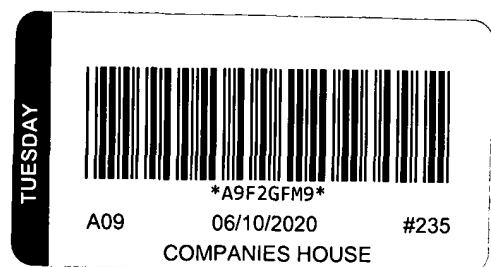


Company registration number: 03540684

Lendlease Real Estate Investments (Europe) Limited

Annual Report and Financial Statements

for the year ended 30 June 2020



Lendlease Real Estate Investments (Europe) Limited

Contents

Strategic Report	1 to 6
Directors' Report	7 to 8
Statement of Directors' Responsibilities	9
Independent Auditors' Report to the Members of Lendlease Real Estate Investments (Europe) Limited	10 to 12
Statement of Profit or Loss and Other Comprehensive Income	13
Statement of Financial Position	14
Statement of Changes in Equity	15
Notes to the Financial Statements	16 to 26

Lendlease Real Estate Investments (Europe) Limited

Strategic Report for the year ended 30 June 2020

The directors of Lendlease Real Estate Investments (Europe) Limited present their report for the entity at the end of the financial year ended 30 June 2020.

Principal activity

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.

The fund expired on 12 November 2017. The Company is now acting as Liquidating Trustee, and is actively marketing the two retail assets in the fund.

During the year ending 30 June 2018 the Company was appointed Operator of Lendlease Residential Investment Partnership, a build-to-rent residential joint venture between Lendlease and Canada Pension Plan Investment Board. During the current year the Company was appointed as Operator to Lendlease Residential Investment Partnership 2, the second build-to-rent joint venture between Lendlease and Canada Pension Plan Investment Board.

Also during the current year the Company was appointed as Operator of Lendlease MSG 1 Europe Investment Partnership, a joint venture between Lendlease and Public Sector Pension Investment Board established to invest in the development of real estate assets and investments.

The full impact COVID-19 will have on the Company is uncertain given the situation is evolving and the wider impact on the economy is unknown. The Company may experience a reduction in fees as a result of decreased asset values held by the collective investment schemes it manages.

Business review

The Company recorded a loss after tax of £0.2m (2019: loss after tax of £0.7m).

The Company finished the year with a net asset position of £1.1m (2019: £1.4m).

Lendlease Real Estate Investments (Europe) Limited

Strategic Report for the year ended 30 June 2020 (continued)

Principal risks and uncertainties

The Lendlease risk management approach recognises the nature and level of risk that the Company is willing to accept to achieve its strategic goals and key performance targets. Our approach to risk management is focused on:

- Aligning Board and management to drive informed and consistent decision making;
- Achieving effective and efficient allocation of capital and resources;
- Providing an understanding of risk limits;
- Providing context for the identification, reporting and management of risks; and
- Creating a culture of risk awareness and accountability.

Risk awareness, governance and improvement underpin the Lendlease approach, which has evolved with the business and external market.

Accountability and responsibility for risk governance and management is held at various levels across the Lendlease business including the Board and Board Committees, Group Leadership, Regional Leadership, Business Operations and Specialist Functions such as Corporate Risk and Insurance, Operational Assurance and Performance, and Internal Audit.

Although many of the risk factors influencing the business are macroeconomic, others are particular to our operations. The section following highlights some of the risks and uncertainties that affect the Lendlease Group as whole, although it is not intended to be an extensive analysis of all such risks that exist.

Lendlease Real Estate Investments (Europe) Limited

Strategic Report for the year ended 30 June 2020 (continued)

