320

(i) The franking credits available for distribution (tax paid basis) of $23.7 million (2003: $25.7 million) will fully frank a dividend of $55.3 million (2003: $60.0 million).

(e) Stapling Dividend paid 16 July 2004

On 16 July 2004 a one-off fully franked stapling dividend of $0.002 per share was paid to Westfield Holdings Limited shareholders. This stapling dividend was wholly applied to subscribe for one restructured WFT unit at $0.001 per unit and one restructured WAT unit at $0.001 per unit. The total of this stapling dividend was $1.14 million.

	CONSOLIDATED		PARENT COMPANY	
	2004 $000	2003 $000	2004 $000	2003 $000
23 LEASE COMMITMENTS				
Operating lease payables				
Expenditure contracted but not provided for				
Due within one year	47,526	42,105	–	–
Due between one and five years	138,801	186,961	–	–
Due after five years	32,025	35,075	–	–
	218,352	264,141	–	–
Retail property leases	121,534	167,324	–	–
Offices and other operating leases	96,818	96,817	–	–
	218,352	264,141	–	–
The average term of operating lease contracts payable at 30 June 2004 is 3.4 years (2003: 4.0 years).				
Operating lease receivables				
Future minimum rental revenues under non-cancellable operating retail property leases				
Due within one year	38,128	35,982	–	–
Due between one and five years	88,543	101,759	–	–
Due after five years	5,354	5,571	–	–
	132,025	143,312	–	–
24 CAPITAL EXPENDITURE COMMITMENTS				
Estimated capital expenditure commitments contracted at balance date but not provided for				
Due within one year	21,190	8,461	–	–
Due between one and five years	–	–	–	–
	21,190	8,461	–	–
25 CONTINGENT LIABILITIES				
Performance guarantees	77,489	72,633	–	–
Borrowings of subsidiaries	–	–	1,075,749	988,276
Gross liability in respect of derivative contracts of subsidiaries	–	–	2,318,187	1,665,339
Other liabilities of subsidiaries	–	–	10,900	72,719
	77,489	72,633	3,404,836	2,726,334

From time to time, in the normal course of business, the Group is involved in lawsuits. The directors believe that the ultimate outcome of such pending litigation will not materially affect the results of operations or the financial position of the Group.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

26 SEGMENTAL INFORMATION

PRIMARY GEOGRAPHIC SEGMENT

	AUSTRALASIA(i)		UNITED STATES		UNITED KINGDOM		CONSOLIDATED	
	2004 $000	2003 $000	2004 $000	2003 $000	2004 $000	2003 $000	2004 $000	2003 $000
Segment revenue								
Segment trading revenue	692,163	634,870	523,117	425,721	30,654	41,260	1,245,934	1,101,851
Equity accounted net profit of associates	–	–	175,935(ii)	194,160	29,302	28,622	205,237	222,782
Total segment revenue	**692,163**	**634,870**	**699,052**	**619,881**	**59,956**	**69,882**	**1,451,171**	**1,324,633**
Interest income							4,367	2,051
Proceeds from sale of non current assets							3,211	43,517
Consolidated total revenue							**1,458,749**	**1,370,201**
Segment profit								
Segment result before corporate overheads, interest, sale of investments and taxation	115,783	105,346	300,006(ii)	284,385	21,381	23,326	437,170	413,057
Corporate overheads and net interest expense							(30,907)	(52,625)
Merger and capital restructure charges							(519,722)	–
Income tax expense							(82,909)	(72,046)
Consolidated operating (loss)/profit after tax							**(196,368)**	**288,386**
Segment assets								
Segment assets	159,348	134,313	1,623,400(iii)	2,023,240	734,933	547,519	2,517,681	2,705,072
Corporate assets							503,484	416,561
Consolidated total assets							**3,021,165**	**3,121,633**
Segment liabilities								
Segment liabilities	152,818	162,511	51,800	37,636	21,025	11,596	225,643	211,743
Corporate liabilities							1,447,870	1,286,721
Consolidated total liabilities							**1,673,513**	**1,498,464**
Other segment information								
Investment in equity accounted associates included in segment assets	–	–	1,393,292(iii)	1,828,276	690,170	513,574	2,083,462	2,341,850
Additions to segment non current assets	13,867	10,688	48,735	9,236	36,250	25,528	98,852	45,452
Depreciation and amortisation	9,007	10,455	6,969	8,699	1,862	1,287	17,838	20,441

(i) Australasia combines Australia and New Zealand.

(ii) Includes $5.1 million of associates share of Merger charges included in associates net profit.

(iii) The Group's investment in WAT participated in the consolidation of WAT units but did not participate in the issue of stapled securities or the stapling distribution. As a result, the Group's investment in WAT was diluted and the resultant reduction in carrying value of $544.7 million was charged to the Statement of Financial Performance ($458.1 million) and the Asset Revaluation Reserve ($86.6 million).

26 SEGMENTAL INFORMATION (continued)

SECONDARY BUSINESS SEGMENT

	PROPERTY DEVELOPMENT AND CONSTRUCTION		PROPERTY AND FUNDS MANAGEMENT		PROPERTY INVESTMENT		CONSOLIDATED	
	2004 $000	2003 $000	2004 $000	2003 $000	2004 $000	2003 $000	2004 $000	2003 $000
Segment revenue								
Segment trading revenue	953,186	828,043	239,617	228,587	53,131	45,221	1,245,934	1,101,851
Equity accounted net profit of associates	–	–	–	–	205,237	222,782	205,237	222,782
Total segment revenue	**953,186**	**828,043**	**239,617**	**228,587**	**258,368**	**268,003**	**1,451,171**	**1,324,633**
Interest income							4,367	2,051
Proceeds from sale of non current assets							3,211	43,517
Consolidated total revenue							**1,458,749**	**1,370,201**
Segment assets								
Segment assets	185,461	167,150	142,569	99,371	2,189,651	2,438,551	2,517,681	2,705,072
Corporate assets							503,484	416,561
Consolidated total assets							**3,021,165**	**3,121,633**
Other segment information								
Additions to segment non current assets	29,821	9,288	29,821	15,365	39,210	20,799	98,852	45,452

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

27 DETAILS OF EQUITY ACCOUNTED ASSOCIATES

Name of entity	Type of Equity	Balance Date	ECONOMIC INTEREST 2004	ECONOMIC INTEREST 2003	CONSOLIDATED CARRYING VALUE 2004 $000	CONSOLIDATED CARRYING VALUE 2003 $000
(a) Equity accounted entities						
United States investments						
Westfield America Trust ("WAT") and controlled entity Westfield America Inc ("WEA") (i)	Common stock, preferred stock and units	31 Dec	25.3%	26.2%	1,393,292	1,828,276
					1,393,292	1,828,276
United Kingdom investments						
Broadmarsh Retail Limited Partnership ("Broadmarsh") (ii)	Partnership interest	30 June	75.0%	75.0%	168,455	180,297
Wilmslow Nos 1 to 6 Limited Partnership ("Wilmslow")	Partnership interest	30 June	50.0%	50.0%	521,715	333,277
					690,170	513,574
					2,083,462	2,341,850

During the financial year, WAT and WEA operated solely as retail property investors in the United States. Broadmarsh and Wilmslow operated solely as retail property investors in the United Kingdom.

(i) At 30 June 2004 the Group held an aggregate 25.3% interest in WAT and its controlled entities ("WEA") represented by 14.7% direct interest in WAT and a 14.1% direct interest in WEA. As a result of the Merger the aggregate interest was diluted to 17.7% represented by a 4.7% direct interest in WAT (WAT held a 76.4% interest in WEA) and a direct 14.1% interest in WEA.

(ii) The Group has a 75% economic interest in Broadmarsh. The Group has equal representation and voting rights on the Board of Broadmarsh resulting in joint control, and as a consequence, significant influence. Accordingly, Broadmarsh has been accounted for as an associate in accordance with AASB 1016: Accounting for Investments in Associates.

	UNITED STATES 2004 $000	UNITED STATES 2003 $000	UNITED KINGDOM 2004 $000	UNITED KINGDOM 2003 $000	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000
(b) Details of the Group's aggregate share of equity accounted associates net profit						
WAT and its controlled entity WEA	185,859	199,424	–	–	185,859	199,424
The Groups' share of WAT merger charges	(5,105)	–	–	–	(5,105)	–
Broadmarsh	–	–	8,139	8,519	8,139	8,519
Wilmslow	–	–	21,163	18,938	21,163	18,938
Two Rivers (i)	–	–	–	1,165	–	1,165
Profit from equity accounted associates before income tax expense	180,754	199,424	29,302	28,622	210,056	228,046
Income tax expense	(4,819)	(5,264)	–	–	(4,819)	(5,264)
Share of net profits of equity accounted associates	175,935	194,160	29,302	28,622	205,237	222,782

(i) The Group's interest in Two Rivers Limited Partnership was acquired on 14 March 2001 and was subsequently sold in 2 tranches on 6 September 2002 and 31 January 2003.

27 DETAILS OF EQUITY ACCOUNTED ASSOCIATES (continued)

	UNITED STATES		UNITED KINGDOM		CONSOLIDATED	
	2004 $000	2003 $000	2004 $000	2003 $000	2004 $000	2003 $000
(c) Carrying value of the Group's investments in equity accounted associates						
Balance at the beginning of the year	1,828,276	2,101,087	513,574	577,463	2,341,850	2,678,550
Additions	5,282	–	34,479	19,529	39,761	19,529
Disposals	–	–	–	(42,282)	–	(42,282)
Share of associates net profit	175,935	194,160	29,302	28,622	205,237	222,782
Dividends and distributions, net of tax	(182,528)	(192,746)	(19,420)	(25,913)	(201,948)	(218,659)
Recoverable amount write down of equity accounted associate	(544,645)	–	–	–	(544,645)	–
Share of revaluation increment	169,526	56,159	100,494	–	270,020	56,159
Foreign currency translation differences	(58,554)	(330,384)	31,741	(43,845)	(26,813)	(374,229)
Carrying value of investments in equity accounted associates	1,393,292	1,828,276	690,170	513,574	2,083,462	2,341,850
(d) Details of the Group's aggregate share of equity accounted associates assets, liabilities, share capital and reserves						
Cash	37,554	47,729	31,984	34,244	69,538	81,973
Receivables	32,102	37,229	7,853	4,226	39,955	41,455
Property investments [i]	2,534,102	3,630,428	1,301,949	1,131,874	3,836,051	4,762,302
Other assets	106,689	148,084	1,643	4,422	108,332	152,506
Payables	(228,653)	(304,548)	(48,626)	(52,912)	(277,279)	(357,460)
Interest bearing liabilities	(1,088,502)	(1,730,646)	(604,633)	(608,280)	(1,693,135)	(2,338,926)
Net assets	1,393,292	1,828,276	690,170	513,574	2,083,462	2,341,850
Share capital	1,263,088	1,797,130	561,924	499,154	1,825,012	2,296,284
Asset revaluation reserve	305,173	237,889	100,493	–	405,666	237,889
Other reserves	1,690	25	–	–	1,690	25
Foreign currency translation reserve	(201,219)	(246,143)	–	–	(201,219)	(246,143)
Undistributed income	24,560	39,375	27,753	14,420	52,313	53,795
Shareholders' equity	1,393,292	1,828,276	690,170	513,574	2,083,462	2,341,850

(i) The Group's United States investment is held through the listed entity WAT and WAT's unlisted controlled entity WEA. The United States property investments, which comprise 66 properties, are carried at fair value determined by directors based upon appraisals conducted by independent valuers.

The Group's United Kingdom property investments, which comprise 7 properties, are carried at fair value determined by directors based upon appraisals conducted by independent valuers.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

27 DETAILS OF EQUITY ACCOUNTED ASSOCIATES (continued)

	UNITED STATES		UNITED KINGDOM		CONSOLIDATED	
	2004 $000	2003 $000	2004 $000	2003 $000	2004 $000	2003 $000
(e) The Group's share of capital expenditure commitments, contingent liabilities and lease rentals in respect of equity accounted associates						
Capital expenditure commitments						
Due within one year	80,889	92,553	–	–	80,889	92,553
Due between one and five years	42,338	46,651	–	–	42,338	46,651
	123,227	139,204	–	–	123,227	139,204
Contingent liabilities						
Performance guarantees	31,648	46,583	–	–	31,648	46,583

Lease rental commitments

At balance date WAT and its controlled entity WEA have operating lease expenditure commitments which are not required to be disclosed in their half year report. At 31 December 2003, the total commitment was $224.5 million. The annual non recourse ground lease payments in connection with the World Trade Center 99 year lease was terminated on 23 December 2003 as a result of WAT disposing of its interest in the World Trade Center for US$140.0 million.

In addition four centres in the United Kingdom are subject to head leases granted by local authorities, with lease terms of predominantly 150 years, resulting in a commitment to pay the head lessors 10% to 33% of the rental income of the shopping centres.

28 DERIVATIVE FINANCIAL INSTRUMENTS

(a) Interest rates

US$, UK£ and A$ notional principal or contract amounts of interest rate derivatives for the hedging of interest rate exposures on the Group's foreign currency assets and liabilities are:

	CONSOLIDATED			
	Average rate excluding margin		Amounts (Payable)/Receivable	
Interest rate derivatives contracted as at the reporting date and outstanding at:	2004	2003	2004 '000	2003 '000
US$ fixed rate payable swaps				
30 June 2003	–	4.67%	–	US$(795,600)
30 June 2004	4.50%	5.21%	US$(312,600)	US$(634,100)
30 June 2005	4.85%	5.31%	US$(177,600)	US$(461,100)
30 June 2006	4.76%	5.02%	US$(284,000)	US$(424,000)
30 June 2007	4.71%	5.03%	US$(317,500)	US$(381,600)
30 June 2008	4.33%	–	US$(71,900)	–
UK£ fixed rate payable swaps				
30 June 2003	–	5.67%	–	£(60,000)
30 June 2004	4.88%	4.88%	£(112,000)	£(112,000)
30 June 2005	4.88%	4.88%	£(112,000)	£(112,000)
30 June 2006	4.88%	4.88%	£(112,000)	£(112,000)
30 June 2007	4.13%	4.13%	£(112,000)	£(112,000)
A$ fixed rate receivable swaps				
30 June 2003	–	5.76%	–	A$1,041,000
30 June 2004	5.99%	6.04%	A$413,200	A$890,000
30 June 2005	6.04%	5.99%	A$314,200	A$742,000
30 June 2006	6.03%	6.06%	A$484,200	A$682,000
30 June 2007	6.04%	6.13%	A$549,000	A$602,000
30 June 2008	6.02%	–	A$140,000	–

At 30 June 2004 the aggregate fair value compared to the aggregate book value of the above hedging arrangements amounted to a deficit of $19.5 million (2003: deficit of $65.5 million).

