

## **Lend Lease Real Estate Investments Limited**

### **Directors' report and financial statements**

30 June 2007

Registered number 3540684

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## **Directors' report and financial statements**

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## **Directors' Report**

The directors present their annual report and the audited financial statements for the year ended 30 June 2007

### **Results and dividends**

The profit for the year after taxation amounted to £880,801 (2006 £1,134,540)

The company has not paid an interim dividend in the year (2006 £nil) The directors do not propose a final dividend (2006 £nil)

### **Principal activity and review of the business**

The principal activity of Lend Lease Real Estate Investments Limited is as an operator and manager of property collective investment schemes including the establishment of such schemes The company is subject to the rules governing Investment Services Directive ('ISD') firms and is regulated for its investment business and insurance business activities by the Financial Services Authority ('FSA')

The company is categorised as a BIPRU full scope investment firm for regulatory capital requirement purposes

Profits after tax for the year decreased due to an increase in staff costs, corporate charges and external consultancy fees

The company is exposed to liquidity risk, credit risk, and interest rate risk, however, because there are no external borrowings in the company, these risks are not considered material

The company's principal financial assets are cash and trade and other receivables Therefore the credit risk it faces is primarily attributable to its trade receivables The amounts presented in the balance sheet are net of doubtful receivables An allowance for impairment is made when there is objective evidence that the company will not be able to collect all amounts according to the original terms of the receivables concerned

It is expected that the company will continue to earn healthy profits while property values are increasing and there has been an increase in staff levels in order to help expand the business

During the year, the company adopted International Financial Reporting Standards (IFRSs)

### **Environment**

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Company's activities Initiatives designed to minimise the Company's impact on the environment include safe disposal of manufacturing waste and recycling

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

The directors who held office during the year were as follows

C S Matheson  
P Allwood  
R Caven  
D J Kirkby (appointed 17 October 2006)  
D Nicklin (appointed 23 July 2007)

## **Directors' Report** *(continued)*

### **Policy and practice on payment of creditors**

The company seeks to agree terms with its suppliers when it commits to expenditure and seeks to adhere to them provided goods are supplied in accordance with agreed terms and conditions. At the year end the company had no trade creditors.

### **Political and charitable contributions**

The Company made no political or charitable contributions during the year (2006 £nil).

### **Statement as to disclosure of information to auditors**

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 auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Auditors**

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



D. Nicklin  
Director

19 Hanover Square  
London  
W1S 1HY

16 October 2007

## **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.

The financial statements are required by law to present fairly the financial position and the performance of the Company. The Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

## KPMG LLP

One Canada Square  
London  
United Kingdom  
E14 5AG

### **Independent auditors' report to the members of Lend Lease Real Estate Investments Limited**

We have audited the financial statements of Lend Lease Real Estate Investments Limited for the year ended 30 June 2007 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Independent auditors' report to the members of Lend Lease Real Estate Investments Limited** *(continued)*

**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Company's affairs as at 30 June 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

25 October 2007

## **Income Statement**

*for the year ended 30 June 2007*

	<i>Note</i>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
Revenue	1	<b>3,508,900</b>	2,942,766
Administrative expenses		<b>(2,601,160)</b>	(1,586,522)
<b>Operating profit</b>		<b>907,740</b>	1,356,244
Financial income		<b>416,922</b>	268,283
<b>Profit before tax</b>	2	<b>1,324,662</b>	1,624,527
Taxation	5	<b>(443,861)</b>	(489,987)
<b>Profit for the year attributable to equity holders of the parent</b>		<b>880,801</b>	1,134,540

All activities are continuing

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

There is no difference between the result as reported and the result on a historical cost basis

The notes to and forming part of the financial statements are set out on pages 10 to 16



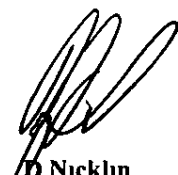
## Balance Sheet

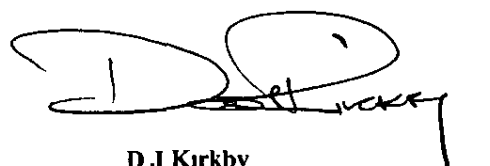
at 30 June 2007

	Note	2007 £	2006 £
<b>Current assets</b>			
Trade and other receivables	6	1,138,242	927,523
Cash and cash equivalents	9	10,717,857	6,851,048
<b>Total assets</b>		<b>11,856,099</b>	<b>7,778,571</b>
<b>Current liabilities</b>			
Trade and other payables	7	(6,931,760)	(3,735,033)
<b>Net assets</b>		<b>4,924,339</b>	<b>4,043,538</b>
<b>Capital and reserves</b>			
Called up share capital	8	2,850,000	2,850,000
Profit and loss account		2,074,339	1,193,538
<b>Shareholders' funds</b>		<b>4,924,339</b>	<b>4,043,538</b>
<b>Comprising:</b>			
Equity shareholders' funds		2,324,339	1,443,538
Non equity shareholders' funds	8	2,600,000	2,600,000
		<b>4,924,339</b>	<b>4,043,538</b>