	Description	Mitigation
Health, Safety and Wellbeing	Failure to provide an environment which promotes health, safety and wellbeing impacting our ability to achieve our corporate and social responsibilities.	We are committed to the health, safety and wellbeing of our people. Through our Global Minimum Requirements (GMRs), which include both physical safety and health and wellbeing, we empower our people to operate in a consistent standard across all our operations.
Disruption	Responsiveness to disruption, including digital disruption as well as other new methods and materials emerging in the investment, development and construction sectors.	With the increasing dependence on technology, our strategic intent aims to turn disruption into an opportunity by creating a culture that fosters innovation and focuses on adopting leading edge technologies, to deliver innovative solutions, and generate a competitive point of difference.
Commercial	Commercial performance fails to meet our corporate objectives.	Our capital deployment guidelines mitigate risk and improve performance. Quarterly business reviews assess business operations against approved strategy to drive consistent, focused and risk assessed investment decisions.
Execution	Failure to execute strategy or projects affects our ability to meet our corporate objectives.	Our risk management approach and use of stage gates across our property and construction operations contributes to the mitigation of execution risk. To inform our investment decisions, we use global internal research to develop a house view of property cycles in every region.
Geopolitical	Global and local events or shifts in government policy occurs in the region in which we operate, adversely impacting our ability to achieve strategic objectives. Failure to adequately understand government's mandate, expectations and performance standards.	We are committed to growing our business in sectors that are supported by positive global trends. We are sensitive to geopolitical shifts and concentration risk and coordinate our approach to government to mitigate against sovereign risk.
Regulatory and Counterparty	Non compliance with regulatory and policy requirements by Lendlease or our clients/suppliers. Client, investor, or supply chain ethics fail to meet Lendlease standards. Failure to adequately select, govern, and drive value from counterparties. Failure to comply with government regulations impacts our ability to access government opportunities.	To further improve our culture of compliance, we focus on aligning business priorities with the necessary compliance and assurance measures. We are focused on maintaining an ethical supply chain to ameliorate the risk of material substitution and modern slavery. We have an appetite for relationships with parties who are aligned with our values.

Lendlease Real Estate Investments (Europe) Limited

Strategic Report for the year ended 30 June 2020 (continued)

	Description	Mitigation
Corporate Culture	Failure to create and maintain culture which supports Lendlease's core behaviours, principles and values to drive disciplined strategy execution.	Our values drive our approach to business and delivery of long term value. We empower our people to make business decisions that are aligned to our core values and behaviours, principles, and pillars of value. To provide a 'voice of risk', we have separate reporting routes outside those who can influence risk issues through optimism bias.
Cyber/Data Governance/Asset Protection	Failure of cyber resilience and defence systems. Leakage, misappropriation or unauthorised storage of data. Unauthorised control of systems and physical asset infrastructure (i.e. lifts, security, air conditioning).	Physical and data security continue to be key focus areas globally. We invest in preventative technology and education of employees to achieve a sustainable security culture.
Customer	Loss of existing client (including government) relationships, or inability to tailor services to future clients' needs, impacting Lendlease's financial objectives.	Bid leadership training of key employees reinforces understanding of customers' requirements. Recurrent client survey feedback informs our business strategy. A single platform assists in customer data security and aligns customer service across all regions.
Non Scalable Growth	People: inability to attract, retain, and upskill key talent necessary to deliver. Process: lack of scalable processes to support predictable growth.	To deliver the desired level of performance, we continue to invest in growing our core capabilities through active talent management and targeted professional employee development to attract, retain and grow the best people. Our processes are designed to be consistent, scalable and effective.
Corporate and Environmental Sustainability	Failure to comply with regulatory, societal and investor expectations of corporate and environmental sustainability such as climate change and social responsibility.	We are committed to creating the best places and optimising our corporate and environmental sustainability performance (including climate change and social responsibility) through our Sustainability Framework and integrating sustainability considerations into our business strategies.
Business Continuity	Failure to properly plan for and/or appropriately respond to events which may disrupt Lendlease's business.	To achieve organisational resilience, we are committed to operating in a way that supports our business being able to respond to threats and disasters without affecting our core business operations. We continue to invest in learning and development of our people to better prepare them in the event of disruption through training programs and various threat scenario simulations to stress test the plan.

Lendlease Real Estate Investments (Europe) Limited

Strategic Report for the year ended 30 June 2020 (continued)

Lendlease continues to monitor potential risks and uncertainties posed from the UK's exit from the EU. In particular, consideration has been given to specific risks relating to the workforce, investors, customers, the security of our supply chain and where possible, mitigating actions are being implemented. We are of the view that the UK, and in particular London, is one of the most resilient economies in the world. Despite the continuing political uncertainty surrounding Brexit, Lendlease believes in the long-term viability of the UK as a place to invest.

