

Lend Lease Europe Retail Investments Limited

Directors' report and financial statements

30 June 2011

Registered number 3635554



Directors' report and financial statements

Contents

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

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2011

Principal activity and review of the business

The principal activity of Lend Lease Europe Retail Investments Limited is to hold investments

On 16th December 2010 Lend Lease Europe Retail Investments sold its investment in Overgate GP Limited and Lend Lease Overgate Partnership at an agreed sales price of £140,950,000 of which the company's share was £42,981,475. As a result of this, the company recognised a total profit on sale of £3,927,259

Results and dividends

The profit for the year after taxation amounted to £19,065,927 (2010: loss of £5,791,097). The directors do not recommend the payment of a dividend (2010: £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:

G Kondo

G Scott (appointed 7 February 2011)

Subsequent to year end the following changes in directorships occurred:

G Kondo (resigned 4 October 2011)

S Grist (appointed 26 August 2011)

Political and charitable contributions

The company made no political or charitable contributions during the year (2010: £nil).

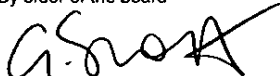
Statement as to disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



G Scott

Director

20 Triton Street

Regents Place, London

NW1 3BF

4 May 2012

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Lend Lease Europe Retail Investments Limited

We have audited the financial statements of Lend Lease Europe Retail Investments Limited for the year ended 30 June 2011 set out on pages 4 to 11. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm

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 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



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

4 May 2012

Statement of comprehensive income
 for the year ended 30 June 2011

	Note	2011 £	2010 £
Revenue		2,891,280	2,907,599
Profit on sale of investment	6	3,927,259	-
Reversal of provision for impairment on investment	6	10,911,484	2,450,000
Write-off of investment		-	(3,225,000)
Administrative expenses		(646,547)	(2,232,538)
Operating profit/(loss)		17,083,476	(99,939)
Financial expense		(1,866,343)	(2,262,386)
Profit/(loss) on ordinary activities before taxation		15,217,133	(2,362,325)
Taxation	5	3,848,794	(3,428,772)
Profit/(loss) on ordinary activities after taxation		19,065,927	(5,791,097)
Total comprehensive income for the year		19,065,927	(5,791,097)

All activities are continuing

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

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


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

Balance Sheet
 as at 30 June 2011

	Note	2011 £	2010 £
Non current assets			
Investments	6	20,766,692	19,371,861
Deferred tax asset	7	4,151,207	408,696
		<u>24,917,899</u>	<u>19,780,557</u>
Current assets			
Investments	6	-	30,732,992
Total assets		<u>24,917,899</u>	<u>50,513,549</u>
Non current liabilities			
Deferred tax liabilities	7	(1,381,679)	(1,487,962)
Current liabilities			
Trade and other payables	8	(28,604,488)	(123,159,782)
Total liabilities		<u>(29,986,167)</u>	<u>(124,647,744)</u>
Net liabilities		<u>(5,068,268)</u>	<u>(74,134,195)</u>
Capital and reserves			
Called up share capital	9	50,000,001	1
Retained earnings		<u>(55,068,269)</u>	<u>(74,134,196)</u>
Total equity		<u>(5,068,268)</u>	<u>(74,134,195)</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 14 May 2012 and were signed on its behalf by



G Scott
 Director

Statement of changes in shareholders' equity
 for the year ended 30 June 2011

	Attributable to shareholders		
	Share capital £	Retained earnings £	Total equity £
Balance at 1 July 2009	1	(68,343,099)	(68,343,098)
Retained loss for the year	-	(5,791,097)	(5,791,097)
Balance at 30 June 2010	1	(74,134,196)	(74,134,195)
Balance at 1 July 2010	1	(74,134,196)	(74,134,195)
Issue of share capital	50,000,000	-	50,000,000
Retained profit for the year	-	19,065,927	19,065,927
Balance at 30 June 2011	50,000,001	(55,068,269)	(5,068,268)