The notes to and forming part of the financial statements are set out on pages 10 to 16

These financial statements were approved by the board of directors on 16 October 2007 and were signed on its behalf by

  
D Nicklin  
Director

  
D J Kirkby  
Director

## **Statement of Changes in Equity**

*For the year ended 30 June 2007*

	Attributable to shareholders		
	Share capital	Retained earnings	Total equity
	£	£	£000
Balance at 1 July 2005	2,850,000	1,358,998	4,208,998
Prior year final proposed dividend	-	(1,300,000)	(1,300,000)
Retained profit for the year	-	1,134,540	1,134,540
<b>Balance at 30 June 2006</b>	<b>2,850,000</b>	<b>1,193,538</b>	<b>4,043,538</b>
Balance at 1 July 2006	2,850,000	1,193,538	4,043,538
Retained profit for the year	-	880,801	880,801
<b>Balance at 30 June 2007</b>	<b>2,850,000</b>	<b>2,074,339</b>	<b>4,924,339</b>

## Cash Flow Statement

For the year ended 30 June 2007

	2007 £000	2006 £000
<b>Cash flows from operating activities</b>		
Profit for the year	880,801	1,134,540
Adjustments for		
Financial income	(416,922)	(268,283)
Taxation	443,861	489,987
	<hr/>	<hr/>
<b>Operating profit before changes in working capital</b>	907,740	1,356,244
Increase in trade and other receivables	(210,719)	(290,562)
Increase in trade and other payables	2,752,866	1,654,964
	<hr/>	<hr/>
<b>Net cash from operating activities</b>	3,449,887	2,720,646
	<hr/>	<hr/>
<b>Cash flow from investing activities</b>		
Interest received	416,922	268,283
	<hr/>	<hr/>
<b>Net cash from investing activities</b>	416,922	268,283
	<hr/>	<hr/>
<b>Cash flow from financing activities</b>		
Dividends paid	-	(1,300,000)
	<hr/>	<hr/>
<b>Net cash from financing activities</b>	-	(1,300,000)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	3,866,809	1,688,929
Cash and cash equivalents at 1 July	6,851,048	5,162,119
	<hr/>	<hr/>
<b>Cash and cash equivalents at 30 June</b>	10,717,857	6,851,048
	<hr/>	<hr/>

## **Notes to the financial statements**

### **1 Accounting policies**

Lend Lease Real Estate Investments Limited is a company incorporated in the UK

The Company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs")

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening IFRS balance sheet at 1 July 2005 for the purposes of the transition to Adopted IFRSs

#### ***Transition to Adopted IFRSs***

The Company is preparing its financial statements in accordance with Adopted IFRSs for the first time and consequently has applied IFRS 1. Adoption of IFRSs has no significant affect on the reported financial position, financial performance and cash flows of the Company for the current and previous year. Accordingly no reconciliation of prior year results and equity is presented.

#### ***Revenue***

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

#### ***Foreign currency***

- Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction

#### ***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 income statement over the period of the borrowings on an effective interest basis.

#### ***Provisions***

A provision is recognised in the balance sheet 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.

#### ***Trade and other receivables***

Trade and other receivables are stated at their nominal amount (discounted if material) less impairment losses.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### ***Borrowing costs***

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and foreign exchange differences net of hedged amounts on borrowings. Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets that take more than six months to prepare for their intended use or sale. In these circumstances, borrowing costs are capitalised to the costs of the assets. Where funds are borrowed specifically for the acquisition or construction of a qualifying asset, the amount of borrowing costs capitalised are those incurred in relation to that borrowing. To the extent that funds are borrowed generally, the amount of borrowing costs capitalised is calculated by applying a capitalisation rate to the expenditures on that asset.

#### ***Taxation***

Tax on the profit for the year comprises current and deferred tax. Tax is recognised in the income statement 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.

#### ***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.

#### ***Key estimates and judgements***

These accounts are prepared under IFRSs as adopted by the EU. The choice of accounting policies involves, in some cases, management evaluating and choosing the policy that gives the most true and fair view. The most relevant to the Company is in relation to provision for doubtful debt.

## Notes (continued)

### 2 Profit on ordinary activities before taxation

Auditors' remuneration is paid by Lend Lease Europe Limited, the immediate parent undertaking

The audit fee attributable to the company was £4,750 (2006 £4,200) There were no other fees paid to the auditors

### 3 Directors' remuneration

The directors did not receive any emoluments in respect of their directorship of Lend Lease Real Estate Investments Limited (2006 £nil)

### 4 Director's emoluments and employees

The company had no employees in the year (2006 nil), and was charged by another group company for the services of a further 8 employees of the group (2006 6) 3 employees had a proportion of their salaries recharged (2006 proportion salaries recharged - 3) The aggregate payroll costs of these employees were as follows

	2007 £	2006 £
Wages and salaries	675,299	598,429
Social security cost	85,865	72,431
Other pension costs	63,642	45,406
	<hr/> 824,806	<hr/> 716,266

