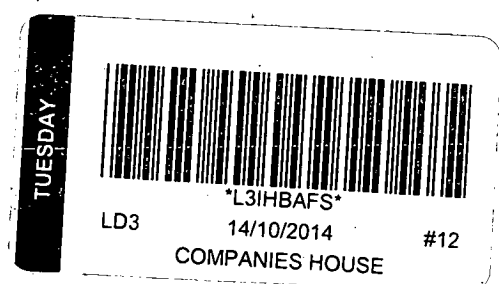


Lend Lease Real Estate Investments Limited

Directors' report and financial statements

30 June 2014

Registered number 3540684



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 2014.

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 Alternative Investment Fund Managers Directive ('AIFMD') firms and is regulated for its investment business activities by the Financial Conduct Authority ('FCA').

The company is a Collective Portfolio Management 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 £550,295 (2013: £499,117). The directors do not recommend the payment of a dividend (2013: £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 (resigned 8 November 2013)

N Steele

C E Allen

B Amin (resigned 28 May 2014)

Subsequent to year end, the following changes to directorship occurred:

M Boor (appointed 9 July 2014)

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.

Political and charitable contributions

The company made no political or charitable contributions during the year (2013: £nil).

By order of the board



N Steele

Director

20 Triton Street

Regents Place, London

NW1 3BF

10 October 2014

Statement of directors' responsibilities in respect of the 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 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 2014 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 2014 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



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

10 October 2014

Statement of comprehensive income
 for the year ended 30 June 2014

	Note	2014 £	2013 £
Revenue		4,587,516	5,008,855
Administrative expenses		<u>(3,890,420)</u>	<u>(4,296,929)</u>
Operating profit		697,096	711,926
Finance income	4	21,413	20,830
Finance expense	5	<u>(46,906)</u>	<u>(41,322)</u>
Profit on ordinary activities before taxation		671,603	691,434
Tax on profit on ordinary activities	6	(121,308)	(192,317)
Profit on ordinary activities after taxation		550,295	499,117
Profit for the year and total comprehensive income		550,295	499,117

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.

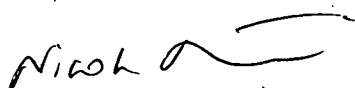
The notes to and forming part of these financial statements are set out on pages 8 to 11.

Statement of financial position
 as at 30 June 2014

	Note	2014 £	2013 £
Current assets			
Cash and cash equivalents		4,607,525	4,194,644
Trade and other receivables	7	1,638,104	1,704,241
Deferred tax asset	8	312,780	395,059
Total assets		<u>6,558,409</u>	<u>6,293,944</u>
Current liabilities			
Trade and other payables	9	(2,256,755)	(2,542,585)
Total liabilities		<u>(2,256,755)</u>	<u>(2,542,585)</u>
Net assets		<u><u>4,301,654</u></u>	<u><u>3,751,359</u></u>
Capital and reserves			
Called up share capital	10	4,850,000	4,850,000
Retained earnings		(548,346)	(1,098,641)
Total equity		<u><u>4,301,654</u></u>	<u><u>3,751,359</u></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 10 October 2014 and were signed on its behalf by:



N Steele
 Director
 20 Triton Street
 Regent's Place, London
 NW1 3BF
 10/10/2014

Statement of changes in shareholders' equity
 for the year ended 30 June 2014

	Attributable to shareholders		
	Share capital £	Retained earnings £	Total equity £
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	<u>4,850,000</u>	<u>(1,098,641)</u>	<u>3,751,359</u>
Balance at 1 July 2013	4,850,000	(1,098,641)	3,751,359
Retained profit for the year	-	550,295	550,295
Balance at 30 June 2014	<u>4,850,000</u>	<u>(548,346)</u>	<u>4,301,654</u>

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

Statement of cash flows
 for the year ended 30 June 2014

	2014 £	2013 £
Cash flows from operating activities		
Profit for the year	550,295	499,117
Adjustments for:		
Taxation	121,308	192,317
Net finance costs	25,493	20,492
Operating profit before changes in working capital	<u>697,096</u>	<u>711,926</u>
Decrease / (Increase) in trade and other receivables	66,137	(81,361)
Decrease in deferred tax asset	82,279	17,176
(Decrease)/ Increase in trade and other payables	(285,831)	137,118
Income tax paid	(121,308)	(192,317)
Interest paid	(46,906)	(41,322)
Net cash from operating activities	<u>391,467</u>	<u>551,220</u>
Cash flow from investing activities		
Interest received	21,413	20,830
Net cash from investing activities	<u>21,413</u>	<u>20,830</u>
Increase in cash and cash equivalents	412,880	572,050
Cash and cash equivalents at 1 July	4,194,644	3,622,594
Cash and cash equivalents at 30 June	<u>4,607,524</u>	<u>4,194,644</u>

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

Basis of Preparation

Lend Lease Real Estate Investments Limited is a company incorporated in the UK. 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 those companies reporting under IFRS.

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

The financial statements have been prepared under the historic cost convention.

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 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

The following Adopted IFRS have been issued but have not been applied in these financial statements. The effect of these Adopted IFRS on these financial statements have not yet been determined:

- IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements (mandatory for year commencing on or after 1 January 2014).
- IFRS 11 Joint Arrangements and Amendments to IAS 28 (2008) Investments in Associated and Joint Ventures (mandatory for year commencing on or after 1 January 2014).
- IFRS 12 Disclosure of Interests in Other Entities (mandatory for year commencing on or after 1 January 2014).
- Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' (mandatory for year commencing on or after 1 January 2014).
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (mandatory for year commencing on or after 1 January 2014).
- Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) (mandatory for year commencing on or after 1 January 2014).

