

Lendlease Real Estate Investments (Europe) Limited

Annual Report and Financial Statements

for the year ended 30 June 2017

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Lendlease Real Estate Investments (Europe) Limited

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Lendlease Real Estate Investments (Europe) Limited

Company Information

Directors	R Boswell M Boor Y Kostopoulos
Registered office	20 Triton Street Regent's Place London NW1 3BF
Auditors	KPMG LLP Chartered Accountants 15 Canada Square London England E14 5GL

Lendlease Real Estate Investments (Europe) Limited

Strategic Report for the year ended 30 June 2017

The directors present their strategic report for the year ended 30 June 2017.

Principal activity

Lendlease Real Estate Investments (Europe) Limited ("the Company") was incorporated on 3 April 1998.

The principal activity of Lendlease Real Estate Investments (Europe) 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 Alternative Investment Fund Managers Directive ('AIFMD') firms and is regulated for its investment business activities by the Financial Conduct Authority ('FCA').

The Company was appointed as the fund manager for the Lendlease Retail LP which was launched in June 1999. The fund is an unlisted English Limited Partnership with a Jersey feeder fund providing exposure to long term sustainable commercial real estate assets via capital management, asset management and development of its prime core portfolio.

Business Review

The results for the year show an operating loss of £3.6m (2016: profit of £1.6m) on revenue of £1.6m (2016: £6.9m) and net assets of £1.5m (2016: £4.5m). The Company continued to act as Fund Manager for the Lendlease Retail LP and is looking to modernise and extend the life of the fund during the coming financial year.

Principle risks and uncertainties facing the business

The Company takes a prudent approach to risk; risk management is embedded in the organisation, with different types of risk requiring different levels and types of management response.

Although many of the risk factors influencing the business are macroeconomic, others are particular to our operations. The section below highlights some of the risks which affect the Company as a whole, although it is not intended to be an extensive analysis of all such risks.

Risk Area	Risk Factor
Macro-economic climate	Interest rates, availability of finance, employment levels and general economic sentiment have a direct impact on the performance of the assets held by the Lendlease Retail Fund managed by the Company and success of any future transactions.
LLR LP Fund extension and modernisation	The modernisation and extension of the fund is dependent on an aligned investor base.
LLR LP Total returns	A fall in the Lendlease Retail LP returns will affect the Company's ability to earn a Performance fee.
Retail sector cycle	The Company will continue to monitor the retail sector cycle and any impact post the UK's decision to leave the European Union.
People	The Company's success is highly dependent upon its ability to attract and retain the best people in the industry.

Lendlease Real Estate Investments (Europe) Limited

Strategic Report for the year ended 30 June 2017 (continued)

Health & safety

Health & Safety stands at the heart of our business and shapes our values, directs our decision-making and is the focus of all our business planning.

Our Company vision is simple; a culture where any incident or injury is unacceptable. This is reinforced by ensuring that safety always comes first in the decisions we make at all levels at which we operate. We believe that every incident is preventable and that all our employees share an obligation to actively integrate Incident & Injury Free into every aspect of their work. This is called the Lendlease Way for Safety and we apply it wherever we have a presence.

A dedicated Safety Leadership Team leads the business to ensure this commitment of an Incident & Injury Free vision is embedded and sustained throughout our people, supply chain, consultants and clients.

We operate within defined Global Minimum Requirements (GMR's) to better identify, assess and manage risks. We have established accountability for the implementation of these standards and set Key Performance Indicators at all management levels to measure current gaps and pinpoint further opportunities for improvement. We have developed a set of tools to ensure we generate, share and incorporate best practice.

Environmental matters

Lendlease is committed to making significant long term contributions to the environmental, social and economic fabric of the communities in which it operates.

Employees

Employment of disabled persons

It is the Company's policy to give full and fair consideration to applications for employment made by disabled persons having regard to their aptitudes and abilities. The Company also uses its best endeavours to provide continuing employment for employees who are disabled whilst the Company employs them and, where appropriate, provides facilities for training and retraining and opportunities for career development and promotion.