Contributions made on behalf of employees are paid to a personal pension plan, the assets of which are held by Barclays Bank Plc This plan is a defined contribution money purchase pension scheme

The pension charge for the year represents the contributions payable in respect of the accounting period

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

### 5 Taxation

#### Recognised in the income statement

	2007 £	2006 £
Current year tax expense	443,861	489,987

#### Reconciliation of effective tax rate

	2007 £	2006 £
Profit before tax	1,324,662	1,624,527
Tax using the UK corporation tax rate of 30% (2006 30%)	397,399	487,358
Tax effect of non-deductible expenditure included in profit on ordinary activities	46,462	2,629
Total tax in income statement	443,861	489,987

There is no unprovided deferred tax

### 6 Trade and other receivables

	2007 £	2006 £
Trade receivables	-	203,197
Accrued income	1,138,242	722,180
Other receivables	-	2,146
	1,138,242	927,523

All receivables fall due within one year (2006 within one year)

### 7 Trade and other payables

	2007 £	2006 £
Trade payables to related parties	6,215,968	3,105,345
Non-trade payables and accrued expenses	715,792	629,688
	6,931,760	3,735,033

## Notes to the financial statements (continued)

### 8 Share capital

	2007 £	2006 £
<i>Authorised</i>		
490,000,000 ordinary shares of £1	490,000,000	490,000,000
10,000,000 non cumulative redeemable preference shares of £1	10,000,000	10,000,000
	<hr/> 500,000,000 <hr/>	<hr/> 500,000,000 <hr/>
<i>Allotted, called up and fully paid</i>		
250,000 ordinary shares of £1	250,000	250,000
2,600,000 non cumulative redeemable preference shares of £1	2,600,000	2,600,000
	<hr/> 2,850,000 <hr/>	<hr/> 2,850,000 <hr/>

The non cumulative redeemable preference shares, which were issued at par, are redeemable in such numbers and at such time whether at par or with such premium as the board may in its discretion think fit. The preference shares rank pari passu with ordinary shares, save on winding up or other return of capital when they have priority.

### 9 Financing Arrangements and Financial Instruments

#### *Fair values of financial assets and liabilities – on balance sheet*

There is no significant difference between the carrying value and fair value of the financial instruments.

#### *Financial Instruments - Credit Risk*

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The Company is compliant with the Lend Lease 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 Lend Lease Consolidated Group related parties.

#### *Financial Instruments – Interest Rate Exposure*

The Company's policy is to manage interest rate risk that impacts directly on the Group's assets and liabilities.

At 30 June 2007, it is estimated that an increase of one percentage point in interest rates would have increased the Company's profit before tax by approximately £88,000.



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

### **9 Financing Arrangements and Financial Instruments (continued)**

#### **Financial Instruments – Interest Rate Exposure (continued)**

	<b>Effective interest rate</b>	<b>Floating interest rate £</b>	<b>Non interest bearing £</b>	<b>Total £</b>
<b>As at 30 June 2007</b>				
<b>FINANCIAL ASSETS</b>				
Cash	4% - 5%	10,717,857	-	10,717,857
<b>Related Party Receivables</b>				
Accrued income		-	1,138,242	1,138,242
		<hr/>	<hr/>	<hr/>
		10,717,857	1,138,242	11,856,099
		<hr/>	<hr/>	<hr/>
<b>FINANCIAL LIABILITIES</b>				
<b>Related Party Creditors</b>				
Accruals and deferred income		-	715,792	715,792
		<hr/>	<hr/>	<hr/>
		-	715,792	715,792
		<hr/>	<hr/>	<hr/>

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

### 9 Financing Arrangements and Financial Instruments *(continued)*

#### Financial Instruments – Interest Rate Exposure *(continued)*

	Effective interest rate	Floating interest rate £	Non interest bearing £	Total £
<b>As at 30 June 2006</b>				
<b>FINANCIAL ASSETS</b>				
Cash	3% - 4%	6,851,048	-	6,851,048
Related Party Receivables				
Accrued income		-	722,180	722,180
		<u>6,851,048</u>	<u>722,180</u>	<u>7,573,228</u>
<b>FINANCIAL LIABILITIES</b>				
Related Party Creditors				
Accruals and deferred income		-	629,688	629,688
		<u>-</u>	<u>629,688</u>	<u>629,688</u>

### 10 Subsequent events

There have been no significant post balance sheet events

### 11 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company's immediate parent undertaking is Lend Lease Europe Limited, which is registered in England and Wales. The ultimate parent undertaking of the company is Lend Lease Corporation Limited which is incorporated in Australia.

The largest group in which the results of the company are consolidated is that headed by Lend Lease Corporation Limited. The consolidated financial statements of that group may be obtained from the group's website at [lendlease.com.au](http://lendlease.com.au)

The smallest group registered in England and Wales in which the results of the company are consolidated is that headed by Lend Lease Europe Holdings Limited. The consolidated financial statements of that group may be obtained from The Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff