**Lendlease Europe GP Limited**

(Formerly trading as Lend Lease Europe GP Limited)

Directors' report and financial statements

Registered Number 3540670

For the year ended 30 June 2016



16214_029

## Directors' report and financial statements

### Contents

## Directors' report

The directors present their report and the audited financial statements for the year ended 30 June 2016.

**Principal activities and review of the business**
Lendlease Europe GP Limited (the"Company" was incorporated on 3 April 1998.

On 1 July 2016 the Company changed it's name from Lend Lease Europe GP Limited to Lendlease Europe GP Limited.

The principal activity of Lendlease Europe GP Limited is to act as a general partner for the Lendlease Retail LP.

The principal income that the Company receives is fees from the Lendlease Retail LP. The principal costs incurred are asset and fund management fees payable to Lendlease Real Estate Investments Limited.

The Company is a limited company incorporated and domiciled in the United Kingdom The address of its registered office is 20 Triton Street, Regent's Place, London, NW1 3BF.

**Results and dividends**
The profit for the year after taxation amounted to £0.1m (2015: £0.1m). The directors do not recommend the payment of a dividend (2015: £nil).

**Directors**
The directors who held office during the year were as follows:

**'O' Directors**
M Boor (appointed 27 January 2016)
C A Lane (appointed 21 March 2016)
N J Steele (appointed 5 September 2016)
M W Couzens (appointed 21 March 2016, resigned 1 September 2016)
J P McSwiggan (appointed 12 February 2016. resigned 14 March 2016)
C S Matheson (resigned 17 March 2016)
N M Johnson (resigned 12 November 2015)
G G Thomas (resigned 19 January 2016)

**'D' Directors**
K G Saunders
N H C Thompson
R H H Peto

'D' directors are appointed by the 'D' shareholders of Lendlease Europe GP Limited and are independent of the Lendlease Europe Holdings Limited group.

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

**Auditor**
Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

**Political and charitable contributions**
The company made no political or charitable contributions during the year (2015: £nil).

By order of the board

**C A Lane**
Director
20 Triton Street
Regents Place. London
NW1 3BF
11 November 2016

## Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

## Independent auditor's report to the members of Lendlease Europe GP Limited

We have audited the financial statements of Lendlease Europe GP Limited for the year ended 30 June 2016 as set out on pages 4 to 11

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**
As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

**Scope of the audit of the financial statements**
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

**Opinion on financial statements**
In our opinion the financial statements:
- give a true and fair view of the state of the Company's affairs as at 30 June 2016 and of it's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

**Stephen Wardell**
**(Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
*Chartered Accountants*
15 Canada Square, London, E14 5GL
14 November 2016

## Statement of profit or loss and other comprehensive income

*for the year ended 30 June 2016*

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | £ | £ |
| Revenue | | 1,720,599 | 3,145,106 |
| Administrative expenses | | (1,628,992) | (2,991,201) |
| **Operating profit** | | **91,607** | **153,905** |
| Finance income | 4 | 23,837 | 7,440 |
| Finance expense | 5 | (864) | - |
| **Profit before taxation** | | **114,580** | **161,345** |
| Taxation | 6 | (23,437) | (33,520) |
| **Profit after taxation** | | **91,143** | **127,825** |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the year** | | **91,143** | **127,825** |

The notes to and forming part of these financial statements are set out on pages 8 - 11.

**Statement of financial position**
*as at 30 June 2016*

| | Note | 2016 £ | 2015 £ |
|---|---|---|---|
| **Non current assets** | | | |
| Investments | 7 | 1 | 1 |
| | | 1 | 1 |
| **Current assets** | | | |
| Cash and cash equivalents | | 184,907 | 531,140 |
| Trade and other receivables | 8 | 1,431,891 | 978,669 |
| | | 1,616,798 | 1,509,809 |
| **Total assets** | | 1,616,799 | 1,509,810 |
| **Current liabilities** | | | |
| Trade and other payables | 9 | (483,764) | (467,918) |
| | | (483,764) | (467,918) |
| **Total liabilities** | | (483,764) | (467,918) |
| **Net assets** | | **1,133,035** | **1,041,892** |
| **Equity** | | | |
| Share Capital | 10 | 52 | 52 |
| Retained earnings | | 1,132,983 | 1,041,840 |
| **Total equity** | | **1,133,035** | **1,041,892** |

The notes to and forming part of these financial statements are set out on pages 8 - 11.

These financial statements were approved by the board of directors on 11 November 2016 and were signed on it's behalf by:

**C A Lane**
Director

Registered Number : 3540670

**Statement of changes in shareholder's equity**
*for the year ended 30 June 2016*

| | Attributable to shareholder | | |
|---|---|---|---|
| | Share capital £ | Retained earnings £ | Total equity £ |
| Balance at 1 July 2014 | 52 | 914,015 | 914,067 |
| Profit for the year | - | 127,825 | 127,825 |
| **Balance at 30 June 2015** | **52** | **1,041,840** | **1,041,892** |
| Balance at 1 July 2015 | 52 | 1,041,840 | 1,041,892 |
| Profit for the year | - | 91,143 | 91,143 |
| **Balance at 30 June 2016** | **52** | **1,132,983** | **1,133,035** |

The notes to and forming part of these financial statements are set out on pages 8 - 11.

**Cash Flow Statement**
*for the year ended 30 June 2016*

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| **Cash flows from operating activities** | | |
| Profit for the year | 91,143 | 127,825 |
| *Adjustments for:* | | |
| Finance income | (23,837) | (3,987) |
| Finance expense | 864 | |
| Taxation | 23,437 | 33,520 |
| | 91,607 | 157,358 |
| (Increase) in trade and other receivables | (453,222) | (93,480) |
| (Decrease) / increase in trade and other payables | (7,591) | 35,573 |
| **Net cash (used in) / from operating activities** | (369,206) | 99,451 |
| **Cash flow from investing activities** | | |
| Interest received | 23,837 | 3,987 |
| **Net cash from investing activities** | 23,837 | 3,987 |
| **Cash flow from financing activities** | | |
| Interest paid | (864) | |
| **Net cash used in financing activities** | (864) | - |
| **(Decrease) / increase in cash and cash equivalents** | (346,233) | 103,438 |
| Cash and cash equivalents at 1 July | 531,140 | 427,702 |
| **Cash and cash equivalents at 30 June** | 184,907 | 531,140 |

The notes to and forming part of these financial statements are set out on pages 8 - 11.

**Notes to the financial statements**

**1 Accounting policies**
Lendlease Europe GP Limited (the "Company") is a Company incorporated in the UK. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

**Basis of Preparation**
These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations as adopted by the European Union ("Adopted IFRSs") and with those parts of the Companies Act 2006, applicable to companies reporting under IFRS.