Lendlease is closely monitoring the developing situation relating to COVID-19 which has emerged in early 2020. The full impact the pandemic will have on the Company is uncertain given the situation is evolving and the wider impact on the economy is unknown, however the directors believe that the Company is well placed to manage its financing and future commitments over the next 12 months from the date of the financial statements. Refer to note 2 which provides further details around the directors' assessment of the Company to continue as a going concern.

Companies Act 2006 - s.172 Statement

s172(1) of the Companies Act requires Directors of a company to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as whole. The Directors are aware of their responsibilities to promote the success for the benefit of its members in accordance with the above and have acted in accordance with these responsibilities during the year. Directors of the Companies within the Lendlease Group are provided with regular training and are briefed on their duties under the Companies Act, including their duty under s.172 of the Act.

The European Lendlease entities operate within the broader Lendlease Group headed by Lendlease Group in Australia. The Lendlease Group operates with a high standard of risk governance and management which is implemented within the Europe region. The Lendlease Group's approach to risk management focuses on aligning its Board and management to drive informed and consistent decisions, achieving effective and efficient allocation of capital and resources, providing an understanding of risk limits, providing a context to identify, report and manage risks, and creating a culture of risk awareness and accountability. This framework supports the Directors of the Company in making the right decisions that will promote the success of the company for the benefits of its members as a whole. Further details of key risks the Group may face and the ways we aim to mitigate these can be found in the Group's Annual Report (www.lendlease.com).

Lendlease Real Estate Investments (Europe) Limited

Strategic Report for the year ended 30 June 2020 (continued)

Business relationships

The Directors of the Company acknowledge the importance of the need to foster the company's business relationships with suppliers, customers and others. The Lendlease Group has five areas through which we focus our endeavours to create long-term value. These underpin our ability as a Group to create economic, safe and sustainable outcomes for our customers, partners, security holders and the community. While we approach our focus areas with an innovative mindset, our decisions are supported by disciplined governance and risk management. Further details can be found within the Group's annual report (www.lendlease.com).

The below sets out the Company's key stakeholders and explains how we engage with them

- **Customers** - the Company strives to understand our customers and respond to changes in the market. We aim to design and deliver innovative, customer driven solutions to win the projects we want to win and ultimately deliver the best places. We have embedding a process of continuous improvement based on customer insights and actions identified through market research.
- **Employees** - the Lendlease Group aims to attract, develop and retain diverse talent by building a culture of collaboration and continuous learning, where successes are recognised and people are rewarded. We invest in developing leaders and capabilities to drive our success. We embarked on an enterprise-wide program of communication and employee engagement so that our people can participate in designing more collaborative, consistent and open ways of working.
- **Suppliers** - the Company has strong relationships with its established suppliers. We are focused on maintaining an ethical supply chain and to have supplier relationships with parties who are aligned with our values.
- **Local Authorities** - we aim to have a collaborative relationship when we partner with local authorities.
- **Debt providers** - we have strong, global relationships with a wide range of debt providers.

Outlook

With the continuing support of the Lendlease group, the Company will continue to operate property collective investment schemes and look to expand its operations should opportunities arise.

Approved by the Board on 29 September 2020 and signed on its behalf by:



.....
S Leckie
Director

Lendlease Real Estate Investments (Europe) Limited

Directors' Report for the Year Ended 30 June 2020

The directors of Lendlease Real Estate Investments (Europe) Limited present their report for the entity at the end of the financial year ended 30 June 2020.

Directors of the company

The following persons held office as directors of the Company during the financial year and up to the date of this report:

M Boor (resigned 18 September 2020)

Y Kostopoulos

S Leckie

Results

The Company's loss after tax for the year was £0.2m (2019: loss after tax of £0.7m).

Dividends

The directors do not recommend the payment of a dividend (2019: £nil).

Political donations

The Company made no political donations or incurred any political expenditure during the year (2019: £nil).

Research and development

Innovation is part of the Lendlease Group's heritage and is embedded in the approach to business.

Outlook

An indication of likely future developments in the business has been included in the Strategic Report.

Events after the balance sheet date

There were no material events subsequent to the end of the financial year.

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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Lendlease Real Estate Investments (Europe) Limited

Directors' Report for the Year Ended 30 June 2020 (continued)

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.

