

Lend Lease Real Estate Investments Limited

**Directors' report and
financial statements**

30 June 2013
Registered number 3540684

TUESDAY



L2K0CS0Q

LD4

29/10/2013

#108

COMPANIES HOUSE

Directors' report and financial statements

Contents

Directors' report	1
Statement of directors' responsibilities	2
Independent auditor's report to the members of Lend Lease Real Estate Investments Limited	3
Statement of comprehensive income	4
Balance sheet	5
Statement of changes in shareholders' equity	6
Cash flow statement	7
Notes to the financial statements	8 - 11

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2013

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 Markets in Financial Instruments Directive (MiFID) firms and is regulated for its investment business and insurance business activities by the Financial Conduct Authority (FCA)

The company is a BIPRU 125k limited activity investment firm for regulatory capital requirement purposes. 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 was appointed as the fund manager for the Lend Lease PPP/PFI Infrastructure Fund which was launched on 10 December 2010. The fund is a Limited Partnership with an anticipated life of 28 years which will invest in concessions for established healthcare, education, waste and accommodation projects in the UK

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

Results and dividends

The profit for the year after taxation amounted to £499,117 (2012: £732,779). The directors do not recommend the payment of a dividend (2012: £nil)

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

The directors who held office during the year were as follows

A M Brown
N Steele
C E Allen
B Amin (appointed 24 October 2012)

Political and charitable contributions

The company made no political or charitable contributions during the year (2012: £nil)

Statement as to 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

By order of the board



N Steele
Director
20 Triton Street
Regents Place, London
NW1 3BF

17 October 2013

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 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 2013 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 (APB'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 2013 and of its 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.



William Meredith
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square London E14 5GL

17 October 2013

Statement of comprehensive income
 for the year ended 30 June 2013

	Note	2013 £	2012 £
Revenue		5,008,855	4,899,078
Administrative expenses		(4,296,929)	(3,819,187)
Operating profit		711,926	1,079,891
Finance income		20,830	22,405
Finance expense		(41,322)	(65,942)
Profit on ordinary activities before taxation		691,434	1,036,354
Taxation expense	4	(192,317)	(303,575)
Profit on ordinary activities after taxation		499,117	732,779
Total comprehensive income for the year		499,117	732,779

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 profit as reported and the profit on a historical cost basis

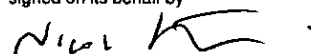
The notes to and forming part of these financial statements are set out on pages 8 to 11

Balance Sheet
 as at 30 June 2013

	Note	2013 £	2012 £
Current assets			
Cash and cash equivalents		4,194,644	3,622,594
Trade and other receivables	5	1,704,241	1,622,880
Deferred tax asset	6	395,059	412,235
Total assets		<u>6,293,944</u>	<u>5,657,709</u>
Current liabilities			
Trade and other payables	7	(2,542,585)	(2,405,467)
Total liabilities		<u>(2,542,585)</u>	<u>(2,405,467)</u>
Net assets		<u>3,751,359</u>	<u>3,252,242</u>
Capital and reserves			
Called up share capital	8	4,850,000	4,850,000
Retained earnings		(1,098,641)	(1,597,758)
Total equity		<u>3,751,359</u>	<u>3,252,242</u>

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

These statements were approved by the board of directors on 17 October 2013 and were signed on its behalf by



N Steele
 Director
 Registered number 3540684

Statement of changes in shareholders' equity
 for the year ended 30 June 2013

	Attributable to shareholders		
	Share capital £	Retained earnings £	Total equity £
Balance at 1 July 2011	4,850,000	(2,330,537)	2,519,463
Retained profit for the year	-	732,779	732,779
Balance at 30 June 2012	4,850,000	(1,597,758)	3,252,242
Balance at 1 July 2012	4,850,000	(1,597,758)	3,252,242
Retained profit for the year	-	499,117	499,117
Balance at 30 June 2013	4,850,000	(1,098,641)	3,751,359