Employee involvement

Employees benefit from a bonus scheme that enables them to identify more closely with the group's performance and to share common objectives with shareholders. This spirit of involvement in the group is encouraged through access to a variety of media, and staff at all levels are regularly advised of the group's and individual companies' achievements.

Outlook

With the continuing support of Lendlease, the Company will continue to manage the Lendlease Retail LP and look to launch new funds should opportunities arise.

Following the decision to leave the European Union, there is uncertainty around future growth forecasts with a market consensus view that there will be a slowdown in growth in the short term. To date, this has not impacted our projects in delivery. Lendlease will continue to manage our exposure to market movements in line with our standard risk management processes.

Post balance sheet events

There are no post balance sheet events.

Approved by the Board on 15 September 2017 and signed on its behalf by:

.....
M Boor
Director

Lendlease Real Estate Investments (Europe) Limited

Directors' Report for the Year Ended 30 June 2017

The directors present their report and the financial statements for the year ended 30 June 2017.

Results and dividends

The loss for the year after taxation amounted to £3.0m (2016: profit of £1.2m). The directors do not recommend the payment of a dividend (2016: £nil).

Directors of the company

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

R Boswell

C Allen (resigned 3 August 2017)

M Boor

The following director was appointed after the year end:

Y Kostopoulos (appointed 3 August 2017)

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of 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 (2016: £nil).

Approved by the Board on 15 September 2017 and signed on its behalf by:

.....
M Boor
Director

Lendlease Real Estate Investments (Europe) Limited

Statement of directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, 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 International Financial Reporting Standards as adopted by the European Union (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 its profit or loss for that period. In preparing each of the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Lendlease Real Estate Investments (Europe) Limited

Opinion

We have audited the financial statements of Lendlease Real Estate Investments (Europe) Limited ("the Company") for the year ended 30 June 2017 which comprise the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and related notes, including the summary of significant accounting policies and other explanatory information.

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of the its loss for the year then ended;
- the Company financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, 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.

We have nothing to report in these respects.

Independent Auditor's Report to the Members of Lendlease Real Estate Investments (Europe) Limited (continued)

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

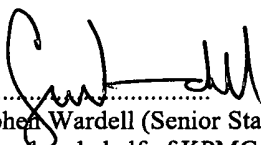
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.


.....
Stephen Wardell (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
England
E14 5GL

18 September 2017

Lendlease Real Estate Investments (Europe) Limited

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2017

	Note	2017 £	2016 £
Revenue		1,590,900	6,943,673
Administrative expenses		<u>(5,149,198)</u>	<u>(5,299,042)</u>
Operating (loss)/profit		<u>(3,558,298)</u>	<u>1,644,631</u>
Finance income		28,453	47,643
Finance costs		<u>(55,191)</u>	<u>(60,666)</u>
Net finance cost	4	<u>(26,738)</u>	<u>(13,023)</u>
(Loss)/profit before tax		(3,585,036)	1,631,608
Income tax credit/(expense)	6	<u>584,404</u>	<u>(404,782)</u>
(Loss)/profit for the year		(3,000,632)	1,226,826
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive (loss)/income for the year		<u><u>(3,000,632)</u></u>	<u><u>1,226,826</u></u>

The above results were derived from continuing operations.

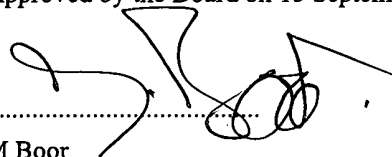
The notes on pages 12 to 21 form an integral part of these financial statements.