(b) Exchange rates

	CONSOLIDATED			
	2004 '000	2004 '000	2003 '000	2003 '000
US Dollars ("US$")				
Contracts to pay US$ and receive A$ (hedging US dollar denominated net assets)				
Maturing within one year	A$127,119	US$(75,000)	A$204,804	US$(142,662)
Maturing between one and five years	–	–	A$237,311	US$(135,000)
Maturing after five years	A$754,215	US$(462,462)	A$1,038,657	US$(629,800)
	A$881,334	US$(537,462)	A$1,480,772	US$(907,462)
At 30 June 2004 the Group's US$ denominated net assets amounted to		US$883,987		US$1,131,455

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

28 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(b) Exchange rates (continued)

	CONSOLIDATED			
	2004 '000	2004 '000	2003 '000	2003 '000
UK Pound ("UK£")				
Contracts to pay UK£ and receive A$ (hedging UK£ denominated net assets)				
Maturing between one and five years	A$426,171	£(162,000)	A$426,171	£(162,000)
	A$426,171	£(162,000)	A$426,171	£(162,000)
At 30 June 2004 the Group's UK£ denominated net assets amounted to		£203,950		£171,673
(c) Forward Exchange Contracts				
Maturing within 12 months				
Contracts to buy A$ and sell US$	A$135,942	(US$79,600)	A$75,465-77,387	(US$40,300)
Contracts to buy A$ and sell NZ$		–	A$6,268	(NZ$8,450)
Maturing between 12 to 24 months				
Contracts to buy A$ and sell US$	A$77,378	(US$43,100)	A$67,310	(US$34,600)
Maturing after 24 months				
Contracts to buy A$ and sell US$	A$187,387	(US$100,600)	A$242,949	(US$128,700)

Differences arising on settlement of forward exchange contracts which hedge the Group's foreign currency denominated income are recognised when the underlying foreign currency income is recorded in the financial statements. As at 30 June 2004, the aggregate fair value of the above hedging contracts amounted to a surplus of $57.3 million (2003: surplus of $51.1 million).

In addition, at 30 June 2004 there were forward exchange contracts to sell A$11.0 million (2003: A$12.5 million) and buy US$8.0 million (2003: US$8.2 million). These are to hedge specific US$ denominated expenses, payable within 12 months.

(d) Credit risks

At 30 June 2004 the Group had no significant concentration of credit risk with any single counterparty or groups of counterparties. In accordance with the policies determined by the Board of Directors, credit risk is spread among a number of counterparties. The counterparties to derivative financial instruments consist of a number of prime financial institutions. The aggregate credit risk in respect of derivative financial instruments is $302.0 million (2003: $206.6 million).

(e) Interest rate option

At 30 June 2004 there were interest rate option contracts with expiry within 12 months. A subsidiary of the Parent Company has the right (but not the obligation) to enter into fixed rate swaps to pay fixed on the notional principal amount of US$4.1 billion and receive fixed on an A$ equivalent, to be based on the A$/US$ spot exchange rate upon the expiry of the option. In the event the option is exercised, the average fixed rate (excluding margin) on the US$ payable swaps is to be 3.14% lower than the fixed rate on the A$ receivable swaps at the time the option is exercised.

At 30 June 2004 the aggregate fair value compared to the aggregate book value of the above hedging arrangements amounted to a surplus of $24.3 million.

	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	PARENT COMPANY 2004 $000	PARENT COMPANY 2003 $000
29 UNHEDGED FOREIGN CURRENCY MONETARY ITEMS				
US$ denominated net assets	US$346,525	US$223,993	–	–
UK£ denominated net assets	UK£41,950	UK£9,673	–	–
NZ$ denominated net assets	NZ$538	NZ$10,157	–	–
Total A$ equivalent	613,361	368,462	–	–
30 AUDITORS' REMUNERATION				
Amounts received or due and receivable by the auditors of the parent company and any other entity in the economic entity for:				
– Audit or review of the financial reports	1,017	931	60	56
– Independent Accountants Report relating to Merger	1,456	–	–	–
– Accounting services	243	299	–	–
– Taxation advice and compliance	124	272	–	–
– Information technology technical services	17	63	–	–
– Acquisitions and other capital transactions	–	149	–	–
– Other services	205	16	–	–
	3,062	1,730	60	56
Amounts received or due and receivable by Affiliates of the auditors of the parent company for:				
– Audit or review of the financial reports	325	348	–	–
– Accounting services	2	18	–	–
– Taxation advice and compliance	333	395	–	–
– Information technology technical services	–	12	–	–
– Other services	–	8	–	–
	660	781	–	–
	3,722	2,511	60	56

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

31 ECONOMIC DEPENDENCY

Group entities act as manager of WFT and as the property manager and developer of properties in which WFT, directly or indirectly, has an interest. These activities, charged at normal commercial rates, contributed the following amounts to the Group's revenue for the financial year: $38.1 million (2003: $28.4 million) in respect of funds management activities; $65.4 million (2003: $59.8 million) in respect of property management activities; and $497.8 million (2003: $391.7 million) in respect of development and construction activities. During the year, a Group entity pursuant to licensing arrangements, provided the WFT internet sites for marketing and promotion. Licence fees payable are based on normal commercial terms and are included in the above revenue amount in respect of property management activities.

Group entities act as manager of the WAT and as manager and adviser of its controlled entity WEA. Group entities also act as the property manager and developer of properties in which, directly or indirectly, WAT and WEA have an interest. These activities, charged at normal commercial rates, contributed the following amounts to the Group's revenue for the financial year: $39.5 million (2003: $30.3 million) in respect of funds management activities; $62.7 million (2003: $69.7 million) in respect of property management activities; and $409.7 million (2003: $307.3 million) in respect of development and construction activities. During the year a Group entity entered into certain licensing arrangements to provide WEA internet sites for marketing and promotion. Licence fees payable are based on normal commercial terms and are included in the above revenue amount in respect of property management activities.

In the United Kingdom, Group entities act as the property manager and developer for associate entities in which they have an interest. These activities, charged at normal commercial rates, contributed to the Group's revenue for the financial year: $11.2 million (2003: $12.9 million) in respect of management activities and $19.4 million (2003: $28.4 million) in respect of development and construction activities.

As at 30 June 2004 an aggregate amount of $70.0 million (2003: $58.7 million) was recognised as a current receivable from the entities referred to above.

32 DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Specified Directors and Specified Executives

(i) Specified directors

FP Lowy, AC	Chairman – Executive Director
FG Hilmer, AO	Deputy Chairman – Non-Executive Director
DH Lowy, AM	Deputy Chairman – Non-Executive Director
RA Ferguson	Non-Executive Director (resigned 13 July 2004)
DM Gonski, AO	Non-Executive Director
SP Johns	Non-Executive Director (Executive Director until 30 September 2003)
PS Lowy	Managing Director – Executive Director
SM Lowy	Managing Director – Executive Director
DR Wills, AO	Non-Executive Director
CM Zampatti, AM	Non-Executive Director

(ii) Specified executives

P Allen	Director – Finance (formerly Chief Executive Officer – UK/Europe)
R Green	Vice Chairman – Operations, United States
R Jordan	Chief Operating Officer, Australia and New Zealand
M Teperson	Group Chief Financial Officer
K Wong	President – United States Operations

32 DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(b) Remuneration Policy

The Remuneration Policy of the Group is determined and administered by the Remuneration Committee of the Company.

Recognising that the Westfield Group operates in a highly competitive global environment, the objective of the Remuneration Committee is to put in place policies and processes which:

- enable the Group to attract and retain key executives who will create sustainable value for shareholders;
- reward executives having regard to the overall performance of the Group, the performance of the executive measured against pre-determined objectives and the external compensation environment;
- align the interests of executives with shareholders; and
- comply with applicable legal requirements and appropriate standards of governance.

The Group's current remuneration structure combines base salary with short term cash incentives and long term equity-based incentives. The total remuneration package of each executive is designed to ensure an appropriate mix of variable pay and short and long term incentives. As executives gain seniority in the Company, the balance of this mix moves to a higher proportion of variable and long term rewards which are considered to be 'at risk' and dependent upon the performance of the Company and of the relevant executive. The view taken by the Remuneration Committee is that this structure places an appropriate premium on performance and helps achieve an alignment between the interests of executives and shareholders.

(i) Base Pay

Base pay is set by reference to the executive's position, performance and experience. The Company aims to set rates of base pay which are fully competitive with industry standards and reflect the high expectations of performance demanded by the Company. Base pay levels are regularly benchmarked against local and (where appropriate) international competitors. Base pay is not adjusted on an annual basis other than in recognition of performance, external market forces or as a consequence of promotion.

(ii) Short Term Variable Bonus

Variable rewards are closely linked to the performance of the executive measured against objectives which are established each year pursuant to a performance review and development system. Under that system, management and the executive work together to establish agreed business and personal development objectives. These objectives are designed to recognise and reward both financial and non-financial performance.

Cash based incentives in respect of the Managing Directors are determined and approved by the Remuneration Committee while other senior executives are determined by the Managing Directors having regard to profit growth, achievement of operational objectives (eg. the completion of projects on time and on budget) and the underlying performance of the two managed investment vehicles. The Remuneration Committee will also consider the contributions made by an executive to any major acquisition and capital transactions during the year. The Managing Directors are also eligible for special bonuses as referred to below.

A maximum figure for executives (as a percentage of base pay ranging from 0% to 100%) for the short term variable cash component of the compensation package is advised to the executive at the commencement of each year.

The actual bonus awarded is determined by management by reference to the performance of the executive against the agreed performance objectives, corporate profitability and any other aspect of performance which is considered relevant in the context of the review. The annual performance bonus is completely discretionary.

In exceptional circumstances, executives may earn a special bonus in excess of the agreed maximum percentage of base pay in recognition of any extraordinary contribution made by an executive to a transaction or corporate project. As with the annual performance bonus, payment of a special bonus is completely discretionary.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

32 DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(b) Remuneration Policy (continued)

(iii) Equity-Based Incentives

Equity-Based Incentives are granted to executives who are able to influence shareholders' wealth and are able to have a direct impact on the Company's performance. The amount of any equity-based incentives granted depends on the seniority and on the performance of the executives. The grants are recommended by management and approved by the Remuneration Committee.

This section gives a brief outline of the Plans which operated in the financial year to 30 June 2004. These plans are currently under review. It is anticipated that new equity-based incentive plans will be introduced by the Merged Westfield Group in the current financial year.

1. Executive Option Plan

Options have been regarded by the Company as a valuable long term incentive to be offered to key senior executives within the Group.

Generally, options are issued to high performing senior executives in recognition of their contribution to the financial and operating performance of the Group over the relevant period or to senior executives hired by the Group as an incentive to join the Group. As options typically vest over a 5 year period they are considered to be an important means of encouraging high performing employees to remain with the Group for an extended period.

Options are issued in accordance with the terms of the Option Plan Rules which typically provide for:

- options to be issued at the discretion of the Board (that discretion is exercised through the Remuneration Committee of the Board);
- options vest over a 5 year period (25% on the 3rd and 4th anniversary of the grant and 50% on the 5th anniversary). Generally, executives who are no longer employed in the Group at the time of vesting will not be entitled to exercise options; and
- the issue of options with an exercise price equal to the market value of the Company's shares determined at the time of grant plus a premium of 5%.

The Board is entitled under the Rules to impose conditions or performance hurdles which, if not satisfied or achieved over the life of the option (or another period specified in the terms of grant) will prevent the option being exercisable by the executive and ultimately will result in the option lapsing. Other than the 5% premium which is added to the exercise price (as referred to above) the Board has not, to this point in time, imposed specific performance hurdles as a condition to the right to exercise options. However the Board retains the right to do so in appropriate circumstances for future options. As noted above, the executive will generally be required to remain employed until the point of vesting in order to exercise the options and receive the benefit.

Where options are exercised, the Board may impose a restriction which requires that the shares acquired by the executive on exercise of an option not be sold for a specified period.

The typical terms of grant of options described above are not intended to fetter the powers and discretions of the Board under the Option Plan Rules to implement other arrangements.

2. Executive Performance Share Plan

The Board also has the flexibility to make awards of shares in the Company ("awards") to executives and officers as a long term equity based incentive. As with the Option Plan, the principal objective of the Share Plan is to align the financial interests of the participating executives and officers more closely with those of the shareholders.

In 2002, the Board adopted a policy of issuing awards under the Share Plan to executives who were eligible to receive long term equity incentives. In doing so, it was acknowledged that the issue of awards would replace the issue of options under the Option Plan as the principal means of providing long term equity incentives to most senior executives and officers within the Group.

Awards issued under the Share Plan are generally issued to executives as part of an annual incentive program. Essentially each award is a "zero priced option" whereby, on exercise, the executive is entitled to receive one ordinary share in the Company without paying any consideration.

32 DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(b) Remuneration Policy (continued)

(iii) Equity-Based Incentives (continued)

2. Executive Performance Share Plan (continued)

Awards are issued under the terms of the Share Plan Rules, which typically provide for:

- Awards to be issued at the discretion of the Board (that discretion is exercised through the Remuneration Committee of the Board); and
- Awards to vest over a 5 year period (25% on the 3rd and 4th anniversary of the grant and 50% on the 5th anniversary). Generally, executives who are no longer employed in the Group at the time of vesting will not be entitled to exercise options.

As with the Option Plan, the Board is entitled under the Share Plan Rules to impose conditions or performance hurdles which if not satisfied or achieved over the life of the award will prevent the award being exercised by the executive, and ultimately will result in the award lapsing. The Board has not, to this point in time, imposed specific performance hurdles as a condition to the right to exercise options. However, the Board retains the right to do so should it be considered appropriate in the future. As noted above, the executive will generally be required to remain employed until the point of vesting in order to exercise the awards and receive the benefit.

In summary, the Share Plan gives the Board the ability to reward executives and officers in a manner which is carefully designed to advance the interests of the Company and its members. It enables the Company to encourage a culture of share ownership and, through this, commitment to the broader interests of the shareholders.

The typical terms of grant of awards described above are not intended to fetter the powers and discretions of the Board under the Share Plan Rules to implement other arrangements.

3. Non-Executive Directors' Remuneration and Share Acquisition Plan

Non-Executive Directors are entitled to be remunerated for their services as Directors. Fees paid to Non-Executive Directors are determined by the Board within the current maximum aggregate limit set by Members. Directors' fees are reviewed annually by the Board within that limit, taking into consideration the level of fees paid to Non-Executive Directors by companies of a similar size and structure. As part of their remuneration, the Company makes Superannuation contributions to the individual directors accounts.

The Board recommended the Non-Executive Directors' Plan because it believes it is in the Company's best interests for Non-Executive Directors to have the opportunity to receive some or all of their annual remuneration in the form of awards of shares in the Company issued at market value.

The terms of the Non-Executive Directors' Plan are broadly similar to those of the Performance Plan.