Approved by the Board on 29 September 2020 and signed on its behalf by:



.....
S Leckie
Director

Lendlease Real Estate Investments (Europe) Limited

Statement of Directors' Responsibilities

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 the directors have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 the 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 Company and to prevent and detect fraud and other irregularities.

Independent Auditors' 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 2020, which comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and Notes to the Financial Statements, including a summary of significant accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- 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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

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

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, 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.

Directors' responsibilities

As explained more fully in the Statement of Directors' Responsibilities set out on page 9, 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 the directors 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.

Auditors' 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 auditors' 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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.



.....
Ian Griffiths
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
United Kingdom
E14 5GL

Date:.....29 September 2020.....

Lendlease Real Estate Investments (Europe) Limited

**Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2020**

	<u>Note</u>	<u>2020 £</u>	<u>2019 £</u>
Revenue	4	1,245,704	1,496,646
Cost of sales		<u>(50,715)</u>	<u>(320,000)</u>
Gross profit		1,194,989	1,176,646
Administrative expenses		<u>(1,338,117)</u>	<u>(1,835,985)</u>
Results from operating activities		(143,128)	(659,339)
Finance income	6	-	242
Finance costs	6	<u>(133,622)</u>	<u>(410,128)</u>
Net finance cost		(133,622)	(409,886)
Loss before tax		(276,750)	(1,069,225)
Income tax credit	9	<u>29,320</u>	<u>364,576</u>
Loss after tax		(247,430)	(704,649)
Total comprehensive loss after tax		<u>(247,430)</u>	<u>(704,649)</u>

The above results were derived from continuing operations.

The notes to and forming part of these financial statements are set out on pages 16 to 26.

Lendlease Real Estate Investments (Europe) Limited

Statement of Financial Position as at 30 June 2020

	Note	30 June 2020 £	30 June 2019 £
Non current assets			
Deferred tax assets	9	431,012	363,220
Total non current assets		431,012	363,220
Current assets			
Cash and cash equivalents	11	1,933,024	3,966,143
Trade and other receivables	10	769,135	963,371
Current tax assets	9	41,927	268,829
Total current assets		2,744,086	5,198,343
Total assets		3,175,098	5,561,563
Current liabilities			
Trade and other payables	12	(2,066,858)	(4,205,893)
Total current liabilities		(2,066,858)	(4,205,893)
Net assets		1,108,240	1,355,670
Equity			
Issued capital	13	4,850,000	4,850,000
Retained earnings		(3,741,760)	(3,494,330)
Total equity		1,108,240	1,355,670

The notes to and forming part of these financial statements are set out on pages 16 to 26.

These statements were approved by the Board on 29 September 2020 and were signed on its behalf by:



S Leckie

Director

Company Registration Number: 03540684

Lendlease Real Estate Investments (Europe) Limited

Statement of Changes in Equity for the year ended 30 June 2020

	Share capital £	Retained earnings £	Total £
At 1 July 2018	<u>4,850,000</u>	<u>(2,789,681)</u>	<u>2,060,319</u>
Total comprehensive income			
Loss for the year	-	(704,649)	(704,649)
Total comprehensive income	-	(704,649)	(704,649)
At 30 June 2019	<u>4,850,000</u>	<u>(3,494,330)</u>	<u>1,355,670</u>

	Share capital £	Retained earnings £	Total £
At 1 July 2019	<u>4,850,000</u>	<u>(3,494,330)</u>	<u>1,355,670</u>
Total comprehensive income			
Loss for the year	-	(247,430)	(247,430)
Total comprehensive income	-	(247,430)	(247,430)
At 30 June 2020	<u>4,850,000</u>	<u>(3,741,760)</u>	<u>1,108,240</u>

The notes to and forming part of these financial statements are set out on pages 16 to 26.

Lendlease Real Estate Investments (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2020

1 General information

Lendlease Real Estate Investments (Europe) Limited (the "Company") is a private company limited by share capital incorporated and domiciled in United Kingdom. The company registration number is 03540684.

The address of its registered office is:

20 Triton Street
Regent's Place
London
NW1 3BF
United Kingdom

2 Basis of preparation

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework*.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the financial statements, the Company has taken advantage of the following disclosure exemptions available under FRS 101:

- IAS 7: Preparing a cash flow statement and related notes;
- IAS 8: The listing of new or revised standards that have not been adopted (and information about the likely impact);
- IFRS 7: Financial instruments and financial risk disclosures;
- IAS 1: Disclosures in respect of capital management;
- IFRS 13: Fair value measurement disclosures;
- IAS 24: Disclosure of related party transactions entered into between members of the group, providing that any subsidiaries party to the transaction are wholly owned;
- IAS 24: Disclosure of compensation for key management personnel and amounts incurred by an entity for the provision of key management personnel services that are provided by a separate management entity.

As the consolidated financial statements of Lendlease Europe Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

Amounts are presented in pounds sterling, with all values rounded to the nearest thousand pounds unless otherwise indicated.

Lendlease Real Estate Investments (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

2 Basis of preparation (continued)

Summary of significant accounting policies and key accounting estimates

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

Impact of New and Revised Accounting

None of the standards, interpretations and amendments which are effective for periods beginning on or after 1 July 2019 have had or are expected to have a material effect on the financial statements.

Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate. The Company is dependent for its working capital on funds provided to it by Lendlease Europe Holdings Limited ("LLEH"), the Company's ultimate UK parent entity. LLEH has indicated its intention to continue to make available financial support for twelve months from the signing date of these financial statements, or earlier, to such period when either LLEH or the Company ceases to be part of the group headed by LLEH, to enable the Company to trade, and not to call for settlement of amounts owing to LLEH where to do so would place the Company in an insolvent position. LLEH itself has been provided with a letter of support from Lendlease International Pty Limited which accepts responsibility of providing and undertakes to provide, sufficient financial assistance to the Company, as and when it is required, to enable the Company to continue its operations and fulfil all of its financial obligations. This support covers a period of at least 12 months from the date of approval of these financial statements. As with any company placing reliance on other group entities for financial support, the directors of the Company acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The Directors have considered the liquidity of the Company going forward, in particular adverse effects that could arise due to the ongoing COVID-19 pandemic and have deemed that due to the letters of support, they believe that the Company is well placed to manage its financing and future commitments over a period of at least 12 months from the date of the financial statements.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements that comply with IFRS requires management to make judgements, estimates and assumptions which can affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. These estimates and underlying assumptions are reviewed on an ongoing basis and revisions are recognised prospectively. Accounting judgements that have the most significant effects on reported amounts and further information about estimated uncertainties are highlighted in the relevant accounting policy in note 3.

Lendlease Real Estate Investments (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

3 Accounting policies

Revenue recognition

Provision of investment services

Investment services include fund management, asset management and origination services. Revenue is stated net of value added tax.

Each contract with a customer to provide investment services is one performance obligation with revenue recognised over time as services are rendered. Revenue is invoiced either monthly or quarterly based on the terms of each individual contract. Invoices are issued under commercial payment terms which is typically 30 days from when an invoice is issued.

Finance income and costs

Finance costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of costs incurred in connection with the arrangement of new borrowings facilities. Finance costs are expensed immediately as incurred unless they relate to acquisition and development of qualifying assets.

Interest receivable and interest payable is recognised in the Statement of Profit or Loss as it accrues, using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, bank overdrafts and other short term highly liquid investments that are readily convertible to known amounts of cash within three months and which are subject to an insignificant risk of changes in value. Bank overdrafts (if applicable) are shown as a current liability on the Statement of Financial Position.

Taxation

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the Statement of Profit or Loss, 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 or receivable on the taxable income for the financial year, using applicable tax rates (and tax laws) at the Statement of Financial Position date, and any adjustment to tax payable in respect of previous financial years. The current tax payable or receivable includes amounts awaiting settlement of group relief with other Lendlease Europe Holdings Limited subsidiary entities.

Lendlease Real Estate Investments (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

3 Accounting policies (continued)

Deferred tax is the expected tax payable or receivable in future periods as a result of past transactions or events and is calculated by comparing the accounting balance sheet to the tax balance sheet. Temporary differences are provided for any differences in the carrying amounts of assets and liabilities between the accounting and tax balance sheets. Temporary differences are not provided for on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they are not likely to reverse in the foreseeable future.

Measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using applicable tax rates and laws at the reporting date.

Recognition of deferred tax assets is only to the extent it is probable that future taxable profits will be available so as the related tax asset will be realised. Deferred tax assets may include deductible temporary differences, unused tax losses and unused tax credits.

Management considers the estimation of future taxable profits to be an area of estimation uncertainty as a change in any of the assumptions used in budgeting and forecasting would have an impact on the future profitability of the Company. Forecasts and budgets form the basis of future profitability to support the carrying value of deferred tax assets.

Presentation of deferred tax assets and liabilities can be offset if there is a legally enforceable right to offset current tax liabilities and assets, they relate to income taxes levied by the same tax authority, and they are intended to be settled on a net basis or realised simultaneously.

Trade and other receivables

Trade and other receivables are non derivative financial assets with fixed or determinable payments that are not equity securities. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable.

Trade and other receivables are carried at amortised cost using the effective interest method, which applies the interest rate that discounts estimated future cash receipts over the term of the receivables. Cash flows relating to short term trade and other receivables are not discounted if the effect of discounting is immaterial. The discount, if material, is then recognised as finance income over the remaining term.

The Company assesses provision for impairment of the receivables based on irrecoverable amounts and expected credit losses, if material. The Company considers reasonable and supportable information that is relevant and reliable. This includes both quantitative and qualitative information and analysis, based on the Company's historical impairment experience, credit assessment of customers and any relevant forward-looking information. The amount of provision is recognised in the Statement of Profit or Loss.

Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade and other payables are settled in the normal course of business. Trade and other payables are carried at amortised cost using the effective interest method, which applies the interest rate that discounts estimated future cash outflows over the term of the trade and other payables. Cash flows relating to short term trade and other payables are not discounted if the effect of discounting is immaterial. The discount, if material, is then recognised as a finance cost over the remaining term.

Lendlease Real Estate Investments (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

3 Accounting policies (continued)

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

4 Revenue

The analysis of the Company's revenue for the year from continuing operations is as follows:

	2020 £	2019 £
Provision of services	1,245,704	1,496,646
Total revenue	1,245,704	1,496,646

5 Auditors' remuneration

	2020 £	2019 £
Audit of financial statements	(5,712)	(5,897)
Non-audit services	(10,210)	(10,210)
	(15,922)	(16,107)

The auditors' remuneration has been borne by a fellow group undertaking.

The non-audit services relate to the CASS engagement.

6 Finance income and costs

	2020 £	2019 £
Finance income		
Bank interest received	-	242
Finance costs		
Interest payable to related parties	(133,204)	(410,128)
Other finance costs	(418)	-
Total finance costs	(133,622)	(410,128)
Net finance costs	(133,622)	(409,886)

Lendlease Real Estate Investments (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

7 Employees

Payroll costs of £418,914 were recharged from Lendlease Construction (Europe) Limited during the year.

In the prior year, £1,970,049 of payroll costs were incurred by the entity.

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020	2019
	£	£
Remuneration	-	(371,951)
Total directors' remuneration	-	(371,951)

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2020	2019
	No.	No.
Accruing shares under long term incentive schemes	-	1

The directors of the Company were all directly employed by Lendlease Construction (Europe) Limited during the financial year. Their remuneration was recharged to the following entities:

M Boor: Lendlease Real Estate Investment Services Limited

Y Kostopoulos: Lendlease Europe Limited

S Leckie: Lendlease Investment Management Holdings (Europe) Limited

Any qualifying services in respect of the Company are considered to be incidental and part of the directors' overall management services for the above entities. The directors' remuneration for the current year is included in the financial statements of the above entities.

Lendlease Real Estate Investments (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

9 Taxation

Tax credited in the Statement of Profit or Loss

	2020 £	2019 £
Current tax		
Current year	41,927	268,829
Adjustments for prior years	(80,399)	126,702
Total current tax	(38,472)	395,531
Deferred tax		
Origination and reversal of temporary differences	(5,891)	(66,969)
Change in tax rate	45,990	7,049
Adjustments for prior years	27,693	28,965
Total deferred tax	67,792	(30,955)
Total income tax credit	29,320	364,576

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £	2019 £
Loss before tax	(276,750)	(1,069,225)
Income tax using the domestic corporation tax rate 19% (2019: 19%)	52,583	203,153
Adjustments for prior year tax claim	(52,706)	155,667
Increase from effect of different UK tax rates on some earnings	45,990	7,049
Non allowable expenses	(16,547)	(1,293)
Total income tax credit	29,320	364,576

The effective rate of taxation will vary as a result of any dividends paid by shareholdings, overseas tax rates, prior year tax claims and the utilisation of tax losses brought forward. The Company's profits for the accounting period are taxed at a statutory rate of 19% (2019: 19%).

Lendlease Real Estate Investments (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

9 Taxation (continued)

Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Asset £
2020	
Unused tax losses recognised	405,951
Property, plant and equipment	25,061
	<u>431,012</u>
2019	
Unused tax losses recognised	363,220
Property, plant and equipment	-
	<u>363,220</u>

Deferred tax movement during the year:

	At 1 July 2019 £	Recognised in income £	At 30 June 2020 £
Unused tax losses recognised	363,220	42,731	405,951
Property, plant and equipment	-	25,061	25,061
Net tax assets/(liabilities)	<u>363,220</u>	<u>67,792</u>	<u>431,012</u>

Deferred tax movement during the prior year:

	At 1 July 2018 £	Recognised in income £	At 30 June 2019 £
Unused tax losses recognised	394,175	(30,955)	363,220
Property, plant and equipment	-	-	-
Net tax assets/(liabilities)	<u>394,175</u>	<u>(30,955)</u>	<u>363,220</u>

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the Company's future current tax charge accordingly. The deferred tax asset at 30/06/2020 has been calculated at 19% (2019: 17%).

Lendlease Real Estate Investments (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

10 Trade and other receivables

	30 June 2020 £	30 June 2019 £
Current		
Trade receivables	5,213	-
Amounts owing from related parties	345,189	940,819
Accrued income	258,053	-
Prepayments	7,275	10,047
Other receivables	153,405	12,505
Total trade and other receivables	769,135	963,371

In the current reporting period, additional reviews were undertaken to assess recoverability in light of the COVID-19 pandemic. As the majority of the Company's customers are Lendlease Group entities, no additional risk has been identified.

There is no impairment recognised on any receivables and no receivables past due.

11 Cash and cash equivalents

	30 June 2020 £	30 June 2019 £
Cash at bank	1,933,024	3,966,143

12 Trade and other payables

	30 June 2020 £	30 June 2019 £
Current		
Trade payables	(38,994)	(27,679)
Amounts due to related parties	(1,870,076)	(3,595,290)
Accrued expenses	(5,000)	(561,950)
Other payables	(152,788)	(20,974)
Current trade and other payables	(2,066,858)	(4,205,893)

Lendlease Real Estate Investments (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

13 Issued capital

Allotted, called up and fully paid shares

	2020		2019	
	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	<u>2,600,000</u>	<u>2,600,000</u>	<u>2,600,000</u>	<u>2,600,000</u>
	<u><u>4,850,000</u></u>	<u><u>4,850,000</u></u>	<u><u>4,850,000</u></u>	<u><u>4,850,000</u></u>

Redeemable preference shares

The Non Cumulative redeemable preference shares are redeemable. They are redeemable at £1 per share and carry no voting rights. 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.

Ordinary Shares

Ordinary shares have the following rights, preferences and restrictions:

The holder of ordinary shares have the right to receive declared dividends from the Company and are entitled to one vote per share at meetings of the Company.

14 Parent and ultimate parent undertaking

The Company's immediate parent is Lendlease Europe Limited.

The ultimate parent is Lendlease Corporation Limited. The most senior parent entity producing publicly available financial statements is Lendlease Corporation Limited.

The ultimate controlling party is Lendlease Corporation Limited.

Lendlease Real Estate Investments (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

14 Parent and ultimate parent undertaking (continued)

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is Lendlease Corporation Limited, incorporated in Australia.

The address of Lendlease Corporation Limited is:

Level 14 Tower Three
International Towers Sydney
Exchange Place
300 Barangaroo Avenue
Barangaroo NSW 2000

The consolidated financial statements of that group may be obtained from www.lendlease.com.

The parent of the smallest group in which these financial statements are consolidated is Lendlease Europe Holdings Limited, incorporated in England and Wales.

The address of Lendlease Europe Holdings Limited is:

20 Triton Street
Regent's Place
London NW1 3BF

The consolidated financial statements of that group may be obtained from:

The Registrar of Companies
Companies House
Crown Way
Maindy, Cardiff.

15 Subsequent events

There has been no event or circumstance since the balance sheet date that would significantly affect the Company.