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

Cashflow statement
 for the year ended 30 June 2011

	2011 £	2010 £
Cash flows from operating activities		
Profit/(loss) for the year	19,065,927	(5,791,097)
<i>Adjustments for</i>		
Taxation	(3,848,794)	3,428,772
Reversal of impairment	(10,911,484)	(2,450,000)
Write-off of investment	-	3,225,000
Finance expense	1,866,343	2,262,386
Operating profit before changes in working capital	6,171,992	675,061
 (Decrease)/increase in trade and other payables	 (4,305,649)	 3,676,124
Tax paid	-	(1,313,799)
Net cash from operating activities	1,866,343	3,037,386
 Cash flow from financing activities		
Interest paid	(1,866,343)	(2,262,386)
Net cash from financing activities	(1,866,343)	(2,262,386)
 Cash flow from investing activities		
Payments to increase holdings in investments	-	(775,000)
Net cash from investing activities	-	(775,000)
 Increase in cash and cash equivalents	-	-
Cash and cash equivalents at 1 July	-	-
Cash and cash equivalents at 30 June	-	-

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

Notes to the financial statements

1 Accounting policies

Lend Lease Europe Retail Investments Limited (the "Company") is a company incorporated in the UK

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and its interpretations as adopted by the International Accounting Standards Board (IASB)

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Lend Lease Europe Holdings Limited, the company's UK holding undertaking. Lend Lease Europe Holdings Limited has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as they are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other Group entities for financial support, the directors 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.

Based on this undertaking, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result in the basis of preparation being inappropriate.

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

Revenue

Revenue is stated net of value added tax and is derived from distributions and performance fees from the Lend Lease Retail Partnership and the Lend Lease Overgate Partnership.

Investments

Investments are stated at cost with adjustments made to the carrying value to reflect net realisable amounts where these are lower than cost. Management conducts impairment reviews annually.

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.

Net Gains or Losses on Sale of Investments

Net gains or losses on sale of investments are recognised when an unconditional contract is in place.

Trade and other receivables

Trade and other receivables are stated at their nominal amount (discounted if material) less provision for doubtful debts.

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 or losses 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.

Net financing costs

Net financing costs comprise interest payable, interest receivable on funds invested, and foreign exchange gains and losses that are recognised in the income statement.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Key estimates and judgements

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

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations have been issued that are effective or not yet effective for the year ended 30 June 2011 but have not been applied in preparing these financial statements. None of these have a material effect on the financial statements of the Company.

2 Directors' remuneration and employees

The directors did not receive any emoluments in respect of their services to the company (2010: £nil). The company did not employ any staff during the year (2010: nil).

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 £11,345 (2010: £4,400).

4 Financial expense

	2011	2010
	£	£
Interest expense on amounts owed to Lend Lease Europe	1,866,343	2,262,386

Notes to the financial statements (continued)

5 Taxation

(a) Analysis of charge in period

	2011 £	2010 £
Current tax		
United Kingdom corporation tax	-	1 313 799
Total current tax	-	1 313 799
Deferred tax		
Partnership interest	-	231 905
Origination and reversal of timing differences	(3 989 302)	1 883 068
Effect of future change in UK tax rate (26%)	140 508	-
Tax on charge on ordinary activities	(3,848 794)	3,428,772

(b) Factors affecting the current charge for the year

The tax assessed differs from the application of the standard rate of corporation tax in the UK 2011 27.5% (2010 28%) to the company's accounting profit before taxation for the following reasons

	2011 £	2010 £
Profit/(loss) on ordinary activities before tax	15 217 133	(2 382 325)
Tax using the UK corporation tax rate of 27.5% (2010 28%)	4,184,712	(661 451)
Effects of		
Non deductible expenses	-	217 000
Losses not recognised	(3 804 060)	3 873 223
Permanent difference on change in tax rate	140 508	-
Accounting capital profits on disposals	(4,369 954)	-
Total tax in income statement	(3 848 794)	3,428 772

The Chancellor has announced that the UK corporation tax rate will reduce from 28% to 23% over a period of four years by April 2014. The first reduction from 28% to 26% was substantively enacted on 29 March 2011 and was effective from 1 April 2011. The reduction in the UK corporation tax rate from 26% to 25% was substantively enacted on 5 July 2011 and is effective from 1 April 2012. This will reduce the Company's future current tax charge accordingly and the impact has not yet been estimated.