The ASX Listing Rules require that members approve the grant of awards of shares under any of the Plans referred to above to Directors of the Company or their associates.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

32 DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(c) Remuneration of Specified Directors and Specified Executives

	Primary			Post Employment		Equity		Other	Total
						Options			
	Salary & Fees $	Cash Bonus $	Non Monetary benefits $	Superannuation $	Retirement benefits $	Annual amortisation[13] $	Accelerated[12] amortisation[13] $	$	$
Specified Directors									
FP Lowy, AC (Chairman)	495,282	13,400,000[1]	718,597		78,132[2]				14,692,011
FG Hilmer, AO (Deputy Chairman)	110,000			70,000					180,000
DH Lowy, AM (Deputy Chairman)	90,000			70,000		522,500	133,130		815,630
RA Ferguson (Non-Executive Director) resigned 13 July 2004	65,000			70,000					135,000
DM Gonski, AO (Non-Executive Director)	72,500			70,000					142,500
SP Johns (Non-Executive Director)	539,694[3]	100,000		57,788		209,000	53,252		959,734
PS Lowy (Managing Director)	1,144,412[4]	3,508,280[5]	48,403			522,500	133,130		5,356,725
SM Lowy (Managing Director)	850,000[4]	3,650,000[6]				522,500	133,130		5,155,630
DR Wills, AO (Non-Executive Director)	60,000			70,000					130,000
C Zampatti, AM (Non-Executive Director)	60,000			70,000					130,000
Total Remuneration: Specified Directors	**3,468,888**	**20,658,280**	**767,000**	**477,788**	**78,132**	**1,776,500**	**452,642**	**–**	**27,697,230**
Specified Executives									
P Allen (Director – Finance, formerly Chief Executive Officer – UK/Europe)	731,707	731,707	290,232	21,951		521,207	2,111,895		4,408,699
R Green (Vice Chairman – Operations, United States)[8]	1,403,312	1,929,554	34,371						3,367,237
R Jordan (Chief Operating Officer, Australia and New Zealand)	841,596	450,000				439,691	1,235,146		2,966,433
M Teperson (Group Chief Financial Officer)	733,200	1,000,000[9]			337,000[10]	711,970	1,912,335		4,694,505
K Wong (President – United States Operations)[11]	701,656	701,656	36,329	29,578		487,513	2,915,149	38,392[7]	4,910,273
Total Remuneration: Specified Executives	**4,411,471**	**4,812,917**	**360,932**	**51,529**	**337,000**	**2,160,381**	**8,174,525**	**38,392**	**20,347,147**

32 DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(c) Remuneration of Specified Directors and Specified Executives (continued)

(1) Mr F Lowy's remuneration arrangements have been varied by agreement between the parties following the merger by stapling. Mr F Lowy has agreed that a calculation of his bonus based on a fixed percentage of profit before tax of the Westfield Group is no longer appropriate. Mr F Lowy and the Company have agreed that:

(a) the current year bonus will be calculated on the basis used in prior years (ie. profit before tax) but excluding merger costs and associated write-offs of $525 million incurred in connection with the merger. The actual bonus of $13.4 million compares with the forecast bonus of $13.7 million disclosed in the Explanatory Memorandum issued in connection with the merger proposal.

(b) the bonus for the 2004/05 and 2005/06 financial years will be $4 million and $5 million respectively provided that the forecast distributions of $1.03 and $1.10 are achieved in respect of those financial years. Mr F Lowy's annual salary will be $8 million in each of those years.

(2) Mr F Lowy's contract provides for a retirement benefit of 1 month's salary for each year of service on termination of his services. Mr F Lowy has agreed that this benefit will continue to be calculated based on his salary in the 2003/04 year (increased annually by CPI) and not the higher amount payable in accordance with the post merger arrangements.

Annual leave and long service leave entitlements accrued at 30 June 2004 are and will be calculated based on Mr F Lowy's salary for the 2003/04 year (increased annually by CPI).

(3) Mr S Johns retired from his full time Executive Director role on 30 September 2003. From 1 October 2003, Mr S Johns commenced as Non-Executive director of Westfield Holdings Limited, Westfield Trust and Westfield America Trust. Under the terms of Mr S Johns' service agreement, he is entitled to pro-rated Directors fees of $103,800 for the three entities and a monthly fee of $35,000 for his consultancy services. His salary for the period of employment as an Executive Director was $150,000 reduced by the release of the net movement in annual leave and long service provisions of $29,106 for the three months to September 2003. In addition he is entitled to a performance bonus of $100,000.

(4) Mr P Lowy and Mr S Lowy's salary and bonus are reviewed annually by the Remuneration Committee.

(5) The current year bonus includes $1,052,484 (US$750,000) as a special bonus in relation to the successful completion of the Westfield Group Merger. This payment is in recognition of Mr P Lowy's performance and is provided to him in accordance with the policy as described in Note 32(b)(ii). The current year also includes an annual performance bonus of $2,455,796 (US$1.75 million) in relation to the executive's and Company's performance over the year.

(6) The current year bonus includes $1 million as a special bonus in relation to the successful completion of the Westfield Group Merger. This payment is in recognition of Mr S Lowy's performance and is provided to him in accordance with the policy as described in Note 32(b)(ii). The current year also includes an annual performance bonus of $2.65 million in relation to the executive's and Company's performance over the year.

(7) Dividend on restricted share awards.

(8) Mr R Green has a service agreement with the Company which expires on 31 December 2005. Mr Green's annual compensation amount is US$1 million and a bonus of US$1.5 million. The agreement may be terminated for cause by giving 30 days written notice.

(9) The current year bonus includes $500,000 as a special bonus in relation to the successful completion of the Westfield Group Merger. This payment is in recognition of Mr M Teperson's performance and is provided to him in accordance with the policy as described in Note 32(b)(ii). The current year also includes an annual performance bonus of $500,000 in relation to the executive's and Company's performance over the year.

(10) This amount relates to the expiration of Mr M Teperson's service agreement with the Company which will be 30 September 2004.

(11) Mr K Wong's service agreement with the company commenced from January 2003. Mr Wong's base salary is US$500,000 per annum. For the years ending 31 December 2004 and 2005, Mr Wong is guaranteed a minimum bonus of US$500,000.

If Mr Wong's service agreement is terminated with cause, he will receive any base salary due and owing, any pro-rated bonuses and any accrued annual leave.

If his services are terminated without cause, he will receive (a) the greater of the remaining salary payable under his 3 year contract or the annual value of his current base salary; (b) any bonus earned and not paid; (c) any accrued annual leave; and (d) all unvested stock grants and stock options which will automatically vest.

(12) Refer Note 32(d).

(13) The amortisation of executive options is based on the higher of cost or the value calculated under the Black-Scholes model determined at the date the options were granted.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

32 DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(d) Option holdings of Specified Directors and Specified Executives

During the financial year options and awards ("Options") were issued to certain executives under the Executive Option Plan and the Executive Performance Share Plan (together the "Option Plans"). The terms of the Option Plans are more fully described in Note 32(b) above.

On 25 May 2004, The Supreme Court of New South Wales ordered, under section 411 of the Corporations Act, that a meeting of Westfield Holdings Limited shareholders be held to vote on the proposed merger by stapling. Under the terms of the Option Plans, the convening of the scheme meeting gave Optionholders a right to exercise all outstanding Options including an accelerated right in respect of previously unvested Options. In accordance with the terms of Option Plans, that right could be exercised at any time prior to the effective date of the merger being 2 July 2004. Options over Westfield shares not exercised prior to that date reverted to their previous terms of exercise and were converted to Options over stapled securities on a 1:1 basis in accordance with amendments made to the Option Plans. That conversion was consistent with the merger ratios applied in the scheme of arrangement. In all other respects the terms of the Option Plans remain substantially unaltered.

Under the terms of the Option Plans, Westfield was able to satisfy the exercise of an Executive Option in one of the following ways:

(i) issuing or transferring a Westfield share to the Executive Optionholder;

(ii) paying the Optionholder an amount equal to the difference between market value of a Westfield Share as at the date of exercise (determined under section 139FA of the Income Tax Assessment Act 1936) and the exercise price for the Option ("Profit Element"); or

(iii) issuing or transferring a Westfield share to the Executive Optionholder equal to the value of the Profit Element.

Westfield used methods (i) and (iii) to satisfy the entitlements of Optionholders who elected to exercise Options prior to the effective date of the merger. In some cases, Westfield utilised the Westfield shares held by the Westfield Executive Option Trust to satisfy the entitlements of Optionholders. That Trust had previously acquired Westfield shares to enable Westfield, at its discretion, to satisfy the exercise of an Option by way of a transfer of a Westfield share to Optionholders on exercise of Options.

	Balance at beginning of period 1 July 2003	Granted as Remun-eration	Options Exercised	Balance at end of period 30 June 2004	Vested during the year	Accelerated Vesting as a result of merger during the year	Total Vested during the year
Specified Directors							
DH Lowy, AM	1,250,000			1,250,000(1)	312,500	625,000(5)	937,500
SP Johns	500,000		(500,000)	–	125,000	250,000(5)	375,000
PS Lowy	1,250,000		(1,250,000)	–	312,500	625,000(5)	937,500
SM Lowy	1,250,000			1,250,000(1)	312,500	625,000(5)	937,500
Specified Executives(4)							
P Allen	785,160		(785,160)	–	62,500	697,660	760,160
R Jordan	685,420		(685,420)	–	112,500	460,420	572,920
M Teperson	1,088,750		(988,750)	100,000(3)	75,000	1,013,750	1,088,750
K Wong	562,090	400,000(2)	(962,090)	–	32,420	929,670	962,090
Total	**7,371,420**	**400,000**	**(5,171,420)**	**2,600,000**	**1,344,920**	**5,226,500**	**6,571,420**

(1) These options were exercised on 1 July 2004.

(2) 400,000 options granted on 27 February 2004 with an exercise price of $13.55. The Black-Scholes valuation of this option is $2.10 each. The first exercise date is 27 February 2007 and the last exercise date is 27 February 2009. These options were subject to accelerated vesting and were exercised during the period.

(3) These options were exercisable as at 30 June 2004 at $15.37 per share. However, under the terms of the Merger these options reverted to the original vesting terms and conditions, post 2 July 2004.

(4) Mr Richard Green did not have any options at any time during the financial year.

(5) The original expiry date of these options was 1 October 2004. As a result of the Merger, they were able to be exercised at 30 June 2004 and 1 July 2004.

32 DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(e) Shares issued/transferred on the exercise of remuneration options

	Options Exercised Number	Shares Issued/ Transferred Number	Paid $ per share	Unpaid $ per share
Specified Directors				
PS Lowy	1,250,000[1]	497,680[2]	–	–
SP Johns	500,000	500,000	9.31	–
Specified Executives				
P Allen	785,160[1]	177,459	–	–
R Jordan	435,420[1]	74,869	–	–
	50,000	50,000	9.32	–
	200,000	200,000	9.45	–
	685,420	324,869		
M Teperson	851,250[1]	138,685	–	–
	93,750	93,750	9.31	–
	43,750	43,750	12.55	–
	988,750	276,185		
K Wong	962,090[1]	276,366	–	–
Total	5,171,420	2,052,559		

(1) Under the terms of the option plan, the Company is able to issue a Westfield share to the Executive Optionholder equal to the value of the profit element.

(2) These shares were issued on 1 July 2004 and accordingly they do not form part of the 3,429,449, net change of shares in Note 32(f). However, the shares were disposed of by Mr P Lowy on 1 July 2004.

(f) Shareholding of Specified Directors and Specified Executives

Shares held in Westfield Holdings Limited (number)	Balance 1 July 2003	Granted as Remun-eration	On Exercise of Options	Net Change Other	Balance 30 June 2004
Specified Directors					
FP Lowy, AC DH Lowy, AM PS Lowy SM Lowy	158,565,536			(3,429,449)*	155,136,087
RA Ferguson	57,525				57,525
DM Gonski, AO	159,245			4,984	164,229
FG Hilmer, AO	76,555			14,899	91,454
SP Johns	1,098,400		500,000		1,598,400
DR Wills, AO	20,000				20,000
CM Zampatti, AM	196,005			25,649	221,654
Specified Executives					
R Green	–				–
P Allen	205,490		177,279	(138,490)	244,279
K Wong	–		276,366	(162,090)	114,276
M Teperson	182,710		338,685		521,395
R Jordan	400,000		324,869		724,869
Total	160,961,466	–	1,617,199	(3,684,497)	158,894,168

* The aggregate interest of the Lowy directors includes family holdings and interests held by Amondi Pty Limited as trustee of the Westfield Executive Option Plan Trust, the US Executive Share Plan Trust and Westfield C Fund Pty Limited as trustee of the Westfield Superannuation C Fund. The net change includes the acquisitions, transfers and disposals of those entities. The Lowy directors did not dispose of any shares.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

32 DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(g) Loans to Specified Directors and Specified Executives

Loan disclosures

	Balance at beginning of period $000	Interest charged $000	Interest not charged $000	Provision for loan forgiveness $000	Balance at end of period $000	Highest owing in period $000
Specified Executive						
P Allen	200	–[1]		(100)	100	200
Total Specified Executive	200	–	–	(100)	100	200

Terms and conditions of loans

Loan to executive is interest free. The principal will be forgiven in July 2005.

(1) The current year non monetary benefits (as disclosed in Note 32(c)) includes an interest amount of $32,750 calculated based on Mr P Allen's original loan of $500,000 made on 6 July 2000.

(h) Other transactions and balances with Specified Directors and Specified Executives

(i) During the financial year, the Trustee of the Westfield Executive Option Plan Trust ("Trust") acquired nil (2003: 300,000) and disposed of 1,777,500 (2003: 723,738) shares in the Parent Company in accordance with the rules of the Westfield Holdings Limited Executive Option Plan. At 30 June 2004 the Trust held 6,191,925 (2003: 7,969,425) shares.

(ii) During the financial year, the Trustee of the US based Trust acquired 138,409 (2003: 517,488) shares and disposed 655,897 (2003: nil) shares in the Parent Company in accordance with the rules of the Westfield Holdings Limited Executive Performance Share Plan. At 30 June 2004 the US based Trust held nil (2003: 517,488) shares.

(iii) During the financial year the Trustees of the Westfield Superannuation Funds disposed of 1,134,461 (2003: 165,737) shares in the Parent Company in accordance with the Rules of the Superannuation Funds.

(iv) During the financial year:

(a) an aggregate amount of $512,166 (2003: $161,731) was recognised as income relating to services provided by the Group on commercial terms to Director related entities of FP Lowy, DH Lowy, PS Lowy and SM Lowy, of which an aggregate amount of $219,336 (2003: $1,656) was recognised as a current receivable from such Director related entities as at 30 June 2004. The amount owing from Directors at the date of this report is $nil; and

(b) an aggregate amount of $109,983 (2003: $201,851) was recognised as an expense relating to business usage by the Group on commercial terms of assets owned by Director related entities of FP Lowy, DH Lowy, PS Lowy and SM Lowy.

(v) During the financial year, in accordance with the Rules of the Westfield Holdings Limited Executive Option Plan ("Option Plan") which was established in accordance with the Listing Rules of Australian Stock Exchange Limited and approved by Members of the Parent Company at its Annual General Meeting on 12 November 1998, an entity in the Group advanced $nil (2003: $89,610,924) to the Trustee of the Westfield Executive Option Plan Trust ("Trust") in order for it to fund its repayment of bank loans and to meet its expense obligations during the year. Furthermore, during the year, the Trust repaid loans from the Group of $16,618,636 (2003: $16,091,222). As at 30 June 2004 the amount owing by the Trust was $63,862,078 (2004: $80,480,714). During the year $2,270,114 (2003: $nil) interest was charged on this loan.