The Company is exempt by virtue of S401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

***Revenue***
Revenue is stated net of value added tax and is derived from the provision of fund and asset management services.

***Net financing costs***
Net financing costs comprise interest payable and interest receivable on funds invested, that are recognised in the statement of comprehensive income.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

***Cash and cash equivalents***
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the Cash Flow Statement.

***Trade and other receivables***
Trade and other receivables are stated at their nominal amount (discounted if material) less provision for doubtful debts.

***Provisions***
A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

***Interest-bearing borrowings***
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis.

***Taxation***
Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

***Critical judgements in applying the entity's accounting policies***
The preparation of the financial statements under IFRS requires management to make estimates and assumptions that affect amounts recognised for assets and liabilities at the balance sheet date and the amounts of revenue and expenses incurred during the reporting period. Actual outcomes may therefore differ from these estimates and assumptions.

As at the balance sheet date, there were no assets or liabilities held other than deferred tax assets for which changes in their underlying assumptions are expected to result in a material change in their carrying values within the next financial year.

***New standards and interpretations not yet adopted***
The following Adopted IFRSs have been issued but have not been applied in these financial statements. The effect of these adopted IFRSs on these financial statements have not yet been determined:
- IFRS 9 Financial Instruments (on or after 1 January 2018).
- IFRS 15 Revenue from Contract with Customers (on or after 1 January 2018).
- Equity Method in Separate Financial Statements – Amendments to IAS 27 (on or after 1 January 2016).
- Annual Improvements to IFRSs - 2012-2014 Cycle (effective date to be confirmed).
- Disclosure Initiative - Amendments to IAS 1 (effective date to be confirmed).

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

**2 Directors' remuneration and employees**

In relation to payment of 'O' directors, any qualifying services in respect of the Company are considered to be incidental and part of these directors' overall management responsibilities within LendLease Europe Limited & Lendlease Development (Europe) Limited. Their remuneration for the current year and prior year was paid by and included in the financial statements of these companies.

The 'D' directors received a total of £67,198 (2015: £62,813) for their services as directors. The remuneration of the highest paid director was £23,917 (2015: £22,271). These fees are reimbursed by the Lendlease Retail LP.

The Company had no employees in the year (2015: nil).

| **3 Auditor's remuneration** | **2016** | **2015** |
|---|---|---|
| | **£** | **£** |
| Auditors remuneration | 7,520 | 6,500 |

| **4 Finance income** | **2016** | **2015** |
|---|---|---|
| | **£** | **£** |
| Interest income | 23,837 | 7,440 |

| **5 Finance expense** | **2016** | **2015** |
|---|---|---|
| | **£** | **£** |
| Interest expense | (864) | - |

**6 Taxation**

**(a) Recognised in the Statement of profit or loss and other comprehensive income**

| | **2016** | **2015** |
|---|---|---|
| *Current tax* | **£** | **£** |
| Current year | (23,124) | (33,520) |
| Prior year adjustment | (313) | |
| | (23,437) | (33,520) |
| Total tax in Statement of profit or loss and other comprehensive income | (23,437) | (33,520) |

**(b) Reconciliation of effective tax rate**

The tax assessed differs from the application of the standard rate of corporation tax in the UK 2016: 20% (2015: 20.75%) to the Company's accounting loss before taxation for the following reasons:

| | **2016** | **2015** |
|---|---|---|
| | **£** | **£** |
| Profit on ordinary activities before taxation. | 114,580 | 161,345 |
| Tax using the UK corporation tax rate of 20% (2015: 20.75%) | (22,916) | (33,479) |
| Non deductible expenses | (208) | (41) |
| Adjustments in respect of previous periods | (313) | |
| Total tax charge in statement of comprehensive income | (23,437) | (33,520) |

**(c) Factors that may affect future tax charges**

The effective rate of taxation will vary as a result of any dividends paid by subsidiaries, overseas tax rates and the utilisation of tax losses brought forward.

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the Company's future current tax charge accordingly. Accordingly, the Company's profit for the accounting period are taxed at an effective rate of 20% (2015: 20.75%)

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

## 7 Investments

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Investment in Lend Lease Retail LP | 1 | 1 |
| | 1 | 1 |

The investment relates to a holding in Lendlease Retail LP. As general partner the company is required to hold one share in Lendlease Retail LP. The holding is included in the statement of financial position at cost. The directors are satisfied that the investment is worth at least the amount at which it is stated in the statement of financial position.

## 8 Trade and other receivables

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Trade receivables from related parties | 932,761 | 124,309 |
| Other trade receivables | 499,130 | 854,360 |
| | 1,431,891 | 978,669 |

## 9 Trade and other payables

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Trade payables to related parties | (426,856) | (391,117) |
| Group tax relief payable | (56,908) | (76,801) |
| | (483,764) | (467,918) |

## 10 Share Capital

| | 2016 | 2015 |
|---|---|---|
| ***Allotted, called up and fully paid*** | £ | £ |
| 5,083 'D' Shares of £0.01 each | 51 | 51 |
| 1'O' Share of £1 each | 1 | 1 |

'D' shares only carry the rights to vote on the appointment or removal of 'D' directors. They are repaid in preference to 'O' shares on the winding up of the company but carry no rights to a dividend.

'O' shares carry all voting rights in the company except those described above. They are repaid after 'D' shares on the winding up of the company but carry the rights to receive all dividends declared by the company.

## 11 Related Party Disclosures

Related party amounts (payable) / receivable by Lendlease Europe GP Limited at balance sheet date are as follows:

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| **Related party receivables** | | |
| Lendlease Europe Finance Plc | 932,761 | - |
| Lendlease Europe Limited | - | 124,309 |
| | 932,761 | 124,309 |
| **Related party payables** | | |
| Lendlease Europe Limited | (14,967) | - |
| Lendlease Europe Holdings Limited | (205) | - |
| Lendlease Real Estate Investment Limited | (411,684) | (391,117) |
| | (426,856) | (391,117) |
| **Expenses from group undertakings** | | |
| Amounts paid to Lendlease Real Estate Investments | (1,620,409) | (2,990,145) |
| Interest paid to Lendlease Europe Holdings Limited | (412) | - |
| **Income from group undertakings** | | |
| Interest received from Lendlease Europe Limited | (2,352) | 7,440 |
| Interest received from Lendlease Europe Finance Plc | (21,474) | - |

During the year interest was received and charged at LIBOR plus 2.45% on outstanding related party balances.

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

## 12 Financial Risk Management

**Introduction and overview**

The Company has exposure to the following risks:

- Credit risk
- Operational risks
- Interest rate risks

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

**a) Credit risk**

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The Company is compliant with the Lendlease Consolidated Group's framework for risk management including credit risk. There are no significant concentrations of external credit risk with the Company's exposure to only Lendlease Consolidated Group related parties.

**b) Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure and from external factors other than credit risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness.