Lendlease Real Estate Investments (Europe) Limited

Statement of Financial Position as at 30 June 2017

	Note	2017 £	2016 £
Assets			
Non-current assets			
Deferred tax assets	6	704,695	118,293
Current assets			
Trade and other receivables	7	1,494,726	1,140,423
Cash and cash equivalents		<u>6,403,460</u>	<u>6,036,565</u>
		<u>7,898,186</u>	<u>7,176,988</u>
Total assets		<u>8,602,881</u>	<u>7,295,281</u>
Liabilities			
Non-current liabilities			
Deferred tax liabilities	6	1,998	-
Current liabilities			
Trade and other payables	8	<u>7,136,593</u>	<u>2,830,359</u>
Total liabilities		<u>7,138,591</u>	<u>2,830,359</u>
Net assets		<u>1,464,290</u>	<u>4,464,922</u>
Equity			
Share capital	9	4,850,000	4,850,000
Retained earnings		<u>(3,385,710)</u>	<u>(385,078)</u>
Total equity		<u>1,464,290</u>	<u>4,464,922</u>

Approved by the Board on 15 September 2017 and signed on its behalf by:



M Boor

Director

Registration number: 03540684

The notes on pages 12 to 21 form an integral part of these financial statements.

Lendlease Real Estate Investments (Europe) Limited

Statement of Changes in Equity for the year ended 30 June 2017

	Share capital £	Retained earnings £	Total £
At 1 July 2015	4,850,000	(1,611,904)	3,238,096
Profit for the year	-	1,226,826	1,226,826
Total comprehensive income	-	1,226,826	1,226,826
At 30 June 2016	4,850,000	(385,078)	4,464,922

	Share capital £	Retained earnings £	Total £
At 1 July 2016	4,850,000	(385,078)	4,464,922
Loss for the year	-	(3,000,632)	(3,000,632)
Total comprehensive loss	-	(3,000,632)	(3,000,632)
At 30 June 2017	4,850,000	(3,385,710)	1,464,290

The notes on pages 12 to 21 form an integral part of these financial statements.

Lendlease Real Estate Investments (Europe) Limited

Statement of Cash Flows for the year ended 30 June 2017

	2017 £	2016 £
Cash flow from operating activities		
(Loss)/profit for the year	(3,000,632)	1,226,826
Adjustments for:		
Finance income	(28,453)	(47,643)
Finance expense	55,191	60,666
Taxation	(584,404)	404,782
	<u>(3,558,298)</u>	<u>1,644,631</u>
 (Increase)/decrease in trade and other receivables	 (354,303)	 439,092
Increase in trade and other payables	4,306,234	148,272
Net cash from operating activities	<u>393,633</u>	<u>2,231,995</u>
 Cash flow from investing activities		
Interest received	28,453	47,643
Net cash from investing activities	<u>28,453</u>	<u>47,643</u>
 Cash flow from financing activities		
Interest paid	(55,191)	(60,666)
Net cash used in financing activities	<u>(55,191)</u>	<u>(60,666)</u>
 Increase in cash and cash equivalents	 366,895	 2,218,972
Cash and cash equivalents at 1 July	6,036,565	3,817,593
Cash and cash equivalents at 30 June	<u>6,403,460</u>	<u>6,036,565</u>

The notes on pages 12 to 21 form an integral part of these financial statements.

Lendlease Real Estate Investments (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017

1 General information

The Company is a private company limited by share capital incorporated and domiciled in United Kingdom.

The address of its registered office is:

20 Triton Street

Regent's Place

London

NW1 3BF

These financial statements were authorised for issue by the Board on 15 September 2017.

2 Accounting policies

Statement of compliance

The Company financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRS's").

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with adopted IFRSs and under historical cost accounting rules.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

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.

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 July 2016 have had a material effect on the financial statements.

None of the standards, interpretations and amendments which are effective for periods beginning after 1 July 2016 and which have not been adopted early, are expected to have a material effect on the 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 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.

Lendlease Real Estate Investments (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

2 Accounting policies (continued)

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.

Lendlease Real Estate Investments (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

2 Accounting policies (continued)

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).

3 Directors' remuneration and employees

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. Their remuneration for the current year and prior year was paid by and included in the financial statements of these companies.

The Company had no employees in the year (2016: nil), and was charged by other group companies for the services of 7 employees of the group (2016: 9).

The aggregate payroll costs of these employees were as follows:

	2017 £	2016 £
Wages and salaries	430,608	659,876
Social security costs	136,604	131,971
Other pension costs	97,549	99,972
	<u>664,761</u>	<u>891,819</u>

The above aggregate payroll costs are net of recharges and recoveries made by Lendlease Real Estate Investments (Europe) Limited.

Lendlease Real Estate Investments (Europe) Limited's senior management is responsible for determining the remuneration policy of the Company and reviews the policy at least annually.

Lendlease Real Estate Investments (Europe) Limited's senior management have determined that variable remuneration is to be paid on the basis of performance.

The below remuneration amounts represent actual payroll costs before any recharges or recoveries.

	2017 £	2016 £
Remuneration by Business Area		
Senior management	154,468	248,278
Fund management	376,341	685,904
	<u>530,809</u>	<u>934,182</u>
 Senior management and Material Staff		
Fixed remuneration	490,353	821,804
Variable remuneration	40,456	112,378
	<u>530,809</u>	<u>934,182</u>

Lendlease Real Estate Investments (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

4 Finance income and costs

	2017 £	2016 £
Finance income		
Interest income on bank deposits	11,740	22,523
Interest income on amounts due from group undertakings	<u>16,713</u>	<u>25,120</u>
Total finance income	28,453	47,643
Finance costs		
Interest expense on amounts due to group undertakings	<u>(55,191)</u>	<u>(60,666)</u>
Net finance costs	<u><u>(26,738)</u></u>	<u><u>(13,023)</u></u>

5 Auditors' remuneration

	2017 £	2016 £
Statutory audit of the financial statements	<u>13,000</u>	<u>15,070</u>

6 Income tax

Tax credited/(charged) in the income statement

	2017 £	2016 £
Current income tax	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of temporary differences	705,874	(302,433)
Effect of change in UK tax rate	(26,830)	(6,226)
Prior year adjustment	<u>(94,640)</u>	<u>(96,123)</u>
Total deferred tax	<u><u>584,404</u></u>	<u><u>(404,782)</u></u>

Lendlease Real Estate Investments (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

6 Income tax (continued)

The tax assessed differs from the application of the standard rate of corporation tax in the UK 2017: 19.75% (2016: 20.00%) to the Company's accounting loss before taxation for the following reasons:

	2017 £	2016 £
(Loss)/profit before tax	<u>(3,585,036)</u>	<u>1,631,608</u>
Corporation tax at standard rate	708,045	(326,322)
Adjustments in respect of previous periods	(94,640)	(96,123)
Permanent difference in change of tax rate	(26,830)	(6,226)
Income not taxable	-	23,889
Expenses not deductible	<u>(2,171)</u>	<u>-</u>
Total tax credit/ (charge)	<u>584,404</u>	<u>(404,782)</u>

Deferred tax

Deferred tax assets and liabilities

	Asset £	Liability £	Net deferred tax £
2017			
Tax losses carry-forwards	704,695	-	704,695
Provisions	-	(1,998)	(1,998)
	<u>704,695</u>	<u>(1,998)</u>	<u>702,697</u>

	Asset £	Liability £	Net deferred tax £
2016			
Tax losses carry-forwards	118,293	-	118,293
Provisions	-	-	-
	<u>118,293</u>	<u>-</u>	<u>118,293</u>

Lendlease Real Estate Investments (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

6 Income tax (continued)

Deferred tax movement during the year:

	At 1 July 2016 £	Recognised in income £	At 30 June 2017 £
Tax losses carry-forwards	118,293	586,402	704,695
Provisions	-	(1,998)	(1,998)
Net tax assets	<u>118,293</u>	<u>584,404</u>	<u>702,697</u>

Deferred tax movement during the prior year:

	At 1 July 2015 £	Recognised in income £	At 30 June 2016 £
Tax losses carry-forwards	523,075	(404,782)	118,293
Provisions	-	-	-
Net tax assets	<u>523,075</u>	<u>(404,782)</u>	<u>118,293</u>

Factors that may affect future tax charges

A deferred tax asset of £702,697 (2016: £118,293) has been recognised as tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

A reduction in the corporate tax rate to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was enacted on 15 September 2016. This will reduce the Company's future current tax charge accordingly. Accordingly, the Company's profits for the accounting period are taxed at a statutory rate of 19.75% (2016: 20%).