(vi) During the financial year, transactions occurred between the Group and Specified Directors and Specified Executives which were within normal employee, customer or supplier relationships on terms and conditions no more favourable than those available to other employees, customers or suppliers, being the performance of contracts of employment; the reimbursement of expenses; and the payment of dividends by the Parent Company in respect of ordinary shares held in the Parent Company.

33 SUPERANNUATION COMMITMENTS

The Group sponsors accumulation style superannuation funds and plans to provide retirement benefits to its employees. There are no unfunded liabilities in respect of these superannuation funds and plans. The Group does not sponsor defined benefits style superannuation funds and plans.

34 EMPLOYEES

At 30 June 2004 the Group employed 4,352 (2003: 4,130) staff, including full time, part time and casual staff.

35 RELATED PARTY DISCLOSURES

Information required to be disclosed concerning relationships, transactions and balances with related parties of the Group is set out in this note unless disclosed elsewhere in these Financial Statements.

(a) Other related party transactions

In connection with the acquisition by WFT of the issued capital in the AMP Shopping Centre Trust (now named WestArt Trust), the Group has agreed that it will rebate management fees derived from properties which form part of the WestArt Trust portfolio ("WestArt Properties") and the manager's service charge for WFT for the period from 11 August 2003 to 31 December 2005 ("Rebate Period") to the extent necessary to enable WFT to derive a 7% p.a ungeared yield from the WestArt Properties which are held by WFT in the Rebate Period. The benefit of this rebate is limited to the aggregate of:

(a) the property management fees derived by the Group from management of the WestArt Properties; and

(b) the incremental manager's service charge, attributable to the acquisition of the WestArt portfolio, derived by the Group in managing WFT.

The rebate does not apply in respect of any financial period after 31 December 2005 and is not transferable to any third party.

The Group has recognised $1.4 million as an expense relating to the rebate of management fees. At 30 June 2004, this had not been paid.

(b) Inter Group transactions

During the financial year, there were transactions on commercial terms between the Parent Company and entities in the wholly-owned Group under which the Parent Company received dividends and paid management fees. The Parent Company also subscribed for capital in entities in the wholly-owned Group.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

36 THE WESTFIELD HOLDINGS LIMITED GROUP

Entities Incorporated in Australia

Parent Company

Westfield Holdings Limited

Subsidiaries

Adurant Pty Limited
Alphen Pty Limited
Annsa Pty Ltd
Bobian Pty Limited
Cavemont Pty Limited
Croissy Pty Limited
Descon Invest Pty Limited
Gaural Pty Limited
Greissen Limited
Lourens Pty Limited
Lycus Pty Limited
Marchet Limited
Nauthiz Pty Ltd
Orta Pty Limited
Parliv Pty Limited
Regional Shopping Centre Nominees Pty Limited
Risemond Pty Limited
Salazar Pty Limited (In liquidation)
Samel Pty Limited
Titania Services Pty Ltd
Variscite Pty Limited
Westfield Alliances Carindale Pty Limited
Westfield Alliances (NZ) Pty Limited
Westfield Alliances Pty Limited
Westfield America Management Limited
Westfield American Investments Pty Limited
Westfield Capital Assets Pty Limited
Westfield Capital Corporation Finance Pty Limited
Westfield Capital Corporation Limited
Westfield Capital Financial Services Limited
Westfield Custodian Pty Limited
Westfield Design and Construction Pty Limited
Westfield Developments Pty Limited
Westfield European Investments Pty Limited
^ Westfield Finance (Aust) Limited
Westfield Funds Management Limited
Westfield Internet Shoppingtown Pty Limited
Westfield Limited
Westfield Management Limited
Westfield No. 1 Pty Limited
Westfield No. 4 Pty Limited
Westfield (Parramatta) Pty Ltd
Westfield Projects (Australia) Limited
Westfield Promotion Fund Management Pty Limited
Westfield Queensland Pty Limited
Westfield RSCF Management Limited
Westfield Services Pty Limited
Westfield Services Trust
Westfield Shoppingtown Carousel Pty Limited
Westfield Shopping Centre Management Co Pty Ltd
Westfield Shopping Centre Management Co. (A.C.T.) Pty. Limited
Westfield Shopping Centre Management Co. (Qld) Pty. Limited
Westfield Shopping Centre Management Co. (S.A.) Pty. Ltd.
Westfield Shopping Centre Management Co. (Vic.) Pty. Limited
Westfield U.S. Investments Pty Limited
WestNM Trust
WestUS Pty Limited
WestUS Trust
Woodfield Pty Limited
WRS Pty Limited
Zed Investments Pty Limited

Entities Incorporated in the United States

WCMI (Texas), Inc.
Westfield Benefit, Inc.
Westfield Concession Management, Inc.
Westfield Corporation, Inc.
Westfield Gift Card Management, Inc.
Westfield Management Acquisition, Inc.
Westfield Management Company, General Partnership
Westfield Project Management Corporation, Inc.
Westfield Services, Inc.
Westfield U.S. Advisory, Limited Partnership
Westfield U.S. Management, Limited Partnership
* Wesfield Europe LLC

Entities Incorporated in New Zealand

* Westfield Finance (NZ) Limited
Westfield Leasing (NZ) Limited
Westfield (New Zealand) Limited
Westfield Properties (New Zealand) Limited
Westfield Shopping Centre Management Co (NZ) Limited

Entities Incorporated in the United Kingdom

Westfield Shoppingtowns Limited
Westfield UK General Partner Limited
Westfield UK Limited Partnership
Westfield UK (Nominee) Limited
* Westfield Wholesale General Partner Limited
* Westfield Wholesale (Nominee) Limited

Entities Incorporated in Jersey

The Westfield Jersey Unit Trust
Westfield Management Jersey Limited
Westfield Management Jersey (Nominee) Limited

Entities Incorporated in Luxembourg

Darmor SA.

Entities Incorporated in Malaysia

Westasia Malls Sdn. Bhd.
Westfield Shoppingtowns Corporation Sdn Bhd

Entities Incorporated in Singapore

WRMS Pte Limited

Westfield Holdings Limited owns, either directly or indirectly, a 100% (2003: 100%) interest in the above subsidiaries' issued ordinary capital. except as noted below:

# Denotes subsidiaries that are 85% owned, directly or indirectly, by Westfield Holdings Limited.
* This entity became a subsidiary during the financial year.
^ Formerly Mitcec Limited

37 SIGNIFICANT TRANSACTIONS AND SUBSEQUENT EVENTS

(a) The Westfield Group Merger

On 22 April 2004, Westfield Holdings Limited ("Parent Company") announced a proposal to staple the securities of the Parent Company with those of WFT and WAT to form the Westfield Group ("Merger").

The Merger was implemented by way of a Court approved scheme of arrangement ("Share Scheme") of the Parent Company and amendments to the constitutions of each of the Parent Company, WFT and WAT.

On 25 June 2004, members of each of the Parent Company, WFT and WAT approved the Merger. As a result of the Merger the Parent Company is considered, for accounting purposes, to have gained control of WFT and WAT and will consolidate WFT and WAT from the date control is obtained. As the Merger was not effective until 2 July 2004, being the date an order made by the Supreme Court of New South Wales approving the Share Scheme was lodged with the Australian Securities and Investment Commission, WFT and WAT have not been consolidated in this financial report.

The Merger was implemented on 16 July 2004 ("Implementation Date"), being the date on which securities were issued to investors in each other entity and "stapled" such that the Westfield Group stapled securities trade as one security on the Australian Stock Exchange under the code WDC. The stapled security comprises one share in the Parent Company, one WFT unit and one WAT unit. The following occurred on the Implementation Date:

- members of WFT holding units on 12 July 2004 ("Stapling Record Date") had their units converted into 0.28 restructured WFT units and members of WAT had their units converted into 0.15 restructured WAT units;
- a fully franked "stapling" dividend of $0.002 per share in the Parent Company was paid to members of the Parent Company holding shares on the Stapling Record Date and applied to subscribe for one restructured WFT unit for $0.001 and one restructured WAT unit for $0.001 for each share in the Parent Company held by the member;
- a stapling distribution of $1.01 was paid to members of WFT holding units on the Stapling Record Date and applied to subscribe for one share in the Parent Company for $0.01 and one restructured WAT unit for $1.00 for each restructured WFT unit held;
- a stapling distribution of $1.01 was paid to members of WAT holding units on the Stapling Record Date and applied to subscribe for one share in the Parent Company for $0.01 and one restructured WFT unit for $1.00 for each restructured WAT unit held;
- members of the Parent Company holding shares on the Stapling Record Date received one stapled security for each share held;
- members of each of WFT and WAT received one stapled security for each restructured WFT unit or restructured WAT unit (as the case may be) held on the Stapling Record Date.

As a result of the above, 629,615,967 ordinary shares of the Parent Company were issued to members of WFT for cash consideration totalling $6.3 million and 483,255,917 ordinary shares of the Parent Company were issued to members of WAT for cash consideration totalling $4.8 million.

The Merger ensures a common investor base in each of the Parent Company, WFT and WAT other than a number of entities controlled by the Parent Company ("Cross Holders") holding units and options in WAT. The Cross Holders held 553.9 million units in WAT prior to the Merger. The Cross Holders participated in the consolidation of WAT units but did not participate in the issue of stapled securities or the stapling distribution. As a result of the consolidation the Cross Holders currently hold 83,084,363 restructured units in WAT and will continue to receive distributions which are paid on WAT units. These units may not be transferred to third parties, except to other wholly owned subsidiaries of the Parent Company. The units held by the Cross Holders will remain for the life of WAT. The Cross Holders will continue to be able to vote at meetings of WAT.

As a result of the Merger, the Cross Holders' unit holdings in WAT has been reduced from 14.7% to 4.7% (on an undiluted basis).

The Cross Holders also hold a total of 27,661,209 Special Options in WAT. For the terms and conditions (including the restructuring of those options) of the WAT Series F, G1, H and I Special Options refer note 17(c).

As a result of the Merger, the Parent Company issued 850,000 options to WFT and 28,355,654 options to WAT to enable each of WFT and WAT to satisfy the delivery of a stapled security on exercise of options currently on issue in each of those entities.

For terms and conditions refer to Note 17(c).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

37 SIGNIFICANT TRANSACTIONS AND SUBSEQUENT EVENTS (continued)

(a) The Westfield Group merger (continued)

The Parent Company and the Responsible Entities of WFT and WAT entered into the Stapling Deed (effective 2 July 2004) which sets out the terms of the relationship between the entities with respect to the stapled securities. The Stapling Deed ensures that the entities must operate on a co-operative basis for the benefit of holders of Stapled Securities as a whole.

As a consequence of the Merger the Parent Company, the Responsible Entities of WFT and WAT and certain subsidiaries of each of them (each an "Obligor") have recently executed guarantee and negative pledge documentation in respect of financial accommodation provided for the benefit of the Westfield Group.

Under the guarantee documentation, each Obligor unconditionally and irrevocably grants a guarantee for the benefit of Westfield Group Lenders in respect of the debts and monetary obligations of certain subsidiaries of Westfield Holdings, the Responsible Entity of WFT, or the Responsible Entity of WAT.

The Master Negative Pledge Deed Poll given by the Parent Company, and the Responsible Entities of WFT and WAT contains, amongst other things, certain undertakings, financial covenants, representations and warranties in respect of themselves and their controlled entities for the benefit of Lenders to the Westfield Group. This document also sets out the basis upon which defaults or events of defaults may occur under the financing arrangements of Obligors and the acceleration rights of Westfield Group Lenders in that event.

The Westfield Group has entered into a US$2.25 billion 364-day bridging facility agreement with various financial institutions. This is a floating interest rate facility. The facility is subject to negative pledge arrangements which, amongst other things, requires the Westfield Group to comply with certain minimum financial requirements.

In order to implement the Merger, the Constitutions of each of the Parent Company, WFT and WAT were amended. These amendments were approved by Members of each entity at the meetings held on 25 June 2004.

Under the amended constitutions for each of WFT and WAT, the responsible entities are entitled to be paid a management fee equal to the reasonable estimate of its costs in providing their services as responsible entity.

As a result of the Merger investors in the Westfield Group will receive distributions from each component of the stapled security comprising dividends from the Parent Entity and distributions from each of WFT and WAT. The distribution policy of the Westfield Group is to distribute its reported after tax profit as presented on a AGAAP basis and adjusted for an amount equivalent to the project profits that the Group would have reflected in its statement of financial performance but for the Merger and other amounts which the Directors may determine to take into account in order to reflect the capital profits or losses and other items as considered appropriate. It is intended that the Westfield Group distributions be paid to investors half yearly and no later than two months after the end of each half year.

(b) Change in Balance Date

As a result of the Merger, the Group has received ASIC relief to change its financial year end from 30 June to 31 December. This will result in the first financial year of the Westfield Group to be a six month period ending 31 December 2004 ("shortened financial year").

38 IMPACTS OF ADOPTING INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Australian Accounting Standards Board ("AASB") has issued Australian equivalents to those IFRS that will be applicable for reporting periods commencing from 1 January 2005.

As a result of the stapling of securities of the Group, WFT and WAT the key differences discussed below are based on the Westfield Group and not on the Westfield Holdings Limited Group.

(a) Key Differences between Australian Generally Accepted Accounting Practices ("AGAAP") and IFRS

The key differences between AGAAP and IFRS identified by management to date as potentially having significant effect on the financial position and financial performance of the Group are summarised below. The summary should not be taken as an exhaustive list of all the differences between AGAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The key differences between AGAAP and IFRS identified by management to date reflects the current interpretation of IFRS standards and proposals that are expected to apply to the Westfield Group from 1 January 2005 comprising:

- Australian equivalents to IFRS that were issued in July 2004 and that will be applicable from 1 January 2005; and
- an International Accounting Standards Board's exposure draft of an amendment to the Business Combinations Standard that addresses the application of the purchase method of accounting to a stapling transaction of the type proposed for the formation of the Westfield Group.

Regulatory bodies that promulgate AGAAP and IFRS have significant ongoing projects that could affect the differences between AGAAP and IFRS described below. The Westfield Group's financial statements in the future could be materially impacted by these changes.

(i) Investment Property Revaluation

Under AGAAP, changes in the fair value of the Westfield Group's shopping centres are reflected through the asset revaluation reserve. Decreases are also reflected through the asset revaluation reserve to the extent they reduce previously recognised increments and otherwise are charged to the operating result in the statement of financial performance.

Under IFRS, changes in the fair value of the Westfield Group's shopping centres are reflected through the operating result in the statement of financial performance.

(ii) Foreign Currency Translation

Under AGAAP, the statement of financial position and the statement of financial performance of the Westfield Group's integrated foreign operations are translated to A$ at historic exchange rates. On consolidation, exchange differences arising on translation of foreign monetary items of integrated foreign operations are taken directly to the operating result in the statement of financial performance.

Under IFRS, those foreign operations must determine their functional currency (being the currency in which the entity operates and determines pricing decisions). Exchange differences arising on translation from functional currency to Australian dollars are taken directly to the foreign currency translation reserve.

Where operations classified as self-sustaining under AGAAP have a functional currency that differs from the Australian parent, translation movements continue to be recognised in the foreign currency translation reserve under IFRS.

(iii) Financial Instruments and Derivatives

Foreign Currency Derivatives

Under AGAAP, gains and losses on foreign currency derivatives are deferred and brought to account with the underlying transactions being hedged:

(i) for hedges of foreign earnings, gains and losses are reflected in the statement of financial performance as the underlying earnings are recognised; and

(ii) for hedges of net investments in foreign operations, gains and losses are reflected in the foreign currency translation reserve.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

38 IMPACTS OF ADOPTING IFRS (continued)

(a) Key Differences between AGAAP and IFRS (continued)

(iii) Financial Instruments and Derivatives (continued)

Foreign Currency Derivatives (continued)

Under IFRS, hedge accounting cannot be applied to derivatives entered into to hedge the foreign exchange exposure relating to foreign earnings. Accordingly, such derivatives are measured at fair value and gains and losses are reflected in the statement of financial performance as they arise. The foreign exchange exposure on net investments in foreign operations can be hedged under IFRS provided that certain strict tests are met relating to hedge designation, documentation and effectiveness. If these tests are satisfied then the hedging derivative is measured at fair value and gains and losses reflected in the foreign currency translation reserve. However, to the extent that the hedge does not satisfy the above tests then a corresponding portion of the gain or loss is reflected in the operating result in the statement of financial performance immediately.

Interest Rate Derivatives

Under AGAAP, derivatives that are used to hedge exposure to fluctuations in floating interest rates are not measured at fair value. Instead payments and receipts on swaps are recognised in the statement of financial performance as they arise and premiums paid on options are amortised over the period of the hedge.

Under IFRS, derivatives taken out to reduce exposures to fluctuations in floating interest rates may be accounted for as cash flow hedges provided that the hedge designation, documentation and effectiveness tests can be met. If these tests are satisfied then the hedging derivative is measured at fair value and gains or losses are reflected directly in equity until the hedged transaction occurs, when they are released to the statement of financial performance. For fully effective hedges, this results in a profit and loss outcome similar to AGAAP. However, to the extent that the hedges do not satisfy the above tests then a corresponding portion of the gain or loss is reflected in the operating result in the statement of financial performance immediately.

(iv) Taxation

The tax charge in the statement of financial performance under AGAAP is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are not assessable or deductible. Under AGAAP, depreciation allowances for tax purposes and revaluation of investment properties does not have an impact on the tax expense in the statement of financial performance. A liability is only recognised once there is an intention to sell the investment property and the sale would give rise to a tax obligation. The tax effect of other items of income or expense that are recognised in the statement of financial performance but are taxable or deductible in other years are included in income tax expense and are reflected as deferred tax assets and liabilities in the statement of financial position. The Westfield Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the statement of financial position date.

The introduction of IFRS will require a change to the deferred tax or balance sheet liability method of accounting for taxation. Deferred tax is the tax expected to be payable or recoverable, by the entity, on differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. A deferred tax liability is recognised for depreciation allowances for tax purposes and revaluations of investment properties in the Westfield Group.

On implementation of IFRS, an opening adjustment to shareholders equity will be required, which will reduce net assets with annual deferred tax charges through the statement of financial performance thereafter to reflect the increase/decrease in the difference between tax values and fair values of the investment properties held by the Westfield Group. The Westfield Group's liability for deferred tax is calculated using tax rates that are expected to apply when the liability is settled or the asset realised.

(b) Management of the transition to IFRS

The Group has commenced transitioning its accounting policies and financial reporting from current Australian Standards to the Australian Equivalent of IFRS by allocating internal resources and engaging expert consultants to conduct impact assessments to isolate key areas of the Group that will be impacted by the transition to IFRS. As the Group has changed the financial year end to 31 December, and as a result of ASIC relief determining that the shortened financial year begins on 1 July 2004, priority has been given to considering the preparation of an opening balance sheet in accordance with IFRS. This opening balance sheet will form the basis of accounting for IFRS in the future, and is required when the Group prepares its first fully compliant financial report for the year ended 31 December 2005.

DIRECTORS' DECLARATION

The Directors of Westfield Holdings Limited ("Company") declare that:

(a) the financial statements of the Company and the consolidated entity for the year ended 30 June 2004 ("Financial Statements") and the notes thereto comply with the accounting standards;

(b) the Financial Statements and the notes thereto give a true and fair view of the financial position and performance of the Company together with all the entities it is required by the accounting standards to include in those statements;

(c) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(d) in the Directors' opinion, the Financial Statements and notes thereto are in accordance with the Corporations Act 2001, including sections 296 and 297.

Made on 23 September 2004 in accordance with a resolution of the Board of Directors.

FP Lowy, AC
Chairman

SP Johns
Director

INDEPENDENT AUDIT REPORT

Independent audit report to members of Westfield Holdings Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Westfield Holdings Limited (the company) and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgment of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

In our opinion, the financial report of Westfield Holdings Limited is in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the financial position of Westfield Holdings Limited and the consolidated entity at 30 June 2004 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

B J Long
Partner
Sydney

Date: 23 September 2004

DIRECTORS' REPORT

for the year ended 30 June 2004

The Directors of Westfield Holdings Limited ("**Company**") submit the following Report for the year ended 30 June 2004 ("**Financial Year**").

Review of Operations and State of Affairs

A review of the operations during the Financial Year of the Company together with all the entities it is required by the accounting standards to include in its consolidated financial statements ("Group") and the results of those operations are contained in the Directors' Reviews, at pages 1 to 3 of the Annual Report. There were no significant changes in the Group's state of affairs during the Financial Year, other than matters relating to the Westfield Group Merger as set out in Note 37 in the Notes to the Financial Statements.

Principal Activities

The principal activities of the Group during the Financial Year were the investment in, management of, and the performance of, development and construction services and funds management in relation to retail property. There were no significant changes in the nature of those activities during the Financial Year.

Subsequent Events

The Westfield Group Merger became effective on 2 July 2004 and was implemented on 16 July 2004. Details of the Merger are provided in Note 37 in the Notes to the Financial Statements (pages 57 to 58).

Future Developments

Likely developments in the Group's operations in future financial years and the expected results of those operations are described in the Directors' Review, at page 3.

Environmental Performance

Environmental laws and regulations are applicable to areas of the Group's operations and in particular to its development, construction and shopping centre management activities. The Group has in place procedures to identify and meet the necessary levels of compliance with such requirements including, where applicable, obtaining and complying with the conditions of relevant authority consents and approvals and the obtaining of any necessary licences. These compliance procedures are regularly reviewed and audited and their application closely monitored.

Dividends

The following dividends were paid to Members during the Financial Year:

13.55 cents per share final dividend (50% franked at the corporate tax rate of 30%) for the six months ended 30 June 2003, paid 30 September 2003	$76,595,462
15.34 cents per share interim dividend (50% franked at the corporate tax rate of 30%) for the six months ended 31 December 2003, paid 30 March 2004	$86,728,347

The following final dividend was declared for payment to Members with respect to the Financial Year, and paid on 31 August 2004.

13.58 cents per share final dividend (50% franked at the corporate tax rate of 30%) for the six months ended 30 June 2004, paid 31 August 2004	$77,431,720

The Directors

The names of the Directors in office and the relevant interests of each Director in ordinary stapled securities in the Westfield Group as at the date of this Report are shown below. Ordinary shares in the company were stapled to units in Westfield Trust and Westfield America Trust as part of the Merger. The stapled securities trade on the Australian Stock Exchange under the code WDC.

There was no change to the Board membership during the Financial Year. However, on 13 July 2004, after the end of the Financial Year, Mr RA Ferguson resigned from the board and Mr RL Furman, Mr JB Studdy AM and Dr GH Weiss were appointed to the Board.

Director	Number of Stapled Securities
FP Lowy, AC DH Lowy, AM PS Lowy SM Lowy	166,450,338
RL Furman	–
DM Gonski, AO	149,212
FG Hilmer, AO	189.433
SP Johns	1,817,567
JB Studdy, AM	38,573
GH Weiss	–
DR Wills, AO	20,000
CM Zampatti, AM	221,654

Note: None of the directors hold options over any issued or unissued stapled securities in the Westfield Group.

Details of the qualifications, experience and special responsibilities of each of the Company's Directors are set out on pages 4 to 5 of this Annual Report.

The number of Directors' meetings, including meetings of Committees of the Board of Directors, held during the Financial Year and the number of those meetings attended by each of the Directors of the Company are shown below:

	Number of Meetings Held:
Board of Directors:	10
Audit & Compliance Committee:	4
Remuneration Committee:	4
Nomination Committee:	1
Due Diligence Committee:	8

	Board		Audit & Compliance		Remuneration		Nomination		Due Diligence	
Directors:	A	B	A	B	A	B	A	B	A	B
FP Lowy, AC	10	10	–	–	3	3	1	1	–	–
DH Lowy, AM	10	10	–	–	–	–	–	–	–	–
PS Lowy	10	9	–	–	–	–	–	–	–	–
SM Lowy	10	10	–	–	–	–	–	–	–	–
RA Ferguson	10	9	–	–	4	4	–	–	–	–
DM Gonski, AO	10	10	4	4	4	4	1	1	8	8
FG Hilmer, AO	10	10	4	4	4	4	–	–	–	–
SP Johns	10	10	2	2	–	–	–	–	8	8
DR Wills, AO	10	10	–	–	–	–	1	1	–	–
CM Zampatti, AM	10	10	–	–	–	–	1	1	–	–

Key: A – Meetings eligible to attend
B – Meetings attended

DIRECTORS' REPORT CONTINUED

for the year ended 30 June 2004

Emoluments

The Group's remuneration policies are designed to attract and retain high calibre Directors and senior executives capable of meeting the specific management needs of the Group.

Within that framework, the Remuneration Committee of the Board reviews the remuneration packages and other terms of employment for Executive Directors and relevant senior executives. The Remuneration Committee is concerned to ensure that, in line with market practice, remuneration packages are structured so as to include an appropriate balance of base salary, medium term incentive (by way of annual bonus) and, in appropriate cases, long term incentive (by way of participation in the Company's option and share plans). In determining the level of annual incentive payments, regard is had to the Group's performance during the period under consideration, as well as to the individual's performance and the performance of relevant operational divisions.

Fees paid to Non-Executive Directors are determined by the Board within the current maximum aggregate limit set by Members. Directors' fees are reviewed annually by the Board within that limit, taking into consideration the level of fees paid to Non-Executive Directors by companies of a similar size and stature.

Details of the emolument of each Non-Executive Director, Executive Director and the five additional Executive Officers receiving the highest emoluments are detailed below together with the details of share options issued during the Financial Year.

	FEES[1] $	SALARY[2] PACKAGE[4] $	ANNUAL[3] INCENTIVE[4] $	SUPER-ANNUATION CONTRI-BUTIONS $	OTHER BENEFITS $	AMORTISATION OF SHARE OPTIONS[5] $	TOTAL $	NO. OF OPTIONS ISSUED[6]	EXERCISE PRICE $
Non-Executive Directors									
SP Johns	103,800	120,894	100,000	57,788	315,000	262,252	959,734		
FG Hilmer, AO	110,000			70,000			180,000		
DH Lowy, AM	90,000			70,000		655,630	815,630		
DM Gonski, AO	72,500			70,000			142,500		
RA Ferguson	65,000			70,000			135,000		
DR Wills, AO	60,000			70,000			130,000		
CM Zampatti, AM	60,000			70,000			130,000		
Executive Directors									
FP Lowy, AC		1,213,879	13,400,000		78,132[7]		14,692,011		
PS Lowy*		1,192,815	3,508,280			655,630	5,356,725		
SM Lowy		850,000	3,650,000			655,630	5,155,630		
Executive Officers									
K Wong*		767,563	701,656		38,392[10]	3,402,662	4,910,273	400,000[6]	13.55
M Teperson		733,200	1,000,000		337,000[8]	2,624,305	4,694,505		
P Allen**		849,718	731,707		194,172[9]	2,633,102	4,408,699		
P Schwartz*		970,471	561,325		32,057[10]	2,158,076	3,721,929		
R Green*		1,437,683	1,929,554				3,367,237		

* These individuals are based in the USA, and the amounts shown were determined under US$ denominated service arrangements.

** This individual was based in the UK, and the amounts shown were determined under a GBP denominated service arrangement.

These US$ and GBP amounts were translated in the Financial Statements at the average exchange rates for the period. (US$: 0.7126, GBP: 0.4100)

(1) Fees (being base fees and committee fees) paid and payable in respect of the Financial Year.

(2) Salary is the total remuneration package (inclusive of superannuation contributions, benefits in kind and fringe benefits tax thereon) paid and payable in respect of the Financial Year.

(3) Annual incentive includes all amounts paid and payable in respect of the Financial Year.

(4) Salary and annual incentives includes amounts paid to the Director/Executive Officer or to entities affiliated with the Director/Executive Officer for services provided by the Director/Executive Officer.

(5) Amortisation of share options for the period. It also includes the accelerated share option amortisation as disclosed in Note 32(c).

(6) These options were granted during the year pursuant to the Company's Executive Option Plan which was established in accordance with the Listing Rules of the Australian Stock Exchange Limited and approved by Shareholders at the 1998 Annual General Meeting. The exercise price for the options was set at 105% of the market value of the Company's shares at the time the options were granted. The Company's policy is not to ascribe values to options granted with an exercise price at or above market price.

(7) Amounts accrued in accordance with Service Agreement in respect of the Financial Year. The amount payable on retirement is subject to the provisions of the Service Agreement and the Corporations Act.
(8) Amounts accrued in relation to the expiration of Service Agreement with the Company which will be on 30 September 2004.
(9) Amortisation of loan and fringe benefits tax.
(10) Dividend on restricted share awards.

Options

Details of the unissued ordinary stapled securities in the Westfield Group under options as at the date of this Report are provided in Note 17 in the Notes to the Financial Statements (pages 21 to 29).

Details of fully paid ordinary shares in the Company which were issued during or since the end of the Financial Year as a result of the exercise of options over unissued shares are provided in Note 17(c) in the Notes to the Financial Statements (pages 29 to 31).

Indemnities and Insurance Premiums

Subject to the following, no indemnity was given or insurance premium paid during or since the end of the Financial Year for a person who is or has been an officer or auditor of the Group.

The Company's Constitution provides that a person who is or has been a Director or Secretary of the Company is entitled to be indemnified out of the property of the Company against liabilities by the person in that capacity and for all legal costs incurred in defending or resisting (or otherwise in connection with) proceedings in which the person becomes involved because of that capacity unless the Company is forbidden by statute to indemnify the person or an indemnity by the Company of the person would, if given, be made void by statute.

The Group has paid premiums for directors' and officers' liability insurance in respect of Directors, Secretaries and Executive Officers of the Group as permitted by the Corporations Act 2001 (Cwlth). The terms of the insurance policy prohibit disclosure of details of the nature of the liabilities covered by, and the amounts of the premiums payable under, that insurance policy.

Company Secretaries

As at the date of this Report, the Company had the following Secretaries:

Ms Maureen T McGrath

Ms McGrath holds Bachelor of Jurisprudence and Bachelor of Laws degrees. She has been a Secretary of the Company since July 2002. Ms McGrath has practised as a solicitor and corporate lawyer for over 16 years and was a solicitor and later a senior associate with Mallesons Stephen Jaques for 11 years before joining Westfield in 2000.