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

Cashflow statement
 for the year ended 30 June 2013

	2013 £	2012 £
Cash flows from operating activities		
Profit for the year	499,117	732,779
Adjustments for		
Taxation	192,317	303,575
Net finance costs	20,492	43,537
Operating profit before changes in working capital	711,926	1,079,891
(Increase)/decrease in trade and other receivables	(81,361)	353,900
Decrease in deferred tax asset	17,176	1,143,655
Increase/(decrease) in trade and other payables	137,118	(1,793,962)
Income tax paid	(192,317)	(303,575)
Interest paid	(41,322)	(65,942)
Net cash from operating activities	551,220	413,967
Cash flow from financing activities		
Interest received	20,830	22,405
Net cash from financing activities	20,830	22,405
Increase in cash and cash equivalents	572,050	436,372
Cash and cash equivalents at 1 July	3,622,594	3,186,222
Cash and cash equivalents at 30 June	4,194,644	3,622,594

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

Notes to the financial statements

1 Accounting policies

Lend Lease Real Estate Investments Limited is a company incorporated in the UK. The company's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and its interpretations as adopted by the International Accounting Standards Board (IASB).

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

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, interest receivable on funds invested, and foreign exchange gains and losses that are recognised in the income statement.

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 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.

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.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or subsequently enacted by the balance sheet date. Deferred tax assets are not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

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.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations have been issued that are effective or not yet effective for the year ended 30 June 2013, but have not been applied in preparing these financial statements. None of these have a material effect on the financial statements of the Company.

Notes to the financial statements (continued)

2 Directors' emoluments and employees

The company had no employees in the year (2012: nil) and was charged by another group company for the services of a further 18 employees of the group (2012: 15). The aggregate payroll costs of these employees were as follows:

	2013	2012
	£	£
Wages and salaries	2,092,089	1,561,994
Social security cost	246,838	204,039
Other pension costs	220,090	154,768
	<u>2,559,117</u>	<u>1,920,801</u>

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.

Lend Lease Real Estate Investments Limited's senior management is responsible for determining the remuneration policy of the firm and reviews the policy at least annually.

Lend Lease Real Estate Investments Limited's senior management have determined that variable remuneration is to be paid on the basis of performance.

Remuneration by Business Area

	2013	2012
	£	£
Senior management	1,017,503	537,569
Fund managers	1,541,614	1,383,232
	<u>2,559,117</u>	<u>1,920,801</u>

Senior Management and Material Staff

	2013	2012
	£	£
Fixed remuneration	1,967,604	1,692,580
Variable remuneration	591,513	228,221
	<u>2,559,117</u>	<u>1,920,801</u>

3 Auditor's remuneration

Auditor's remuneration in respect of audit and other fees were paid by Lend Lease Europe Limited, the immediate parent undertaking. The directors estimate the fee attributable to the company is £16,262 (2012: £15,723).

4 Taxation

(a) Charge recognised in the Statement of Comprehensive Income

	2013	2012
	£	£
Current tax		
Current year	175,141	-
Adjustments in respect of previous periods	-	-
Total current tax	<u>175,141</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	-	264,045
Effect of change in UK tax rate (23%)	17,176	39,530
Tax charge on ordinary activities	<u>192,317</u>	<u>303,575</u>

(b) Reconciliation of effective tax rate

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 23.75% (2012: 25.5%).

	2013	2012
	£	£
Profit before tax	691,434	1,036,354
Tax using the UK corporation tax rate of 23.75% (2012: 25.5%)	<u>164,216</u>	<u>264,270</u>
Non deductible expenses	10,925	(225)
Tax-exempt revenues	-	-
Permanent difference on change of tax rate	17,176	39,530
Total tax in income statement	<u>192,317</u>	<u>303,575</u>

The 2013 Budget on 20 March 2013 announced that the UK Corporation tax rate will reduce to 20% by 2015. A reduction in the rate from 24% to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012 and the further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted 2 July 2013. This will reduce the company's future current tax charge accordingly and further reduce the deferred tax asset at 30 June 2013, which has been calculated based on the rate of 23% substantively enacted at the balance sheet date by £34,353.