**c) Interest Rate Risk**

Interest rate risk is the risk that the value of a financial instrument or cash flow associated with the instrument will fluctuate due to changes in the market interest rates. The Company's policy is to manage interest rate risk that impacts directly on the Company's assets and liabilities. The Company's exposure to interest rate risk is limited to movements in intra-group lending rates.

**Sensitivity Analysis**

At 30 June 2016, it is estimated that an increase of one percentage point in interest rate would have decreased the Company's profit before tax by approximately £7,914 (2015: decreased the Company's profit before tax by approximately £2,520).

Compliance with the Company's standards is supported by a programme of periodic reviews which are discussed at Board level.

## 13 Ultimate parent Company and parent undertaking of larger group of which the Company is a member

The Company is a subsidiary undertaking of Lendlease Europe Limited, a company registered in England and Wales. Its ultimate parent undertaking is Lendlease Corporation Limited, Level 14 Tower Three, International Towers Sydney, Exchange Place, 300 Barangaroo Avenue, Barangaroo NSW 2000, a company incorporated in Australia. The largest group in which the results of the company are consolidated is that headed by Lendlease Corporation Limited. The consolidated financial statements of that group may be obtained from www.lendlease.com.

The smallest group in which the results of the Company are consolidated is headed by Lendlease Europe Holdings Limited. The consolidated financial statements of that group may be obtained from The Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff.

# LENDLEASE RETAIL LP
**(formerly Lend Lease Retail Partnership)**

## GENERAL PARTNER'S REPORT AND FINANCIAL STATEMENTS

## FOR THE YEAR ENDED

## 31 DECEMBER 2016

THESE PARTNERSHIP
ACCOUNTS FORM
PART OF THE ACCOUNTS
OF COMPANY
No. [redacted]

LENDLEASE EUROPE GP LIMITED.

(3540670).

**Contents**

## General Information

**Registered Address**
20 Triton Street
Regent's Place
London
NW1 3BF

**General Partner**
Lendlease Europe GP Limited
20 Triton Street
Regent's Place
London
NW1 3BF

**Fund Manager**
Lendlease Real Estate Investments (Europe) Limited
20 Triton Street
Regent's Place
London
NW1 3BF

**Asset Manager**
Touchwood: Lendlease Real Estates Investment Services Limited
20 Triton Street
Regent's Place
London
NW1 3BF

Bluewater: Land Securities Group Plc
5 Strand
London
WC2N 5AF

**Independent Auditor**
KPMG LLP
15 Canada Square
London
E14 5GL

**Legal Adviser to Limited Partnership**
Reed Smith LLP
The Broadgate Tower
20 Primrose Street
London
EC2A 2RS

**Depositary Services provider to Limited Partnership**
Langham Hall UK Depositary LLP
Aldwych House
81 Aldwych
London
WC2B 4HN

**Tax Adviser**
Ernst & Young LLP
100 Barbirolli Square
Manchester
M2 3EY

## General Partner's Report
## For the year ended 31 December 2016

1. **Formation and purpose**

A Limited Partnership Deed dated 18 August 1998 established Forward Retail Partnership as a Limited Partnership. The Partnership was registered on 21 August 1998 with Lendlease Europe GP Limited as the General Partner. On 27 October 1998, Lendlease Europe Limited transferred its interest in the Partnership to Lendlease Europe Retail Investments Limited.

On 9 September 1998 the Partnership name was changed to 'Lend Lease Retail Partnership' ('the Partnership'). Further, on 18 December 1998 the second Limited Partnership Deed and Articles of Partnership replaced the original deed. This was subsequently replaced by the New Limited Partnership Deed and Articles of Partnership dated 31 March 1999.

The Partnership was formed to acquire a 25% interest in the Bluewater shopping centre in Kent, and a 100% interest in the Touchwood shopping centre in Solihull.

The initial term of the partnership was due to expire twelve years from the completion of the acquisition of Bluewater (18 June 1999) and could be extended thereafter every four years with the agreement of all the Partners, subject to a maximum possible life of 40 years.

On 12 November 2010 Lendlease Real Estate Investments Limited secured approval to extend the life of the Partnership until November 2017. In addition to the continuation of the Partnership, some modernisation to the terms of the Deed were carried out in response to market changes during the Partnership's 12 year life to date.

On 12 August 2016 the Partnership name was changed to Lendlease Retail LP. During the year the process began to extend the life of the Partnership until November 2024. In October 2016, the Partners and Unitholders were asked to elect whether they wished to sell their participations or units or purchase further participations or units through an equity rotation process. 62% of Partners and Unitholders elected to sell and insufficient equity could be raised to purchase their holdings. As a result on 11 May 2017 the Partners voted to market the Partnerships interest in Bluewater shopping centre. Post sale, Partners that wish to remain in LLRP holding Touchwood only will have the opportunity to buy out Partners wishing to exit.

Further modernisation to the terms of the Deed will be sought during this process. The overall strategy of the Partnership will be to remain invested in prime UK shopping centres.

2. **Review of activities**

The Partnership

In the financial year 2016 the net profit attributable to Partners was £3,931,959 (2015: £72,864,189).

As reported by Investment Property Databank (IPD), for the calendar year 2016 the Lendlease Retail LP returned 1.0% (2015: 9.8%) compared to its stated benchmark (Held Shopping Centres Excluding the Lendlease Retail LP) which returned 2.5% (2015: 9.8%).

Principal risks and uncertainties of the Partnership

The Partnership term is due to expire in November 2017. Lendlease Real Estate Investments (Europe) Limited is seeking to extend it for 7 years from the date of fund extension. The operator closely monitors this risk as part of its ongoing fund risk analysis and updates the general partner board on a quarterly basis.

The Partnership is exposed to fluctuations in the valuation of its investment property. The fair value of investment property is based on current prices in an active market for similar properties in the same location and condition. The value of investment property is influenced adversely by risks such as rental income and valuation volatility. Rental income volatility is managed and mitigated via strategic asset management and leasing strategy, which in turn contributes to the management of valuation volatility. Valuation volatility is also influenced by external macro and financial factors, other risks to the value of a property are damage by flood, fire or terrorist action and increases in the cost of borrowing. The Partnership, in co-ordination with the asset manager, takes measures where possible to mitigate these risks such as insurance and having robust disaster contingency plans in place.

Management complete regular internal risk assessments and business strategies to mitigate against external risks as far as possible. These assessments include medium to long term asset management and cash flow plans enabling a long term view of the business to be maintained.

## General Partner's Report
## For the year ended 31 December 2016 *(continued)*

Financial instruments of the Partnership

During the financial year ended December 2016, the Partnership took out a loan to finance the development of the Touchwood extension and development capital expenditure at Bluewater. The Partnership is exposed to interest rate risk on the loan. This risk is managed by Lendlease Real Estate Investments Limited in accordance with Lendlease Treasury policy. The Partnership is also exposed to liquidity risk which is the risk of having insufficient funds to settle financial liabilities as and when they fall due Liquidity risk is reduced through prudent cash management which ensures sufficient levels of cash are maintained to meet working capital requirements.