Mr Simon J Tuxen

Simon Tuxen joined Westfield in July 2002 as Group General Counsel and Company Secretary. Mr Tuxen holds a Bachelor of Laws degree, and has practised as a solicitor and corporate lawyer for over 20 years. Prior to joining Westfield, he was the General Counsel of BIL International Limited in Singapore and the Group Legal Manager of the Jardine Matheson Group in Hong Kong. Mr Tuxen was a partner with Mallesons Stephen Jaques from 1987 to 1993.

DIRECTORS' REPORT CONTINUED

for the year ended 30 June 2004

Directors' directorships of other listed companies

The following table sets out the directorships of other listed companies, and the time for which each directorship has been held, held by the Company's directors during the 3 years preceding the end of the Financial Year and up to the date of this Report:

Director	Company	Date Appointed	Date Resigned
FP Lowy, AC	Westfield Management Limited[i]	16 January 1979	Continuing
	Westfield America Management Limited[ii]	20 February 1996	Continuing
	Daily Mail & General Trust plc	14 December 1994	Continuing
DH Lowy, AM	Westfield Management Limited[i]	18 February 1982	29 May 2002
		13 July 2004	Continuing
	Westfield America Management Limited[ii]	20 February 1996	29 May 2002
		13 July 2004	Continuing
PS Lowy	Westfield Management Limited[i]	1 May 1986	Continuing
	Westfield America Management Limited[ii]	20 February 1996	Continuing
SM Lowy	Westfield Management Limited[i]	28 June 1989	Continuing
	Westfield America Management Limited[ii]	20 February 1996	Continuing
RA Ferguson	Westfield Management Limited [i]	11 April 1994	29 May 2002
	Westfield America Management Limited[ii]	22 February 1996	29 May 2002
RL Furman	Westfield America Management Limited[ii]	29 May 2002	Continuing
	Westfield Management Limited[i]	13 July 2004	Continuing
DM Gonski, AO	Westfield Management Limited[i]	11 November 1985	29 May 2002
		13 July 2004	Continuing
	Westfield America Management Limited[ii]	20 February 1996	29 May 2002
		3 July 2004	Continuing
	Coca-Cola Amatil Limited	1 October 1997	Continuing
	John Fairfax Holdings Limited	29 September 1993	Continuing
	Australia and New Zealand Banking Group Limited	7 February 2002	Continuing
FG Hilmer	Westfield Management Limited[i]	19 August 1991	29 May 2002
		13 July 2004	Continuing
	Westfield America Management Limited[ii]	20 February 1996	29 May 2002
		13 July 2004	Continuing
	John Fairfax Holdings Limited	9 November 1998	Continuing
SP Johns	Westfield Management Limited[i]	11 November 1985	Continuing
	Westfield America Management Limited[ii]	20 February 1996	Continuing
	Brambles Industries Limited	1 August 2004	Continuing
	Brambles Industries plc	1 August 2004	Continuing
JB Studdy, AM	Westfield Management Limited[i]	1 January 2004	Continuing
	Westfield America Management Limited[ii]	1 January 2004	Continuing
	Angus & Coote (Holdings) Limited	23 March 1999	Continuing
	Ten Network Holdings Limited	4 June 1998	Continuing
	Crane Group Limited	3 December 1984	22 October 2001

(i) Westfield Management Limited as responsible entity for Westfield Trust and Carindale Property Trust, both listed managed investment schemes.

(ii) Westfield America Management Limited as responsible entity for Westfield America Trust, a listed managed investment scheme.

Director	Company	Date Appointed	Date Resigned
GH Weiss	Westfield Management Limited[i]	29 May 2002	Continuing
	Westfield America Management Limited[ii]	13 July 2004	Continuing
	Ariadne Australia Limited	28 November 1989	Continuing
	Guinness Peat Group plc	31 March 1993	Continuing
	Tower Limited	27 March 2003	Continuing
	Capral Aluminium Limited	25 November 2003	Continuing
	Canberra Investment Corporation Limited	27 September 1995	Continuing
	Western Metals Limited	18 July 2001	1 November 2002
	Tag Pacific Limited	1 October 1988	Continuing
	Premier Investments Limited	11 March 1994	Continuing
	Coats plc[iii]	15 April 2003	Continuing
	GPG (UK) Holdings plc	31 March 1993	16 December 2002
DR Wills, AO	Westfield Management Limited[i]	1 September 1994	29 May 2002
		13 July 2004	Continuing
	Westfield America Management Limited[ii]	20 February 1996	29 May 2002
		13 July 2004	Continuing
	John Fairfax Holdings Limited	4 October 1994	Continuing
	Transfield Services Limited	6 March 2001	Continuing
CM Zampatti, AM	Westfield Management Limited[i]	8 April 1997	29 May 2002
		13 July 2004	Continuing
	Westfield America Management Limited[ii]	8 April 1997	29 May 2002
		13 July 2004	Continuing

(i) Westfield Management Limited as responsible entity for Westfield Trust and Carindale Property Trust, both listed managed investment schemes.

(ii) Westfield America Management Limited as responsible entity for Westfield America Trust, a listed managed investment scheme.

(iii) Coats plc (now known as Coats Holdings Ltd) delisted from the London Stock Exchange in 2003, but maintains a listing of its preference shares.

Note: Westfield Management Limited became responsible entity of Carindale Property Trust on 21 December 2000

Audit and Compliance Committee

As at the date of this Report, the Company had an Audit and Compliance Committee of the Board of Directors.

Rounding

The Company is of a kind referred to in Australian Securities & Investments Commission Class Order 98/0100 dated 10 July 1998. Accordingly, amounts in the Directors' Report, the Financial Statements and the Notes thereto have been rounded to the nearest thousand dollars.

This Report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.

FP Lowy, AC
Chairman

SP Johns
Director

23 September 2004

CORPORATE GOVERNANCE

Westfield Holdings Limited ("Westfield Holdings"), through its Board and its executives recognises the need to establish and maintain corporate governance policies and practices which reflect both the requirements of the market and those who regulate the market and the expectations of members and others who deal with the Westfield Group. These policies and practices will remain under constant review as the corporate governance environment and good practice evolve.

On 25 June 2004, the members of each of Westfield Holdings, Westfield Trust and Westfield America Trust approved the merger of the three entities to create the Westfield Group. The merger became effective on 2 July 2004. Following the merger, the various charters and policies adopted by Westfield Holdings will be extended to Westfield Trust and Westfield America Trust.

This Statement outlines Westfield Holdings' main corporate governance practices during the year ended 30 June 2004 and addresses the recommendations of the ASX Corporate Governance Council and the extent of Westfield's compliance with them as at the end of the year. During the past financial year Westfield Holdings finalised documenting policies and charters required to comply with the Council's recommendations. As at the end of the 2004 financial year Westfield Holdings has achieved substantial compliance with the recommendations.

This Report also includes a summary of the findings of an independent assessment by Cameron Ralph Pty Ltd regarding the capabilities and effectiveness of the Westfield Holdings' Board.

A summary of Westfield Holdings' compliance with the ASX Corporate Governance Council's recommendations appears at the end of this Report. Additionally, corporate governance documentation, including charters and relevant corporate policies and codes, can be found on the *westfield.com* website.

Principle 1: Lay solid foundations for management and oversight

1.1 Functions of Board and Management

In June 2004, the Board of Westfield Holdings adopted and published a document setting out matters reserved to it. Specifically, the Board reserved its authority over the following matters except where such matters are expressly delegated to a committee of the Board, a managing director or another nominated member of the senior management team:

- strategy & direction;
- financial controls, compliance & risk management;
- corporate structure;
- appointment of directors, a managing director, the chief financial officer, company secretary and the external auditor;
- the manner and limits of delegation of authority;
- significant policies affecting the Group as a whole; and
- corporate governance matters.

The listing of matters reserved for the Board, which is available on the *westfield.com* website, formally sets out what has been the practice of the Board over a number of years.

At the same time, the Board also adopted a Board Charter which sets out the objectives, responsibilities and framework for the operation of the Board.

As part of the induction process, directors sign a letter of appointment which sets out the key terms and conditions on which each director is appointed. This letter sets out a procedure by which directors are able to take independent professional advice, if necessary, at the Company's expense. Directors are encouraged to direct any enquiries or requests for additional information to the company secretary, who will facilitate a response to the query and/or provide the director with the requested information.

Principle 2: Structure the Board to add value

2.1 Independent directors

During the course of the 2003/2004 financial year, the Westfield Holdings Board comprised 10 directors. Of these directors, five were considered by the Board to be independent directors. The composition of the Board is set out in the table below:

Name	Position Held	Independent (Y/N)	First Appointed to Board	Length of tenure @ 30/6/04
Frank P Lowy, AC[1]	Executive Chairman	N	1960	44 years
Frederick G Hilmer, AO	Deputy Chairman/Non-Executive Director	Y	1991	12 years
David H Lowy, AM	Non-Executive Deputy Chairman	N	1981	23 years
Robert A Ferguson	Non-Executive Director	Y	1994	10 years
David M Gonski, AO	Non-Executive Director	Y	1985	18 years
Stephen P Johns[2]	Non-Executive Director	N	1985	18 years
Peter S Lowy	Managing Director/Executive Director	N	1987	16 years
Steven M Lowy	Managing Director/Executive Director	N	1989	15 years
Dean R Wills, AO	Non-Executive Director	Y	1994	9 years
Carla M Zampatti, AM	Non-Executive Director	Y	1997	7 years

(1) this includes Mr Lowy's service on the Boards of predecessor vehicles.

(2) with effect from 1 October 2003, Mr Johns resigned as an executive of Westfield and became a non-executive director of the Board.

Biographies of the directors are included in the section on the Board of Directors in this Annual Report.

The Board Charter requires that the Board regularly assess the independence of each director in light of the terms of the Board Charter, the interests they have disclosed and such other factors as the Board determines are appropriate to take into account. In making this determination the Board is seeking to assess whether directors are:

- independent of management; and
- free of any business or other relationship that could materially interfere or be perceived to materially interfere with their unfettered and independent judgement; and
- capable of making decisions without bias and which are in the best interests of all shareholders.

A non-executive director will not be regarded as an independent director unless that director:

(a) is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;

(b) within the last three years has not been employed in an executive capacity by any member of the Group, or been a director after ceasing to hold any such employment;

(c) within the last three years has not been a partner or a senior management executive with audit responsibilities of a firm which has acted in the capacity of statutory auditor of any member of the Group;

(d) within the last three years has not been a principal, employee or consultant of a material professional adviser to any member of the Group – for this purpose a material professional adviser is an adviser whose billings to the Group exceed 5% of the adviser's total revenues;

(e) is not a principal, employee or associate of a material supplier to, or material customer of, any member of the Group – for this purpose a material supplier to the Group means a supplier whose revenues from the Group exceed 5% of the supplier's total revenues. A material customer is a customer whose payments to the Group exceed 5% of the customer's operating costs;

(f) has no material contractual relationship with any member of the Group other than as a director of the Company; and

(g) is free from any interest and any business or other relationship which could materially interfere with the director's ability to act in the best interests of the Group and independently of management.

CORPORATE GOVERNANCE CONTINUED

As regards the non-executive directors, applying the criteria set out in the Board Charter, the Board reached the following conclusions:

- Mr David Lowy was not independent given that he has declared an interest as an associate of a substantial shareholder.
- Mr Stephen Johns was not independent (following his resignation as an executive) given his recent and long standing executive role with the Westfield Group.
- Mr Frederick Hilmer, Mr Robert Ferguson, Mr David Gonski, Mr Dean Wills and Ms Carla Zampatti are all independent directors. In making this determination the Board noted that Mr Gonski is Chairman of Investec Bank Australia Limited (Investec) which provides advisory services to the Company. The fees totalled $1,075,012 in the financial year ended 30 June 2004. The fees are charged on arm's length terms and on commercial terms no more favourable than those available to other advisers providing similar services. The Board noted that in transactions and other matters on which advice was sought from Investec, it was usual for Investec to be acting as one of a number of advisers in relation to the issues under consideration. The Board also noted that the fees derived by Investec represented considerably less than 5% of the total revenues of Investec operations in Australia in the same period and an even smaller percentage of the revenues of the global Investec group. The Board considered that the consultancy arrangement with Investec was not a material contractual relationship to the Company or to Investec, such as might give rise to any actual or perceived loss of independence on the part of Mr Gonski.

Since the end of the 2003/2004 financial year and as a consequence of the merger of Westfield Holdings, Westfield Trust and Westfield America Trust, a new 13 member Board has been established. The new Board, which is common to each of the three stapled entities, comprises 13 directors, 8 of whom are considered to be independent.

The composition of the enlarged Westfield Holdings Board includes the directors listed above (with the exception of Mr R A Ferguson, who resigned on 13 July 2004) in addition to the directors set out below:

Name	Position Held	Independent (Y/N)	First Appointed to Board
Roy L Furman	Non-Executive Director	Y	2004
John B Studdy, AM	Non-Executive Director	Y	2004
Francis T Vincent	Non-Executive Director	Y	See[1]
Gary H Weiss	Non-Executive Director	Y	2004

(1) Mr Vincent will be nominated for election to the Westfield Holdings Board at the next Annual General Meeting of the Company.

Following the establishment of a Westfield Group Board which is common to each of the stapled entities, all non-executive directors have signed a letter of appointment which, amongst other things, places an onus on each independent director to disclose immediately to the Board any matter or circumstance which he/she believes may impact his/her status as an independent director. Where the Board concludes that a director has lost his/her status as an independent director, that conclusion will be advised to the market.

2.2 Chairperson and independence

Westfield Holdings notes the ASX Corporate Governance Council recommendations that listed companies have an independent director as chairman and that the roles of chairman and chief executive officer are not held by the same person. Notwithstanding this recommendation, and for the reasons set out below, the Board believes that Mr Frank Lowy is the most appropriate person to act as chairman of the Board of Westfield Holdings notwithstanding that he is the chief executive officer of the Company and is not an independent director.

Mr Lowy was the co-founder of Westfield and has overseen the success of the Company since 1960. With over 40 years direct experience in the design, construction and management of shopping centres and associated fund and asset management, Mr Lowy's experience and reputation is unparalleled in the industry.

Mr Lowy's knowledge of Westfield, its history, its growth and of the broader industry, both locally and internationally, place him in a unique position to lead the Board and the Westfield Group. For this reason, the Board takes the view that it is in the best interests of shareholders that Mr Lowy, with his background and experience, be the chairman and chief executive officer of Westfield Holdings.

In arriving at this view, the Board has also noted the following matters:

- the appointment of Mr Hilmer, the deputy chairman, as the lead independent director. Where necessary, Mr Hilmer will act as a liaison point for independent directors and confer with the chairman and with independent directors on Board matters;
- there is now a majority of independent directors serving on the Board; and
- the delegation of certain responsibilities to Board committees, the chairman being a member of the Nomination Committee only.

2.3 Nomination Committee

In December 2003, the Board established a Nomination Committee.