5 Trade and other receivables

	2013	2012
	£	£
Trade receivables from related parties	932,353	751,202
Other receivables	106,948	31,598
Current Tax Asset	<u>664,940</u>	<u>840,080</u>
	<u>1,704,241</u>	<u>1,622,880</u>

Notes to the financial statements (continued)

6 Deferred tax assets

The deferred tax amounts are recognised as follows

	2013	2012
	£	£
Deferred tax asset	395,059	412,235
	<u>395,059</u>	<u>412,235</u>

Recognised deferred tax assets

Deferred tax assets are attributable to the following

	Assets		Net	
	2013	2012	2013	2012
	£	£	£	£
Employee benefits	16,034	16,730	16,034	16,730
Tax value of loss carry forwards	379,025	395,505	379,025	395,505
Net tax assets	<u>395,059</u>	<u>412,235</u>	<u>395,059</u>	<u>412,235</u>

Movement in deferred tax during the year

	1 July 2012	Prior year	Rate change	Current year	30 June 2013
	£	£	£	£	£
Employee benefits	16,730		(697)		16,033
Tax value of loss carry forwards	395,505		(16,479)		379,026
	<u>412,235</u>		<u>(17,176)</u>		<u>395,059</u>

Movement in deferred tax during the prior year

	1 July 2011	Prior year	Rate change	Current year	30 June 2012
	£	£	£	£	£
Employee benefits	18,124		(1,394)		16,730
Tax value of loss carry forwards	1,537,766	(840,080)	(38,136)	(264,045)	395,505
	<u>1,555,890</u>	<u>(840,080)</u>	<u>(39,530)</u>	<u>(264,045)</u>	<u>412,235</u>

The 2013 Budget on 20 March 2013 announced that the UK Corporation tax rate will reduce to 20% by 2015. A reduction in the rate from 24% to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012 and the further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted 2 July 2013. This will reduce the company's future current tax charge accordingly and further reduce the deferred tax asset at 30 June 2013 which has been calculated based on the rate of 23% substantively enacted at the balance sheet date by £34,353.

7 Trade & other payables

	2013	2012
	£	£
Trade payables to related parties	1,277,633	1,659,835
Other trade payables and accrued expenses	<u>1,264,952</u>	<u>745,632</u>
	<u>2,542,585</u>	<u>2,405,467</u>

8 Called up share capital

	2013	2012
	£	£
Authorised		
490,000,000 ordinary shares of £1	490,000,000	490,000,000
10,000,000 non cumulative redeemable preference shares of £1	<u>10,000,000</u>	<u>10,000,000</u>
	<u>500,000,000</u>	<u>500,000,000</u>
Allotted, called up and fully paid		
2,250,000 ordinary shares of £1 (2012: 2,250,000 ordinary shares of £1 each)	2,250,000	2,250,000
2,600,000 non cumulative redeemable preference shares of £1	<u>2,600,000</u>	<u>2,600,000</u>
	<u>4,850,000</u>	<u>4,850,000</u>

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.

Notes to the financial statements (continued)

9 Subsequent events

There have been no significant post balance sheet events

10 Related Party Disclosures

Amounts receivable/(payable) by Lend Lease Real Estate Investments Limited at balance date are as follows (all shown net of VAT)

	2013	2012
	£	£
Lend Lease Europe Limited	(1,126,383)	(1,378,301)
Lend Lease Europe GP Limited	514,004	499,741
Lend Lease Real Estate Investment Services Limited	(88,003)	(280,485)
Lend Lease PFVPPP Infrastructure Fund GP Limited	355,101	250,411
	<u>(345,281)</u>	<u>(908,634)</u>

11 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 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.

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 2013, it is estimated that an increase of one percentage point in interest rates would have decreased the company's profit before tax by approximately £8,503 (2012: decreased the company's profit before tax by £19,811).

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

d) Capital management

The company is regulated by the Financial Conduct Authority who set and monitor capital requirements for the company.

In implementing capital requirements the Financial Conduct Authority requires the company to maintain a prescribed ratio of total capital to total risk weighted assets.

The company has complied with all externally imposed capital requirements throughout the year. There have been no material changes to the company's management of capital during the year.

The company's regulatory capital position at 30th June was as follows:

	2013	2012
	£	£
Tier 1 capital		
Ordinary share capital	2,250,000	2,250,000
Share premium	2,600,000	2,600,000
Retained earnings	(1,098,641)	(1,597,758)
	<u>3,751,359</u>	<u>3,252,242</u>

f) 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.

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

The company is a subsidiary undertaking of Lend Lease Europe Limited, which is registered in England and Wales. Its ultimate parent undertaking is Lend Lease Corporation Limited, which is incorporated in Australia. The largest group in which the results of the company are consolidated is that headed by Lend Lease Corporation Limited. The consolidated financial statements of that group may be obtained from the group's website at www.lendlease.com.au.

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