7 Trade and other receivables

	2017 £	2016 £
Trade and other receivables	676,751	426,380
Trade receivables from related parties	778,945	675,013
Group relief receivable	<u>39,030</u>	<u>39,030</u>
Total current trade and other receivables	<u>1,494,726</u>	<u>1,140,423</u>

8 Trade and other payables

	2017 £	2016 £
Trade payables	1,014,641	1,519,354
Amounts due to related parties	<u>6,121,952</u>	<u>1,311,005</u>
	<u>7,136,593</u>	<u>2,830,359</u>

Lendlease Real Estate Investments (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

9 Share capital

Allotted, called up and fully paid shares

	2017		2016	
	No.	£	No.	£
Ordinary shares of £1 each	2,250,000	2,250,000	2,250,000	2,250,000
Non cumulative redeemable preference shares of £1 each	2,600,000	2,600,000	2,600,000	2,600,000
	<u>4,850,000</u>	<u>4,850,000</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.

10 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.

Lendlease Real Estate Investments (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

10 Financial Risk Management (continued)

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 2017, it is estimated that an increase of one percentage point in interest rates would have increased the Company's loss before tax by approximately £9,882 (2016: decreased the Company's profit before tax by approximately £15,631).

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 30 June was as follows:

	2017	2016
	£	£
Tier 1 capital		
Ordinary share capital	2,250,000	2,250,000
Non cumulative redeemable preference shares	2,600,000	2,600,000
Retained earnings	(3,385,710)	(385,078)
	<u>1,464,290</u>	<u>4,464,922</u>

f) Fair values of financial assets and liabilities - on statement of financial position

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

Lendlease Real Estate Investments (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

11 Related Party Disclosures

Related party amounts (payable) / receivable by Lendlease Real Estate Investments (Europe) Limited at balance sheet date and transactions with group entities during the year are as follows:

	2017 £	2016 £
Related party receivables		
Lendlease Europe Holdings Limited	654,461	637,880
Lendlease Infrastructure (Europe) Limited	26,316	26,316
Lendlease Infrastructure Holdings (Europe) Limited	10,949	10,817
Lendlease Europe Retail Investments Limited	7,902	-
Lendlease Development (Europe) Limited	79,317	-
	<u>778,945</u>	<u>675,013</u>
Related party payables		
Lendlease Europe Limited	(1,357,265)	(112,601)
Lendlease Real Estate Investment Services Limited	(3,005,089)	(336,392)
Lendlease Construction (Europe) Limited	(1,759,598)	(862,012)
	<u>(6,121,952)</u>	<u>(1,311,005)</u>
Expenses from group undertakings		
Management fees paid to Lendlease Europe Limited	(570,371)	(993,099)
Management recharge from Lendlease Real Estate Investment Services Limited	(3,054,863)	-
Corporate management fees paid to Lendlease Corporation Limited	(5,668)	-
Asset management fees paid to Lendlease Real Estate Investment Services Limited	(146,075)	(144,113)
Interest paid to Lendlease Europe Limited	(17,853)	-
Interest paid to Lendlease Construction (Europe) Limited	(36,135)	-
Interest paid to Lendlease Real Estate Investment Services Limited	(1,203)	(60,666)
Income from group undertakings		
Lendlease PFI/PP Infrastructure Fund GP Limited	-	690,322
Lendlease Europe GP Limited	1,590,900	1,620,409
Interest received from Lendlease Europe Holdings Limited	16,581	11,970
Interest received from Lendlease Infrastructure Holdings (Europe) Limited	132	-
Interest received from Lendlease Europe Limited	-	4,304
Interest received from Lendlease Real Estate Investment Services Limited	-	8,257
Interest received from Lendlease Infrastructure (Europe) Limited	-	589

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

Lendlease Real Estate Investments (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

12 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.