The Committee comprises the following members:

Name	Position Held	Status
Frank P Lowy, AC	Chairman	Executive Director
David M Gonski, AO	Member	Independent Director
Dean R Wills, AO	Member	Independent Director
Carla M Zampatti, AM	Member	Independent Director

The Committee met once in the 2004 financial year. All members of the Committee attended that meeting.

The Nomination Committee is responsible for advising the Board on the appointment of suitably qualified directors who are able to meet the needs of the Westfield Group and the ongoing evaluation and review of the performance of the Board.

The functions undertaken by the Committee in discharging that responsibility include:

- assessing the skills of current Board members against the collective skill set required by the Board;
- making recommendations to the Board regarding its composition and reviewing the effectiveness of the Board;
- identifying suitable candidates to fill Board vacancies; and
- ensuring the existence of proper succession planning processes and plans for the Board and other senior executive positions.

A Charter for the Nomination Committee has been approved by the Board and appears in the Corporate Governance section of the *westfield.com* website.

As advised to members in the Explanatory Memorandum issued in connection with the merger, the directors appointed to the new Westfield Group Board were selected from those directors sitting on the boards of Westfield Holdings and the responsible entities of Westfield Trust and Westfield America Trust. Those directors were recommended by the Nomination Committee and approved by the Board on the basis of their professional and business backgrounds, their experience with, and previous contribution to, the business of the Westfield Group and their expertise in international markets.

Future recommendations regarding the appointment of additional directors will be made by the Nomination Committee and considered by the Board having regard to:

- the assessment made on the skill set required to discharge the responsibilities of the Board compared with the skills currently represented on the Board;
- the current strategic direction of the Westfield Group and the consequent need to consider skills which may be required in the future;
- the suitability of available candidates identified following an appropriate search process undertaken in the context of a detailed description of the role and capabilities required for a particular appointment.

Recommendations made by the Nomination Committee will be considered by the Board which will retain an unfettered discretion on the appointment of a director to fill a casual vacancy prior to the formal election of that director by members in general meeting.

CORPORATE GOVERNANCE CONTINUED

Principle 3: Promote ethical and responsible decision making

3.1 Code of Conduct

In June 2004, the Board approved and adopted a Directors' Code of Conduct, which formalised long standing and well understood ethical principles practised by Westfield Holdings' directors.

The Code of Conduct covers personal conduct, situations of conflict of interest, confidentiality and director independence. A copy of the Code of Conduct appears in the Corporate Governance section of the *westfield.com* website.

The conduct of all Westfield employees is governed by a set of core principles which incorporate the fundamental principles to which employees are expected to adhere when dealing with other staff members, customers and retailers, shareholders and the community. These values include requirements that Westfield staff, at all times:

- act with honesty and integrity and welcome a diversity of people;
- create a healthy and safe work environment;
- meet the commitments of the Westfield Group;
- examine ways to improve processes in a manner which adds value;
- provide shareholders with sustainable superior returns;
- constantly seek new opportunities for growth;
- conduct our activities in an environmentally responsible manner; and
- contribute expertise and resources to promote positive change in the community.

Westfield's core principles are supplemented by the staff Code of Conduct which is issued to all employees at the time of joining the Group and which deals in broad terms with issues such as:

- the high standards of personal conduct and ethical behaviour expected of all employees;
- the duty of employees to avoid conflicts of interest which may arise if the employee or any person or entity associated with that employee has a business arrangement or relationship with a Group company outside their normal employment relationship;
- the duty of employees to maintain confidentiality with respect to the Group's information and information provided by our retailers and customers;
- the duty of employees to avoid discrimination against any person; and
- the Group's policy prohibiting harassment in any form.

3.2 Security Trading Policy

All directors and employees are subject to Corporations Act restrictions on buying, selling or subscribing for securities in the Westfield Group or any listed entity in respect of which a Group company is the responsible entity if they are in possession of price sensitive information (ie. information which a reasonable person would expect to have a material impact on the price or value of the relevant security) which has not been published.

In addition, certain employees are required to obtain a clearance notice prior to trading in a Westfield Group security and are prohibited from doing so in certain defined black-out periods which include the period of preparation of half-year and full-year results.

The Board adopted a Security Trading Policy in June 2004. A summary of that policy appears in the Corporate Governance section of the *westfield.com* website.

Principle 4: Safeguard integrity in financial reporting

4.1 Attestation of true and fair view

For the financial year ended 30 June 2004, Westfield Holdings has put in place a process whereby the managing directors and group chief financial officer have stated in writing to the Board that the Company's financial statements present a true and fair view, in all material respects, of the Company's financial condition and operational results and have been prepared in accordance with the relevant accounting standards.

This statement will be requested from the relevant executives in future years at the time of the consideration and approval of the full-year result.

4.2 Audit & Compliance Committee

Westfield Holdings has an established Audit & Compliance Committee.

Until December 2003, the Audit & Compliance Committee comprised two independent, non-executive directors, Mr FG Hilmer and Mr DM Gonski.

From January 2004, Mr SP Johns, a non-executive director, was appointed as an additional member of the Audit & Compliance Committee. On 13 July 2004, Mr JB Studdy, an independent non-executive director, was appointed as a fourth member of that Committee.

Consequently, at the date of this Annual Report, the composition of the Audit & Compliance Committee is as set out in the table below:

Name	Position Held	Status
Frederick G Hilmer, AO	Chairman	Independent Director
David M Gonski, AO	Member	Independent Director
Stephen P Johns	Member	Non-Executive Director
John B Studdy, AM	Member	Independent Director

The Committee met four times in the 2004 financial year. All members of the Committee (at the relevant times) attended those meetings.

The primary function of the Audit & Compliance Committee is to ensure that an effective internal control framework exists within the Group, through the establishment and maintenance of adequate internal controls to safeguard the assets of the business and to ensure the integrity and reliability of financial and management reporting systems.

Compliance officers have been appointed for the Australian, United States, United Kingdom and New Zealand operations of the Group. Those officers are responsible for reviewing and monitoring the efficacy of compliance systems within the Group on an ongoing basis to ensure appropriate measures are in place to educate staff as to their compliance responsibilities, and to report to the Audit & Compliance Committee on those matters.

A Charter for the Audit & Compliance Committee was approved by the Board in June 2004. Amongst other things, the Charter sets out the objectives and responsibilities of the Audit & Compliance Committee, which are listed below.

The Audit & Compliance Committee:

- reviews and reports to the Board on the half-year and annual reports and financial statements of the Group;
- is responsible for making recommendations regarding the appointment, evaluation and removal of the Company's external auditor and reviewing and reporting to the Board on the adequacy, scope and quality of the annual statutory audit and half-year audit review and generally on the integrity and reliability of the financial statements;
- reviews the effectiveness of the Group's internal control environment, including the effectiveness of internal control procedures;
- monitors and reviews the reliability of financial reporting;
- monitors and reviews the compliance of the Group with applicable laws and regulations;
- monitors the scope of the internal audit function to ensure that its resources are adequate and used effectively, including the co-ordination of the internal and external audit functions;
- monitors the adequacy and effectiveness of compliance systems in relation to the legal exposures of the Group.

CORPORATE GOVERNANCE CONTINUED

The Audit & Compliance Committee meets with external auditors at least twice each year (and more frequently if required) to review the adequacy of existing external audit arrangements and the scope of the audit. The internal and external auditors have a direct line of communication at any time to either the chairman of the Audit & Compliance Committee or the chairman of the Board.

Under the terms of the Charter the senior audit engagement partner must rotate every five years. The Committee requires that a succession plan be presented to it by the external auditor at least one year prior to the rotation.

The Audit & Compliance Committee reports to the full Board after each Committee meeting.

The internal and external auditors, the chief financial officer and the group compliance officer are invited to attend Audit & Compliance Committee meetings at the discretion of the Committee. At least annually, the Audit & Compliance Committee meets with the internal auditor and external auditors without management being present.

Annexed to the Audit & Compliance Committee Charter is the Charter of Audit Independence which is intended to ensure that the Company's external auditor carries out its functions in a manner which is demonstrably independent of the Westfield Group. The Audit Independence Charter sets out some key requirements in the relationship between the external auditor and the Company (including issues such as partner rotation) and defines the scope and value of the non-audit services which may be provided by the external auditor to the Westfield Group without impacting the actual or perceived independence of the external auditor. The Charter also requires an annual confirmation by the external auditor regarding compliance with the terms of the Charter and a variety of other issues which impact the actual and perceived independence of the external auditor.

The Audit & Compliance Committee Charter (incorporating the Audit Independence Charter) appears in the Corporate Governance section of the *westfield.com* website.

Principle 5: Make timely and balanced disclosure

5.1 Continuous Disclosure

In June 2004, Westfield Holdings approved a Continuous Disclosure Policy which formalised existing practices and procedures in relation to the fulfilment of, and compliance with, continuous disclosure obligations imposed by the ASX Listing Rules and Corporations Act.

The Policy underlines Westfield's commitment to ensuring that Westfield's members and the market are provided with high quality, relevant and accurate information regarding its activities in a timely manner and that investors generally are able to trade in Westfield securities in a market which is efficient, competitive and informed as well as ensuring that market participants have an equal opportunity to review and assess information disclosed by Westfield.

The Policy includes a vetting and authorisation process so that all disclosures are factual, do not omit material matters and are expressed in a clear and objective manner.

The Continuous Disclosure Policy appears in the Corporate Governance section of the *westfield.com* website.

Principle 6: Respect the rights of shareholders

6.1 Communications with Shareholders

For some time, Westfield Holdings has used its website as a means of providing information to members and the broader investment community. A section of this website is dedicated to Westfield's investors. Media releases, investor presentations and full-year and interim financial reports are available for review on the *westfield.com* website. These announcements, presentations and reports are placed on the website shortly after they have been released to the ASX. An archive of announcements, presentations and reports is retained on the website for at least three years. Investors with access to e-mail can, through the *westfield.com* website, elect to be placed on an e-mail mailing list in order to be sent certain corporate information as it is released.

Also available for review on the *westfield.com* website are notices of members' meetings and explanatory documents issued by Westfield in respect of those meetings. These are also retained on the website for at least three years.

As the usage and acceptance of electronic communication in the community increases, Westfield Holdings will work closely with its share registrar to investigate the increased use of electronic means of communicating with its investors.

6.2 Attendance at Annual General Meeting by Auditor

It has been the practice of Westfield Holdings for some years for the external auditor to be present at the Annual General Meeting to address, if required, any issues raised concerning the audit of the financial statements. Pursuant to the Corporations Act, the relevant audit partners of the external auditor are sent the notice of meeting and related documentation at the same time as these documents are despatched to the members.

Principle 7: Recognise and manage risk

7.1 Risk oversight and management

In June 2004, the Board of Westfield Holdings established a Risk Management Committee. Following completion of the merger, the initial appointments to that Committee were made on 13 July 2004. Aspects of the work of this Committee had previously been undertaken by the Audit & Compliance Committee. However, with the increased focus on risk management issues and compliance and control generally, the Board took the view that following the merger, a dedicated Risk Management Committee would best serve the needs of the Group.

The responsibilities of the Committee are detailed in the Risk Management Committee Charter.

The objective of the Committee is to assist the Board in fulfilling its corporate governance responsibilities by monitoring and reviewing the corporate policies for identifying and managing relevant risks associated with the business of the Group and the adequacy of the Group's practices and procedures in implementing those policies. This includes monitoring and reviewing:

(a) the Group policies established by management regarding risk oversight and risk management which should be incorporated in a Risk Management and Oversight Policy;

(b) the appropriateness of the Risk Management and Oversight Policy and internal control systems adopted by the Group;

(c) the Group's continuing processes for:

 (i) the identification of material financial, legal and operational risks associated with the conduct of the business of the Group;

 (ii) the maintenance of appropriate internal control systems designed to manage key risk areas;

 (iii) assessing the above matters in conjunction with management and the internal and external auditors; and

 (iv) monitoring and reporting against compliance with the Risk Management and Oversight Policy.

As at the date of this Annual Report, the composition of the Risk Management Committee is as set out in the table below:

Name	Position Held	Status
David H Lowy, AM	Chairman	Non-Executive Director
Stephen P Johns	Member	Non-Executive Director
Gary H Weiss	Member	Independent Director

The Charter of the Risk Management Committee appears in the Corporate Governance section of the *westfield.com* website.

7.2 Statement on the integrity of the financial statements

Commencing with the financial statements of Westfield Holdings for the financial year ended 30 June 2004, both the managing directors and the group chief financial officer, confirmed in writing to the Board, at the time the financial statements were being considered for approval by the Board, that the financial statements presented a true and fair view, and that this assertion is founded on a sound system of financial risk management and internal compliance and control which implements the policies adopted by the Board and that further, the Company's financial risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

The confirmation received in respect of the financial year ended 30 June 2004 notes that, following an examination by Ernst & Young, the Company is in the process of implementing a number of enhancements to its existing risk management framework. These enhancements are expected to be introduced progressively under the guidance of the Risk Management Committee. The principal task being undertaken by the Company is to document a Risk Management and Oversight Policy which defines and consolidates the current risk management practices of the Westfield Group and provides a framework for regular review of those practices.

CORPORATE GOVERNANCE CONTINUED

The Board receives regular reports from management, the Audit & Compliance Committee and, moving forward will receive reports from the Risk Management Committee, on areas where there is considered to be significant business risk and on the management of those risks. The internal audit function also monitors these risks and reports to the Audit & Compliance and Risk Management Committees.

Principle 8: Encourage enhanced performance

8.1 Process for performance evaluation of the Board, its committees and individual directors, and key executives

The Board and its Committees

The Nomination Committee has been charged with responsibility for examining Board and director performance on an on-going basis, particularly when determining which directors are to resubmit themselves for election at the time that their term concludes. The role of the Nomination Committee is more fully discussed in 2.3 above. The Committee met once in the year ended 30 June 2004.

The Nomination Committee, having been appointed in December 2003, has not carried out a performance evaluation of the Board during the reporting period. That evaluation was conducted by an independent consultant, Cameron Ralph Pty Ltd, during the first half of the reporting period. Cameron Ralph's assessment is reported at the end of this Corporate Governance Statement. The Nomination Committee will develop and implement its own internal Board performance evaluation in the current financial year.

An induction process exists for new members joining the Westfield Board. New Board members are provided with the opportunity to experience first hand the operations of the Group, and to meet and discuss all aspects of the Group's operations with key members of executive management. As part of the induction process the company secretary provides access to information in areas such as operations, finance, treasury and risk management to assist the new Board member as required.

On an ongoing basis, directors are provided with periodic updates on legal and corporate issues, particularly those pertaining to changes to the Corporations Act, Board issues and corporate governance, tax and accounting developments and other matters of interest.

Management makes regular presentations to the Board and Board Committees on operational, financial, treasury, legal and tax issues of relevance to the Board.

The company secretary is appointed and removed by the Board. The company secretary works with the chairman and the Board on all governance related issues. All directors have access to the company secretary for the purpose of obtaining information or advice.