In addition, the partnership is exposed to the usual credit risk and cash flow risk associated with letting the property on credit and manages this through credit control procedures. The nature of its financial instruments means that they are not subject to price risk or liquidity risk.

Bluewater – 25% interest

25% of the scheme was purchased by the Partnership in June 1999.

For the calendar year 2016, Bluewater did not outperform the IPD benchmark of 2.5% or the peer group index for the Partnership. Bluewater returned 2.4% (2015: 9.0%) against its peer group index (Shopping Centres >50,001 sq m) of 3.5% (2015: 10.5%).

Touchwood

The Lendlease Retail LP purchased Touchwood from Lend Lease Solihull Development Limited ('the Developer') under the terms of the Development Services Agreement ('DSA') dated 4 June 1999.

For the calendar year 2016, Touchwood did not outperform the IPD benchmark of 2.5% for the Partnership or its peer group index. Touchwood returned -1.5% (2015: 11.4%) against its peer group index (Shopping Centres 25,001 – 50,000 sq m) of 0.3% (2015: 8.5%).

Details of movements in the value of the investment properties are set out in note 8 to the accounts.

December 2016 valuations

At 31 December 2016 CBRE valued Bluewater at £2,216.5 million (2015: £2,214.0 million) attributing a value of £554.1 million (2015: £553.5 million) to the Partnership's 25% interest. CBRE also valued Touchwood at £286.4 million (2015: £298.3 million) at this date.

April 2017 valuations

At 30 April 2017 CBRE valued Bluewater at £2,249.5 million attributing a value of £562.4 million to the Partnership's 25% interest and Touchwood at £273 million. This represents an increase of 1.5% to the Bluewater valuation and a decrease of 4.7% to the Touchwood valuation.

The Partners

The General Partner is Lendlease Europe GP Limited, the Founder Limited Partner is Lendlease Europe Retail Investments Limited. The Operator of the Partnership is Lendlease Real Estate Investments (Europe) Limited.

Establishment of Jersey Property Unit Trust

Based on demand indicated by Limited Partners, a Jersey Property Unit Trust (Lendlease Retail Partnership (Jersey) Unit Trust) was established in June 2004. From this point onwards, the JPUT became a Limited Partner in the Partnership.

Plaza Redevelopment

Construction work to redevelop the GLOW events venue began in December 2016. ISG retail has been appointed as main contractor. The construction program targets Practical Completion of the project in Q3 2017 in anticipation of the development opening by December 2017. The letting of the extension of the cinema exchanged in Q3 2016 for an additional 4 screens, providing a 13 screen facility. Leasing and further asset enhancement initiatives are being progressed.

## General Partner's Report
## For the year ended 31 December 2016 *(continued)*

Touchwood Development

The CPO and SUO for the extension were confirmed on the 18th October with no judicial review called for in the following six week period. Solihull Metropolitan Borough Council was granted powers to acquire the land where negotiations prove unsuccessful. Heads of Terms have been issued to a number of target retailers and a number of offers received from restaurant operators and other retailers.

Partnership Investment Strategy

The Fund Manager has been focussed on the agreement of new Partnership terms in the financial year and a further extension of the Partnership. As such, the Fund Manager is not currently seeking any further acquisition opportunities at this moment.

The costs associated with the Partnership extension and modernisation have led to an increase in the operating expenses of the Partnership in the year.

3. **Constitution and governance**

The Partnership is bound by the New Limited Partnership Deed and Articles of Partnership ('the Partnership Deed') dated 31 March 1999. A Deed of Variation dated 3 September 2003 between Lendlease Europe GP Limited, the Limited Partners, and Lendlease Real Estate Investments (Europe) Limited amended this deed. Further amendments were made by a resolution of the Partners' Committee on 18 June 2004. With the extension and modernisation of the Partnership a further Deed of Variation dated 10 November 2010 between Lendlease Europe GP Limited, the Limited Partners, and Lendlease Real Estate Investments (Europe) Limited amended this deed.

4. **Capital contributions**

The capital contributions of the Partners are set out in note 12 to the accounts.

5. **Rights and entitlements**

General Partner and Operator

The General Partner has overall responsibility for the management and control of the business of the Partnership. This includes supervision of the Operator in the performance of its functions as set out in the Articles of the Partnership.

The primary functions of the Operator are to:

- admit limited partners, arrange transfer of participants and make calls on loan commitments;
- distribute annual accounts, valuations and quarterly reports to Partners;
- maintain all books and records;
- acquire, manage and control the properties (or procure such services) and any other Partnership assets; and
- arrange for disposal of any Partnership assets and act as liquidating trustee on winding up.

The Board of the General Partner includes three D Directors (independent directors), who are appointed by the holders of D shares (held by Limited Partners of the Partnership). During 2004, one D Director was appointed as the Chairman of the Board of the General Partner. This appointment is considered to be good Corporate Governance practice and is a policy that is intended to continue on an ongoing basis.
After due consultation with the Lendlease Retail LP investors, a resolution was passed on 4 February 2014 for the reappointment of the existing three D Directors. Messrs Saunders (Chairman), Thompson and Peto were free to be reappointed for a further 3 year term and after due consultation they confirmed a willingness to act. The reappointments are intended to be on a phased term basis, in order to mitigate the risk of all three D Director contracts expiring simultaneously.

The agreement of the majority of the D Directors is required along with the approval of the Board of the General Partner for any new contract or material variation to an existing contract between the Partnership and the Lendlease Group.

**General Partner's Report**
**For the year ended 31 December 2016** *(continued)*

The General Partner is paid a quarterly Base Fee of 0.075% of the average funds under management for the quarter. This is subject to a minimum of £300,000 per quarter.

A performance fee is also payable to the General Partner. The Performance Fee is 0.15% of the average funds under management for each 1% that the average of the Partnership's total return before fees (on a three year rolling basis) exceeds the IPD standing investments index by 110% for shopping centres (on a three year rolling basis). The annual Performance Fee is limited to a maximum of 0.5% of the average funds under management. The Partnership Deed specifies that this performance fee payable in cash is limited to a maximum of 0.25% of average funds under management.

For the year ended 31 December 2016, the Partnership performance fee payable is £nil as the Partnerships total return before fees did not exceed the IPD benchmark by 110% (2015: £nil). The performance fees outstanding at the year end to the Partnership are set out in note 10 to the accounts.

All Partners

Distributions are made to Partners in proportion to their respective capital contributions.

Distributions of the net operating income are made at least quarterly, subject to certain restrictions under the Partnership Deed.

6 **Provision of information to the auditor**

Each of the directors of the General Partner, at the date of this report, confirms that:

• so far as the director is aware, there is no relevant audit information of which the Partnership's auditor is unaware, and;
• the director has taken all steps that he/she ought to have taken as a director in order to make him/herself aware of any relevant audit information, and to establish that the Partnership's auditor is aware of that information.

7 **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Signed on behalf of Lendlease Europe GP Limited

Nick

..........................................
Director
15 June 2017

**Statement of General Partner's responsibilities in respect of the General Partner's Report and the financial statements**

The General Partner is responsible for preparing the General Partner's report and the financial statements in accordance with applicable law and regulations.

The Partnerships (Accounts) Regulations 2008 require the General Partner to prepare financial statements for each financial year in accordance with Part 15 and Chapter 1 of Part 16 of the Companies Act 2006. Under that law the General Partner has elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102').

Under company law the General Partner must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period. In preparing these financial statements, the General Partner is required to:

• select suitable accounting policies and then apply them consistently;

• make judgements and accounting estimates that are reasonable and prudent; and

• state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

• prepare the financial statements on the going concern basis unless it is inappropriate to presume that the qualifying Partnership will continue in business.

The General Partner has general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Partnership and to prevent and detect fraud and other irregularities.

**Independent auditor's report to the members of Lendlease Retail LP**

We have audited the financial statements of Lendlease Retail LP for the year ended 31 December 2016 set out on pages 8 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the qualifying partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as required by regulation 4 of the Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the qualifying partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the qualifying partnership and the qualifying partnership's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of General Partner's and auditor**

As explained more fully in the General Partner's Responsibilities Statement set out on page 6, the General Partner is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the qualifying partnership's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the General Partner's Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the General Partner's Report:

- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to qualifying partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Bill Holland (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
*Chartered Accountants*
15 Canada Square
London E14 5GL
15 June 2017

## Income Statement
## For the year ended 31 December 2016

| | Note | 31 Dec 16 £ '000 | 31 Dec 15 £ '000 |
|---|---|---|---|
| **Income** | | | |
| Net income | 2.3, 5 | 35,702 | 33,140 |
| | | **35,702** | **33,140** |
| **Expenses** | | | |
| Management fees | 2.5 | (1,702) | (1,674) |
| D Directors fees and expenses | | (67) | (85) |
| Audit fees | 7 | (22) | (25) |
| Tax fees | | (6) | (6) |
| Other operating expenses | | (2,509) | (1,249) |
| | | **(4,306)** | **(3,039)** |
| **Fair value movement** | | | |
| Fair value (loss)/ gain on investments | 8 | (27,492) | 42,745 |
| | | **(27,492)** | **42,745** |
| **Operating profit** | | **3,903** | **72,845** |
| Interest receivable and similar income | 6 | 30 | 19 |
| **Profit for the year before taxation** | | **3,933** | **72,864** |
| Taxation | 2.6 | - | - |
| **Profit for the year attributable to Partners** | | **3,933** | **72,864** |

The above result represents the continuing operations of the Partnership in the United Kingdom.

The Partnership had no recognised gains or losses other than the profit for either year so no statement of other comprehensive income is presented.

The notes on pages 12 to 16 form part of the financial statements

## Statement of Financial Position
## As at 31 December 2016

| | Note | 31 Dec 16 £ '000 | 31 Dec 15 £ '000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments | 8 | 837,813 | 849,245 |
| Non-current receivables | 9 | 2,231 | 2,095 |
| | | **840,044** | **851,340** |
| **Current assets** | | | |
| Trade and other receivables | 9 | 5,736 | 1,407 |
| Cash at bank | | 10,907 | 9,399 |
| | | 16,643 | 10,806 |
| **Current liabilities** | | | |
| Creditors - amounts falling due within one year | 10 | 7,985 | 8,448 |
| **Net current assets** | | **8,658** | **2,358** |
| **Non-current liabilities** | | | |
| Borrowings | 11 | 18,197 | - |
| | | 18,197 | - |
| **Net assets attributable to the Partners** | | **830,505** | **853,698** |
| **Partners' accounts** | | | |
| Capital accounts | 12 | 5 | 5 |
| Loan accounts | 12 | 504,961 | 504,961 |
| Capital reserves | 12 | 9,989 | 12,942 |
| Premium reserve | 12 | 663 | 663 |
| Current accounts | 12 | 7,081 | (171) |
| Non-distributable reserves | 12 | 307,806 | 335,298 |
| | | **830,505** | **853,698** |

The financial statements on pages 8 to 16 were approved and authorised for issue by the General Partner on 15 June 2017

Nicol

Director Lend Lease Europe GP Limited
for and on behalf of Lend Lease Europe GP Limited

**Registered Number LP005871**

**Statement of Changes in Net Assets attributable to the Partners**

**For the year ended 31 December 2016**

| | Capital account £ '000 | Loan accounts £ '000 | Capital reserves £ '000 | Premium reserves £ '000 | Current account £ '000 | Non-distributable reserves £ '000 | Total Partners' accounts £ '000 |
|---|---|---|---|---|---|---|---|
| **Net assets attributable to the partners at 1 Jauary 2015** | **5** | **504,961** | **10,324** | **663** | **1,118** | **292,553** | **809,624** |
| Allocation of profit for the year | - | - | 2,618 | - | 27,501 | 42,745 | 72,864 |
| Distributions to Partners | - | - | - | - | (28,790) | - | (28,790) |
| **Net assets attributable to the partners at 31 December 2015** | **5** | **504,961** | **12,942** | **663** | **(171)** | **335,298** | **853,698** |
| Allocation of profit for the year | - | - | (2,953) | - | 34,377 | (27,492) | 3,932 |
| Distributions to partners | - | - | - | - | (27,125) | - | (27,125) |
| **Net assets attributable to the partners at 31 December 2016** | **5** | **504,961** | **9,989** | **663** | **7,081** | **307,806** | **830,505** |

The notes on pages 12 to 16 form part of the financial statements

**Statement of Cash Flows**

**For the year ended 31 December 2016**

| | Note | 31 Dec 16<br>£ '000 | 31 Dec 15<br>£ '000 |
|---|---|---|---|
| Net cash flows from operating activities | 13 | 26,592 | 29,375 |
| **Cash flows from investing activities** | | | |
| Interest received | 6 | 30 | 19 |
| Additions to investments | 8 | (16,060) | (2,042) |
| **Net cash used in investing activities** | | (16,030) | (2,023) |
| **Cash flows from financing activities** | | | |
| Cash distributions | 12 | (27,125) | (28,790) |
| External borrowings | 11 | 19,150 | - |
| Payments of debt issue costs | 11 | (1,079) | - |
| **Cash flows used in financing activities** | | (9,054) | (28,790) |
| **Net increase/(decrease) in cash and cash equivalents** | | 1,508 | (1,438) |
| **Cash and cash equivalents at beginning of year** | | 9,399 | 10,837 |
| **Cash and cash equivalents at end of year** | | 10,907 | 9,399 |

The notes on pages 12 to 16 form part of the financial statements

**Notes to the Financial Statements**

## 1 General Information

Lendlease Retail LP is a Limited Partnership domiciled in England, registration number LP005871. The registered office is 20 Triton Street, London, NW1 3BF.The primary activity of the Partnership is investment in UK retail properties.
The Partnership seeks to target long term risk-adjusted returns which outperform industry benchmarks through acquisition, long-term ownership, active asset management and development of high quality prime dominant retail assets.
The functional currency of the Partnership is GBP.