Notes to the financial statements (continued)

2 Directors' emoluments and employees

The company had no employees in the year (2013: nil), and was charged by another group company for the services of a further 11 employees of the group (2013:16). The aggregate payroll costs of these employees were as follows:

	2014	2013
	£	£
Wages and salaries	1,496,513	2,092,089
Social security cost	170,353	246,938
Other pension costs	146,741	220,090
	<u>1,813,607</u>	<u>2,559,117</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

	2014	2013
	£	£
Senior management	319,146	1,017,503
Fund managers	1,494,461	1,541,614
	<u>1,813,607</u>	<u>2,559,117</u>

Senior Management and Material Staff

	2014	2013
	£	£
Fixed remuneration	1,360,892	1,967,604
Variable remuneration	452,715	591,513
	<u>1,813,607</u>	<u>2,559,117</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 £12,998 (2013: £16,262).

4 Finance income

	2014	2013
	£	£
Interest income	21,413	20,830

5 Finance expense

	2014	2013
	£	£
Interest expense	(46,906)	(41,322)

6 Taxation

(a) Charge recognised in the Statement of Comprehensive Income

	2014	2013
	£	£
Current tax:		
Current year	209,224	175,141
Adjustments in respect of previous periods	(170,194)	-
Total current tax	<u>39,030</u>	<u>175,141</u>
Deferred tax:		
Origination and reversal of timing differences		
Adjustments in respect of previous periods	52,490	
Effect of change in UK tax rate	29,788	17,176
Tax charge on ordinary activities	<u>121,308</u>	<u>192,317</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 22.5% (2013: 23.75%).

	2014	2013
	£	£
Profit before tax	671,603	691,434
Tax using the UK corporation tax rate of 22.5% (2013: 23.75%)	<u>151,111</u>	<u>164,216</u>
Non deductible expenses	58,113	10,925
Adjustments in respect of previous periods	(117,704)	
Permanent difference on change of tax rate	29,788	17,176
Total tax in income statement	<u>121,308</u>	<u>192,317</u>

With effect from 1 April 2013 UK corporation tax rates are 23%, reducing down to 21% with effect from 1 April 2014. The UK corporation tax rate will reduce further from 1 April 2015 to 20%, reducing the company's future current tax charge accordingly.

Notes to the financial statements (continued)

7 Trade and other receivables

	2014	2013
	£	£
Trade receivables from related parties	957,263	932,353
Other receivables	54,931	106,948
Current Tax Asset	625,910	664,940
	<u>1,638,104</u>	<u>1,704,241</u>

8 Deferred tax assets

The deferred tax amounts are recognised as follows:

	2014	2013
	£	£
Deferred tax asset	<u>312,780</u>	<u>395,059</u>
	<u>312,780</u>	<u>395,059</u>

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	Assets		Net	
	2014	2013	2014	2013
	£	£	£	£
Employee benefits	-	16,033	-	16,034
Tax value of loss carry forwards	<u>312,780</u>	<u>379,025</u>	<u>312,780</u>	<u>379,025</u>
Net tax assets	<u>312,780</u>	<u>395,058</u>	<u>312,780</u>	<u>395,059</u>

Movement in deferred tax during the year

	1 July 2013	Prior year	Rate change	Current year	30 June 2014
	£	£	£	£	£
Employee benefits	16,033	(16,033)	-	-	-
Tax value of loss carry forwards	<u>379,026</u>	<u>(36,457)</u>	<u>(29,789)</u>	-	<u>312,780</u>
	<u>395,059</u>	<u>(52,490)</u>	<u>(29,789)</u>	-	<u>312,780</u>

Movement in deferred tax during the prior 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	<u>395,505</u>	-	<u>(16,479)</u>	-	<u>379,026</u>
	<u>412,235</u>	-	<u>(17,176)</u>	-	<u>395,059</u>

9 Trade & other payables

	2014	2013
	£	£
Trade payables to related parties	1,144,892	1,277,633
Other trade payables and accrued expenses	<u>1,111,863</u>	<u>1,264,952</u>
	<u>2,256,755</u>	<u>2,542,585</u>

10 Called up share capital

	2014	2013
	£	£
Allotted, called up and fully paid		
2,250,000 ordinary shares of £1 (2013: 2,250,000 ordinary share 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.

11 Subsequent events

There have been no significant post balance sheet events.

12 Related Party Disclosures

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

	2014	2013
	£	£
Lend Lease Europe Limited	(19,992)	(1,126,383)
Lend Lease Europe GP Limited	376,433	514,004
Lend Lease Real Estate Investment Services Limited	(1,124,900)	(88,003)
Lend Lease Bluewater Limited	82,130	-
Lend Lease Europe Retail Investments	33,978	-
Lend Lease PFI/PPP Infrastructure Fund GP Limited	464,722	355,101

Notes to the financial statements (continued)

13 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 2014, it is estimated that an increase of one percentage point in interest rates would have decreased the company's profit before tax by approximately £8,676 (2013: decreased the company's profit before tax by £8,503)

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:

	2014	2013
	£	£
Tier 1 capital		
Ordinary share capital	2,250,000	2,250,000
Share premium	2,600,000	2,600,000
Retained earnings	(548,346)	(1,098,641)
	<u>4,301,654</u>	<u>3,751,359</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.

14 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, Maindy, Cardiff.