Key Executives

As regards the performance of executives, Westfield has an established process of objective setting and performance review of all staff. In particular, senior executives who have a discretionary element to their total remuneration package, have set objectives which are agreed at the commencement of each financial year. Their performance against these objectives is assessed each half year in an interview with the manager to whom they report. In that interview, the potential development of that executive is also discussed along with any training required to enhance the prospects of the development objectives being achieved. In the case of the managing directors, an assessment of their performance is undertaken by the Remuneration Committee.

Principle 9: Remunerate fairly and responsibly

9.1 Remuneration Policies

The Group's Remuneration Policy is designed to attract and retain high calibre directors and senior executives capable of meeting the specific management needs of the Group.

Recognising that the Westfield Group operates in a highly competitive global environment, the objective of the Remuneration Committee is to put in place policies and processes which:

- enable the Group to attract and retain key executives who will create sustainable value for members;
- reward executives having regard to the overall performance of the Group, the performance of the executive measured against pre-determined objectives and the external compensation environment;

- align the interests of executives with members; and
- comply with applicable legal requirements and appropriate standards of governance.

The Group's current remuneration structure combines base salary with short term cash incentives and long term equity-based incentives. The total remuneration package of each executive is designed to ensure an appropriate mix of variable pay and short and long term incentives. As executives gain seniority in the Group, the balance of this mix moves to a higher proportion of variable and long term rewards which are considered to be 'at risk' and dependent upon the performance of the Company and of the relevant executive. The view taken by the Remuneration Committee is that this structure places an appropriate premium on performance and helps achieve an alignment between the interests of executives and members.

The policy regarding determination of base pay, the short term variable bonus and long term equity-based incentives is explained in detail in the Notes to the Financial Statements (see Note 32).

Details of the emoluments of all directors, the five executives receiving the highest emoluments and the five executives who have greatest authority within the Company are set out in the Directors' Report and the Financial Statements.

9.2 Remuneration Committee

In 1996, the Westfield Holdings Board established a Remuneration Committee.

Until December 2003, the Remuneration Committee comprised Mr FP Lowy (Chairman), Mr RA Ferguson, Mr DM Gonski and Mr FG Hilmer. In December 2003, Mr Lowy resigned from the Committee and Mr FG Hilmer was appointed chairman. In July 2004, Mr RA Ferguson resigned as a director of Westfield Holdings and Mr RL Furman was appointed as a member of the Remuneration Committee.

Consequently, the composition of the Remuneration Committee at the date of this Annual Report is as follows:

Name	Position Held	Status
Frederick G Hilmer, AO	Chairman	Independent Director
Roy L Furman	Member	Independent Director
David M Gonski, AO	Member	Independent Director

The Committee met four times in the 2004 financial year. All members of the Committee (at the relevant times) attended those meetings.

The responsibilities of the Remuneration Committee include:

- determining and reviewing remuneration policies to apply to members of the Board and to executives within the Group;
- determining the specific remuneration packages for executive directors (including base pay, incentive payments, equity-based plan participation and other contractual benefits);
- reviewing contractual rights of termination for members of the senior executive team to ensure obligations are reasonable;
- reviewing the policy for participation by senior executives in equity-based plans, the total proposed awards to be issued under each plan and the awards to be made to certain executives; and
- administering the equity-based plans as required in accordance with the rules of the plans.

9.3 Structure of non-executive directors' remuneration

Fees paid to non-executive directors are determined by the Board, within the current maximum aggregate limit set by members. Current fees and emoluments are fully disclosed in the Notes to the Financial Statements of the Company (see Note 32). Directors' fees are reviewed annually by the Remuneration Committee and by the Board taking into consideration the level of fees paid to non-executive directors by companies of a similar size and stature.

Non-executive directors may elect to take fees in cash or by salary sacrifice into an equity purchase plan which has been approved by members. The non-executive directors do not participate in schemes designed for the remuneration of executives, nor do they receive options or bonus payments. Non-executive directors receive an annual contribution towards superannuation as disclosed in the Financial Statements. This division of the total fee between a base fee and a superannuation contribution has been discontinued from the commencement of the 2004/2005 financial year. Directors are not entitled to any payment on retirement or resignation.

CORPORATE GOVERNANCE CONTINUED

9.4 Payment of equity-based executive remuneration with thresholds set in plans approved by shareholders.

During the course of the financial year, executive options and executive share awards issued pursuant to the Westfield Executive Option Plan and Westfield Executive Performance Share Plan respectively vested and were exercised by executives.

The Westfield Executive Option Plan and Westfield Executive Performance Share Plan were approved by members at the 2001 Annual General Meeting. A description of these plans and their operation is included in the summary of the Company's Remuneration Policy included in the Financial Statements (see Note 32).

Following the merger, it is anticipated that new long term equity-based incentive plans will be introduced by the Westfield Group.

Principle 10: Recognise the legitimate interests of stakeholders

10.1 Code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

The Westfield Group has developed a Compliance Manual which provides detailed guidance to employees of the Group on the laws applicable in the jurisdiction in which they work and the standards of conduct and the procedures to be adopted to comply with those laws. The Australian Compliance Manual deals with issues such as:

- occupational health and safety;
- trade practices;
- retail tenancy legislation;
- environment;
- Corporations Act and ASX requirements; and
- complaints handling procedures.

The Staff Code of Conduct, which is provided to and acknowledged by all employees who join Westfield, and the Compliance Manual, are each reviewed on a regular basis to ensure they remain current. Compliance seminars to update staff on changes to legal requirements and procedures are conducted on a regular basis and all staff in the relevant divisions are required to attend.

It is the responsibility of each director and employee to understand the Code of Conduct and other policies applicable to them and to bring to the attention of senior management any conduct or activities which may be in breach of those policies so that a proper investigation can be conducted.

Serious breaches of these policies (including matters such as suspicions of fraud or financial impropriety, auditing issues, improper or unethical behaviour or criminal activities) must be reported immediately to a compliance officer in the relevant country or to the group compliance officer for investigation in accordance with the Company's policies. Where appropriate, the police or other regulatory authority will be informed.

Complaints are treated in a confidential manner. No action of any kind will be taken against a Westfield employee, adviser or contractor who, in good faith, makes an allegation against the Company, any employee, adviser or contractor, whether or not that complaint is confirmed by subsequent investigation.

Complaints in relation to alleged breaches of the Company's human resources policies may be reported directly to the St James Ethics Centre for further follow up.

Cameron Ralph Assessment

In December 2003, Cameron Ralph Pty Ltd was commissioned by the Board to complete a comprehensive, independent assessment of the Board of Westfield Holdings Limited.

In undertaking the review, Cameron Ralph Pty Ltd reviewed Board and committee papers and minutes covering a period of two years, including instances of significant transactions. Additionally, Cameron Ralph Pty Ltd submitted surveys to, and met one-on-one with, each director, senior executives and the company secretary to discuss their responses to the surveys on boardroom procedures, decision making processes and related matters.

Cameron Ralph Pty Ltd rated the Board of Westfield Holdings Limited as **SUPERIOR**(2003), that is the Westfield Holdings Limited Board demonstrates superior capabilities across all of the critical elements of board effectiveness*. There is a very low risk of governance negatively impacting on shareholder value.

The Cameron Ralph assessment noted the unique context for Westfield Holdings as a very large listed company with strong founding family presence and a highly focussed and vertically integrated business operating on a global scale.

Areas in which the Board demonstrated greatest strengths included:

- Evidence of effective use of the strong mix of skills present on Board;
- Despite the length of tenure of many directors, evidence of sustained diligence and highly independent thought and action;
- Evidence of non-executive directors' strong influence and, at times, substantial impact on management proposals;
- Highly successful group dynamic that allows vigorous debate and disagreement, yet fosters respect and trust;
- High standard of Board information, bolstered by early airing of ideas and issues, and frequent information updates;
- Disciplined decision processes which focus on the big issues and apply relevant criteria consistently;
- Close monitoring of business key performance indicators and implementation of major decisions.

Areas in which Cameron Ralph made recommendations for improvement were:

- The newly formed Nominations Committee to address Board succession;
- Appointment of an additional independent director to the Board;
- Appointment of a non-executive director as chairman of the Remuneration Committee;
- Improvement to monitoring and performance evaluation processes;
- Strengthening reporting from committees to the Board;
- Adoption of a more formal and robust risk management framework, including the appointment of an additional non-executive director to the Audit & Compliance Committee.

The Board of Westfield has accepted and implemented each of the recommendations made by Cameron Ralph.

* Cameron Ralph considers materials provided by the company and interviews with directors and others, to make this assessment solely of the corporate governance risk with respect to this company at the specified point in time. The rating cannot, and does not, represent either a credit assessment, or an assessment of the company's suitability as an investment, or an assessment with respect to its corporate governance risk at any other time or in changed circumstances.

CORPORATE GOVERNANCE CONTINUED

ASX Corporate Governance Council Best Practice Recommendations

	ASX Principle	Reference*	Comply (Y/N)
Principle 1:	**Lay solid foundations for management and oversight**		
1.1	Formalise and disclose the functions reserved to the board and those delegated to management	1.1	Yes
Principle 2:	**Structure the Board to add value**		
2.1	A majority of the board should be independent directors	2.1	No[1]
2.2	The chairperson should be an independent director	2.2	No
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual	2.3	No
2.4	The board should establish a nomination committee	2.4	Yes
2.5	Provide the information indicated in the Guide to reporting on Principle 2	2.1, 2.2, 2.3, 2.4, 8.1, Directors' Report	Yes
Principle 3:	**Promote ethical and responsible decision-making**		
3.1	Establish a Code of Conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:	3.1, 10.1	Yes
	3.1.1 the practices necessary to maintain confidence in the company's integrity;		Yes
	3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices		Yes
3.2	Disclose the policy concerning trading in company securities by directors, officers and employees	3.2	Yes
3.3	Provide the information indicated in the Guide to reporting on Principle 3	3.1, 3.2, 10.1	Yes
Principle 4:	**Safeguard integrity in financial reporting**		
4.1	Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results are in accordance with relevant accounting standards	4.1	Yes
4.2	The board should establish an audit committee	4.2	Yes
4.3	Structure the audit committee so that it consists of:	4.2	
	• only non-executive directors		Yes
	• a majority of independent directors		Yes
	• an independent chairperson, who is not chairperson of the board		Yes
	• at least three members		Yes
4.4	The audit committee should have a formal charter	4.2	Yes
4.5	Provide the information indicated in the Guide to reporting on Principle 4	4.1, 4.2, Directors' Report	Yes
Principle 5:	**Make timely and balanced disclosure**		
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior management level for that compliance	5.1	Yes
5.2	Provide the information indicated in the Guide to reporting on Principle 5	5.1	Yes

	ASX Principle	Reference*	Comply (Y/N)
Principle 6:	**Respect the rights of shareholders**		
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings	6.1	Yes
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report	6.2	Yes
Principle 7:	**Recognise and manage risk**		
7.1	The board or appropriate board committee should establish policies on risk oversight and management	7.1	Yes
7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that:	7.2, 4.1	
	7.2.1 the statement given in accordance with best practice recommendation 4.1 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board		Yes
	7.2.2 The company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects		Yes
7.3	Provide the information indicated in the Guide to reporting on Principle 7	7.1, 7.2	Yes
Principle 8:	**Encourage enhanced performance**		
8.1	Disclose the process for performance evaluation of the board, its committees and individual directors and key executives	8.1	Yes
Principle 9:	**Remunerate fairly and responsibly**		
9.1	Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of these policies and (ii) the link between remuneration paid to directors and key executives and corporate performance	9.1, Directors' Report, Notes to Financial Statements	Yes
9.2	The board should establish a remuneration committee	9.2	Yes
9.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives	9.3	Yes
9.4	Ensure that the payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders	9.4	Yes
9.5	Provide the information indicated in the Guide to reporting on Principle 9	9.1, 9.2, 9.3, 9.4, Directors' Report	Yes
Principle 10:	**Recognise the legitimate interests of stakeholders**		
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations	10.1	Yes

* the reference refers to the corresponding paragraphs in the Corporate Governance Statement or to the Directors' Report.

(1) Following completion of the Westfield Group Merger in July 2004, compliance with this recommendation was achieved in respect of the current financial period.

SHAREHOLDING INFORMATION

as at 13 September 2004

Twenty Largest Holders of Stapled Securities in Westfield Group*

	Number of Securities	% of Issued Securities
1. JP Morgan Nominees Australia Limited	253,797,022	15.08
2. Westpac Custodian Nominees Limited	247,800,948	14.72
3. National Nominees Limited	189,199,890	11.24
4. Cordera Holdings Pty Limited	105,594,531	6.27
5. Citicorp Nominees Pty Limited	48,870,667	2.90
6. Cogent Nominees Pty Limited	43,763,235	2.60
7. Citicorp Nominees Pty Limited ←CFS WSLE Property Secs A/C→	34,757,791	2.07
8. ANZ Nominees Limited	36,575,449	2.17
9. AMP Life Limited	28,667,160	1.70
10. Cogent Nominees Pty Limited ←SMP Accounts→	26,876,862	1.60
11. Queensland Investment Corporation	26,018,129	1.55
12. HSBC Custody Nominees (Australia) Limited	25,726,981	1.53
13. RBC Global Services Australia Nominees Pty Limited ←BKCUST A/C→	21,276,432	1.26
14. Westpac Financial Services Limited	17,360,864	1.03
15. Transport Accident Commission	17,212,589	1.02
16. Franley Holdings Pty Limited	15,617,400	0.93
17. RBC Global Services Australia Nominees Pty Limited	15,208,092	0.90
18. Victorian Workcover Authority	15,152,276	0.90
19. Bond Street Custodians Limited ←ENH Property Securities A/C→	14,969,152	0.89
20. Bond Street Custodians Limited ←Property Securities A/C→	14,546,539	0.86
	1,198,992,009	71.22

* Ordinary shares in the company were stapled to units in Westfield Trust and Westfield America Trust as part of the Merger.

The stapled securities trade on the Australian Stock Exchange under the code WDC.

Voting Rights

At a meeting of members, on a show of hands, every person present who is a member or representative of a member has one vote, and on a poll every member present in person or by proxy or attorney and every person who is a representative of a member has one vote for each share they hold or represent.

Distribution Schedule

Category	Number of Options	Number of Option Holders	Number of Shares	Number of Shareholders	% of Shares in each Category
1-1,000	1,600	2	33,333,551	63,833	1.98
1,001-5,000	3,200	2	109,552,226	50,381	6.51
5,001-10,000	20,000	2	37,796,157	5,444	2.25
10,001-100,000	1,330,100	35	73,453,236	3,102	4.36
100,001 and over	37,280,654	4	1,428,926,107	314	84.90
Total	38,635,554	45	1,683,061,277	123,074	100.00

As at 13 September 2004, 2,015 security holders hold less than a marketable parcel of quoted securities in Westfield Group.

Substantial Shareholders

The names of the Company's substantial shareholders and the number of ordinary shares in which each has a relevant interest, as disclosed in substantial shareholding notices given to the Company, are as follows:

Members of the Lowy family and associates	166,450,338
National Australia Bank Limited	90,548,325

CORPORATE DIRECTORY

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ABN 66 001 671 496

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Secretaries
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Simon J Tuxen

Auditors
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