## 2 Accounting policies

### 2.1 Basis of preparation

The financial statements for the year ended 31 December 2016 have been prepared in accordance with the Partnership Deed under the historical cost convention, as modified by the revaluation of investment properties at fair value, and in accordance with UK Accounting Standards and applicable law, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102').

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

### 2.2 Going concern

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate. The Partnership life ends in November 2017. A number of Partners have indicated a desire to extend the Partnership a further 7 years to November 2024. The Partnership's investment in Bluewater will be sold to provide liquidity to those Partners who wish to exit. With an investment in Touchwood only the Partnership is forecast to continue to maintain profits and positive cash flow. Liquidity is actively managed by Management to ensure obligations can be met as and when they fall due, and capital management strategies are in place to ensure the Partnership can operate into the foreseeable future.

### 2.3 Revenue recognition

*Touchwood*

Rental income (excluding VAT) on the Touchwood investment property, exclusive of service charges receivable, is accounted for on a straight line basis over the lease term. Rent in advance is recorded as deferred income and recognised as income in the period to which it relates.

Lease incentives including rent free periods and payments to tenants are allocated to the Income Statement on a straight line basis over the lease term, or if in place prior to 1 January 2014, the period up to the first rent review date if shorter. The value of resulting accrued rental income is deducted from the carrying value of the Touchwood property.

*Bluewater*

Net income consists of the net cash receipts from the investment in an associate, both distributed and undistributed, which relate to the reporting period.

### 2.4 Interest income

Interest income is recognised in the Income Statement as it accrues, using the effective interest method.

### 2.5 Expenses

Expenses are recognised in the Income Statement on an accrual basis.

Management fees paid to the General Partner are calculated based on one quarter of 0.30% of Average Funds Under Management per quarter year based on Partnership assets held as at the date of the amendment of the Partnership deed, subject to a minimum of £300,000 per quarter year and one quarter of 0.60% of Net Asset Value per quarter year on Partnership Assets acquired after the Amendment Date. For the purposes of calculating this fee, all Partnership liabilities are attributed pro-rata to the value of the assets held as at the date of calculation.

An annual performance fee is payable to the General Partner based upon the performance of the Partnership in relation to industry benchmarks. The calculation of the performance fee is as stipulated in the Partnership Deed.

The fees payable to the General Partner include all fees payable to the Fund Manager and Asset Manager in respect of their services provided under their respective contracts.

### 2.6 Taxation

The Partnership is not subject to taxation itself and hence no provision for taxation has been made in the financial statements. Partners are liable to tax on their share of the surplus in the Partnership and are responsible for settling those liabilities independently of the Partnership.

### 2.7 Investment properties

Investment property transactions are considered to have taken place where, by the end of accounting period, there is a legally binding, unconditional and irrevocable contract.

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred meets the recognition criteria.

Subsequent to initial recognition, investment property is stated at its fair value. Gains or losses arising from changes in fair value of an investment property are included in the Income Statement for the period in which they arise and no depreciation is provided in respect of investment properties applying fair value model.

**Notes to the Financial Statements** *(continued)*

**2.7 Investment properties** *(continued)*

This treatment, as regards the company's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate.

For the purpose of these financial statements, in order to avoid 'double accounting', the assessed fair value is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from it. Any gain or loss arising on derecognition of the property is included in the Income Statement in the period in which the property is derecognised.

**2.8 Investments**

The Bluewater investment is treated as an investment in an associate and is recognised at cost and subsequently stated at fair value. Gains or losses in the fair value of this investment are included in the Income Statement for the period.

**2.9 Trade and other debtors / creditors**

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

**2.10 Borrowings**

Borrowings are stated at their net issue proceeds, adjusted for amortisation of issuance costs. The costs of issue of borrowings is charged to the income and expenditure account on a straight line basis over the life of the borrowings. Interest is capitalised into the cost of the investment properties.

**2.10 Interest on Partners' capital accounts**

The Capital Contributions, Premiums, Loan Commitments and Advances shall not carry interest per Article 5.4(a) to the Partnership Deed.

**2.11 Distributions to Partners**

Distributions are paid from the Net Operating Income to the Partners in proportion to their respective capital contributions as soon as it is reasonably practicable following the end of the relevant Quarter Year.

Distributions may be limited if the Operator is of the opinion that a distribution may render the Partnership insolvent, leave the Partnership with insufficient funds to meet future obligations, or result in any Limited Partner, during the continuance of the Partnership, drawing out or receiving back either directly or indirectly, any part of its Capital Contribution.

**3 Critical accounting estimates and judgements**

The preparation of the Partnership's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities at the reporting date. Actual outcomes may therefore differ from these estimates and assumptions. Revisions to estimates are recognised prospectively.

The fair value of investment property is determined by independent real estate valuation experts using recognised valuation techniques.

**4 Risk management policies**

The Partnership's activities expose it to a variety of financial risks inherent to investing in investment property.

These risks are identified, measured and monitored on an ongoing basis by the Board of the General Partner and actively managed by the Operator and Asset Managers.

**Real estate risk:**

Property investments by nature pose liquidity issues and market conditions highly influence valuations and the depth of markets.

While external valuers are employed to assess the fair value of investment properties, no absolute assurances can be given that the valuations would be reflected in the actual sales prices.

**Credit risk:**

Credit risk is the risk that a counterparty will not be able to meet its obligations in respect of a financial instrument, resulting in a financial loss to the Partnership.

Management mitigate this risk with policies and procedures in place to appropriately credit assess new customers and suppliers.

Rental defaults are actively managed by the Asset Managers who monitor tenants in arrears and implement strategies to minimise the impacts of tenant defaults.

**Liquidity risk:**

Liquidity risk is the risk of having insufficient funds to settle financial liabilities as and when they fall due.

The General Partner currently manages this exposure by maintaining sufficient levels of cash to meet financial commitments and working capital requirements. It also assessed the appropriateness for the utilisation of potential credit facilities in achieving the investment strategies of the Partnership.

**Notes to the Financial Statements** *(continued)*

**5 Net income**

| | 31-Dec-16<br>£ '000 | 31-Dec-15<br>£ '000 |
|---|---|---|
| Touchwood (net of direct property expenses £6,029k (2015: £6,199k)) | 14,096 | 13,905 |
| Bluewater | 21,606 | 19,235 |
| | 35,702 | 33,140 |

**6 Interest received**

| | | |
|---|---|---|
| Bank interest | 30 | 19 |

**7 Auditor's remuneration**

Amounts receivable by the company's auditor and its associates in respect of the audit of financial statements is £22,185 (2015: £25,000).
Other fees paid to the auditor comprised £6,630 review of Revenue Certificates and £4,645 Service Charge audit (2015: £6,500 Revenue Certificates, £4,750 Service Charge audit).

**8 Investments**

| | 31-Dec-16<br>£ '000 | 31-Dec-15<br>£ '000 |
|---|---|---|
| ***Bluewater*** | | |
| **Fair value** | | |
| As at 01 January | 553,500 | 528,463 |
| Additions during the year | 10,240 | 112 |
| Capitalisation of borrowing costs | 94 | - |
| Fair value (loss) / gain through Income Statement | (9,710) | 24,925 |
| As at 31 December 2016 | 554,125 | 553,500 |
| ***Touchwood*** | | |
| **Fair value** | | |
| As at 01 January | 295,745 | 275,995 |
| Additions during the year | 5,486 | 1,930 |
| Capitalisation of borrowing costs | 240 | - |
| Fair value (loss) / gain through Income Statement | (17,783) | 17,820 |
| As at 31 December 2016 | 283,688 | 295,745 |
| | | |
| Total investments | 837,813 | 849,245 |

Investments were revalued as at 31 December 2016 by external valuers CB Richard Ellis Limited (CBRE), who valued the investment in Bluewater at £554,125,000 and Touchwood investment property at £286,400,000. The valuations were carried out in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual. These values have been adjusted for operating lease incentives' to reflect the value of lease incentives currently shown under Note 9 Trade and other receivables to avoid double counting the value in the Net Asset Value.

**Reconciliation of CBRE valuation to net property value on Statement of Financial Position**

| | 31-Dec-16<br>£'000 | 31-Dec-15<br>£'000 |
|---|---|---|
| CBRE valuation - Bluewater | 554,125 | 553,500 |
| CBRE valuation - Touchwood | 286,400 | 298,300 |
| **CBRE Valuation at 31 December** | 840,525 | 851,800 |
| **Less: Lease incentives** | (2,712) | (2,555) |
| **Total net property value after lease incentives at 31 December** | 837,813 | 849,245 |

**9 Trade and other receivables**

| | 31-Dec-16<br>£ '000 | 31-Dec-15<br>£ '000 |
|---|---|---|
| **Non-current receivables** | | |
| Lease incentives | 2,231 | 2,095 |
| | 2,231 | 2,095 |
| **Current receivables** | | |
| Rent receivable (Bluewater) | 377 | 377 |
| Rent receivable (Touchwood) | 396 | 174 |
| Cash held by RBS | 4,100 | - |
| Rental deposits | 381 | 377 |
| Current lease incentives | 481 | 460 |
| Prepayments | - | 19 |
| | 5,736 | 1,407 |
| | 7,967 | 3,502 |

**10 Creditors - amounts falling due within one year**

| | 31-Dec-16<br>£ '000 | 31-Dec-15<br>£ '000 |
|---|---|---|
| Trade creditors | 281 | 964 |
| Rental deposits | 381 | 336 |
| VAT payable | 633 | 927 |
| Base Fee due to General Partner (refer note below) | 414 | 433 |
| Accruals & deferred income | 6,276 | 5,788 |
| | 7,985 | 8,448 |

Amounts due as Base Fee to the General Partner, Land Lease Europe GP Limited, are unsecured, interest free and repayable on demand.

**Notes to the Financial Statements** *(continued)*

## 11 Borrowings

| | 31-Dec-16<br>£ '000 | 31-Dec-15<br>£ '000 |
|---|---|---|
| Finance facility - £80m repayable June 2021 | 19,150 | - |
| *Less:* Debt issue costs | (953) | - |
| | 18,197 | - |

On 28 June 2016, Lendlease Retail LP entered in to a finance facility agreement with the RBS. As at 31 December 2016, £19,150,000 had been drawn down on the facility. Interest is charged at LIBOR +1.4%.

## 12 Capital and current accounts

| - Partners' capital accounts at cost | 01-Jan-16<br>Opening capital<br>£ | Capital issued in the year<br>£ | Capital transferred in the year<br>£ | 31-Dec-16<br>Closing capital<br>£ |
|---|---|---|---|---|
| Lendlease Europe GP Limited | 1 | - | - | 1 |
| Lendlease Europe Retail Investments Limited | 219 | - | - | 219 |
| Co-operative Insurance Society Limited | 250 | - | - | 250 |
| The National Farmers Union Mutual Insurance Society Limited | 250 | - | - | 250 |
| Liverpool Victoria Friendly Society Limited | 98 | - | - | 98 |
| Harvester Properties Limited | 122 | - | - | 122 |
| Liverpool Victoria Pensions Trustees | 30 | - | - | 30 |
| Canada Life | 40 | - | - | 40 |
| LLRP Jersey Unit Trust | 3,738 | - | - | 3,738 |
| The Crown Estate | 250 | - | - | 250 |
| Kent Retail Investments Limited | 86 | - | - | 86 |
| | 5,084 | - | - | 5,084 |

| - Partners' loan accounts | 01-Jan-16<br>Opening loan advances<br>£ | Advances during the year<br>£ | Loan advances repaid during the year<br>£ | 31-Dec-16<br>Closing loan advances<br>£ |
|---|---|---|---|---|
| Lendlease Europe GP Limited | - | - | - | - |
| Lendlease Europe Retail Investments Limited | 21,756,239 | - | - | 21,756,239 |
| Co-operative Insurance Society Limited | 24,835,763 | - | - | 24,835,763 |
| The National Farmers Union Mutual Insurance Society Limited | 24,835,763 | - | - | 24,835,763 |
| Liverpool Victoria Friendly Society Limited | 9,731,412 | - | - | 9,731,412 |
| Harvester Properties Limited | 12,124,058 | - | - | 12,124,058 |
| Liverpool Victoria Pensions Trustees | 2,980,292 | - | - | 2,980,292 |
| Canada Life | 3,973,722 | - | - | 3,973,722 |
| LLRP Jersey Unit Trust | 371,344,316 | - | - | 371,344,316 |
| The Crown Estate | 24,835,763 | - | - | 24,835,763 |
| Kent Retail Investments Limited | 8,543,501 | - | - | 8,543,501 |
| | 504,960,828 | - | - | 504,960,828 |

| - Partners' capital reserves | 01-Jan-16<br>Opening capital reserve<br>£ | Transfer from income statement<br>£ | 31-Dec-16<br>Closing capital reserve<br>£ |
|---|---|---|---|
| Lendlease Europe GP Limited | 2,553 | (581) | 1,972 |
| Lendlease Europe Retail Investments Limited | 532,494 | (127,223) | 405,270 |
| Co-operative Insurance Society Limited | 638,135 | (145,232) | 492,902 |
| The National Farmers Union Mutual Insurance Society Limited | 638,135 | (145,232) | 492,902 |
| Liverpool Victoria Friendly Society Limited | 250,150 | (56,931) | 193,219 |
| Harvester Properties Limited | 311,409 | (70,873) | 240,536 |
| Liverpool Victoria Pensions Trustees | 76,576 | (17,428) | 59,149 |
| Canada Life | 79,403 | (23,237) | 56,166 |
| LLRP Jersey Unit Trust | 9,697,566 | (2,171,511) | 7,526,055 |
| The Crown Estate | 496,293 | (145,232) | 351,060 |
| Kent Retail Investments Limited | 219,517 | (49,960) | 169,557 |
| | 12,942,231 | (2,953,441) | 9,988,790 |

**Notes to the Financial Statements** *(continued)*

## 12 Capital and current accounts *(continued)*

| - Partners' premium reserves | 01-Jan-16 Opening premium reserve £ | Transferred from current during the year £ | Other adjustments £ | 31-Dec-16 Closing premium reserve £ |
|---|---|---|---|---|
| Lendlease Europe GP Limited | - | - | - | - |
| Lendlease Europe Retail Investments Limited | 663,239 | - | - | 663,239 |
| Co-operative Insurance Society Limited | - | - | - | - |
| The National Farmers Union Mutual Insurance Society | - | - | - | - |
| Liverpool Victoria Friendly Society Limited | - | - | - | - |
| Harvester Properties Limited | - | - | - | - |
| Liverpool Victoria Pensions Trustees | - | - | - | - |
| Canada Life | - | - | - | - |
| LLRP Jersey Unit Trust | - | - | - | - |
| The Crown Estate | - | - | - | - |
| Kent Retail Investments Limited | - | - | - | - |
| | 663,239 | - | - | 663,239 |

| - Partners' current accounts | 01-Jan-16 Opening balance £ | Share of net income for year £ | Distributions paid £ | 31-Dec-16 Closing balance £ |
|---|---|---|---|---|
| Lendlease Europe GP Limited | 3,447 | 6,762 | (5,335) | 4,874 |
| Lendlease Europe Retail Investments Limited | (63,433) | 1,480,822 | (1,168,437) | 248,952 |
| Co-operative Insurance Society Limited | (9,361) | 1,690,436 | (1,333,832) | 347,243 |
| The National Farmers Union Mutual Insurance Society Limited | (9,361) | 1,690,436 | (1,333,832) | 347,243 |
| Liverpool Victoria Friendly Society Limited | (131,538) | 662,651 | (522,862) | 8,251 |
| Harvester Properties Limited | 123,267 | 824,933 | (650,910) | 297,290 |
| Liverpool Victoria Pensions Trustees | (1,125) | 202,852 | (160,060) | 41,667 |
| Canada Life | (8,253) | 270,470 | (213,413) | 48,804 |
| LLRP Jersey Unit Trust | (61,790) | 25,275,404 | (19,943,457) | 5,270,157 |
| The Crown Estate | (9,400) | 1,690,436 | (1,333,832) | 347,204 |
| Kent Retail Investments Limited | (3,228) | 581,510 | (458,838) | 119,444 |
| | (179,774) | 34,378,712 | (27,124,898) | 7,081,139 |

| - Non-distributable reserves | |
|---|---|
| Opening Balance at 1 January 2016 | 335,298 |
| Fair value loss on investments | (27,492) |
| Closing balance at 31 December 2016 | 307,806 |

## 13 Reconciliation of net income to net cash inflow from operating activities

| | 31-Dec-16 £ '000 | 31-Dec-15 £ '000 |
|---|---|---|
| Operating profit | 3,903 | 72,845 |
| Loss / (gain) on revaluation of investments | 27,492 | (42,745) |
| Increase / (decrease) in debtors | (4,466) | (97) |
| Decrease in creditors | (463) | (628) |
| Amortisation of debt issue costs | 126 | - |
| **Net cash flows from operating activities** | 26,592 | 29,375 |

## 14 Commitments

Each Participation issued to the Limited Partners had an original Loan Commitment of £100,000. The Participations held by the General Partner have no loan commitment. As a result of the amendment to the partnership deed on 12 November 2010, all outstanding loan commitments were cancelled after the commitment to fund the Bluewater Events Venue was fulfilled in year ending 2011. A total of £504.1million commitments have been drawn down out of a possible of £507.3 million resulting in cancelled commitments of £3.2 million.

### Operating leases

The Partnership holds commercial property leases on the Touchwood retail asset. These leases have a remaining term of between 0 and 21 years. Future minimum rentals receivable under these leases as at 31 December are as follows:

| | 31-Dec-16 £ '000 | 31-Dec-15 £ '000 |
|---|---|---|
| Within one year | 14,243 | 10,707 |
| After one year but not more than five years | 62,324 | 29,028 |
| More than five years | 341,677 | 28,260 |
| **Total** | 418,244 | 67,995 |

## 15 Related parties

The General Partner is responsible for the management and control of the Partnership. The ultimate holding company of the General Partner is Lendlease Corporation Limited.

The Founder of the Partnership is Lendlease Europe Retail Investments Limited. Lendlease Solihull Limited is party to the Land Purchase Agreement and the Development Services Agreement. Both entities have Lendlease Corporation Limited as their ultimate parent company. Blueco Limited, the party with whom the Partnership has a lease-back agreement for its 25% interest in Bluewater, was sold by the Lendlease group in June 2014. Blueco Limited maintains day to day control and management of Bluewater shopping centre.

The following transactions have taken place with the Lendlease Group over the year:

| | 31-Dec-16 £ '000 | 31-Dec-15 £ '000 |
|---|---|---|
| **Base fee** | 1,702 | 1,674 |
| D Directors fees & expenses | 67 | 85 |
| Amounts receivable/(payable) by the Partnership at balance date are as follows (all shown net of VAT) | | |
| **Base fee** | (414) | (433) |
| D Directors fees & expenses | - | (85) |

## 16 Subsequent events

On 11 May 2017 the Partners passed a resolution to grant the Operator the power to sell the Partnership's entire interest in Bluewater. The Operator will exercise this power in accordance with the Limited Partnership Deed, conducting a competitive process such that it considers the terms of the sale to be in the best interests of the Partnership. Expressions of interest have been received and the Operator is pursuing these with interested parties by 25 May 2017.