(c) Factors that may affect future tax charges

The effective rate of taxation will vary as a result of any dividends paid by subsidiaries, overseas tax rates and the utilisation of tax losses brought forward.

6 Investments

Non-current investments

	2011 £	2010 £
At cost		
Investment in Lend Lease Communities Limited	1	1
Investment in Overgate GP Limited	-	4
Investment in Lend Lease Europe GP Limited	2	2
Participations in the Lend Lease Retail Partnership	209	200
Participation premium in the Lend Lease Retail Partnership	213 703	-
Loan to the Lend Lease Retail Partnership	20 552 777	19 371 654
At end of year	20 766 692	19,371 861

Provisions for impairment

At the start of year		
Released during the year		
At end of year		

Total net book value of non-current investments

20 766 692	19 371 861
------------	------------

Current investments

	£	£
At cost		
Participations in the Lend Lease Overgate Partnership		421
Loan to the Lend Lease Overgate Partnership		41 644,055
At end of year		41,644,476

Provisions for impairment

At the start of year	(10 911 484)	(10 911 484)
Released during the year - Lend Lease Overgate Partnership	10,911,484	
At end of year		(10 911,484)

Total net book value of current investments

30 732 992

Total net book value of investments

20 766 692	50 104 853
------------	------------

On 16th December 2010, Lend Lease Europe Retail Investments sold its investment in Overgate GP Limited and Lend Lease Overgate Partnership at an agreed sales price of £140 950 000 of which the company's share was £42 981 475. As a result of this, the company recognised a total profit on sale of £3 927 259.

At 30 June 2011, the company held £209 for 4.11% (2010 3.95%) interest in the Lend Lease Retail Partnership. As part of the December 2009 Lend Lease Retail Partnership performance fee, the company was allotted an additional 9 participations and allocated a participation premium of £213 703.

At 30 June 2011, the company held £2 (2010 £2) of D shares in Lend Lease Europe GP Limited, the general partner of the Lend Lease Retail Partnership.

Notes to the financial statements (continued)

7 Deferred taxation

Recognised deferred tax assets

Deferred tax assets are attributable to the following

	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
	£	£	£	£	£	£
Property, plant and equipment	-	-	(1,381,679)	(1,487,962)	(1,381,679)	(1,487,962)
Partnership profits	379,503	408,696	-	-	379,503	408,696
Tax value of loss carry forwards utilised	3,771,704	-	-	-	3,771,704	-
Net tax assets / (liabilities)	<u>4,151,207</u>	<u>408,696</u>	<u>(1,381,679)</u>	<u>(1,487,962)</u>	<u>2,769,528</u>	<u>(1,079,266)</u>

The net deferred tax asset of £2,769,528 is deemed to be recoverable based on forecasted future income

Movement in deferred tax during the year

	1 July 2010	Recognised in profit and loss	30 June 2011
	£	£	£
Property, plant and equipment	(1,487,962)	106,283	(1,381,679)
Partnership profits	408,696	(29,193)	379,503
Tax value of loss carry forwards utilised	-	3,771,704	3,771,704
	<u>(1,079,266)</u>	<u>3,848,794</u>	<u>2,769,528</u>

Movement in deferred tax during the prior year

	1 July 2009	Recognised in profit and loss	30 June 2010
	£	£	£
Property, plant and equipment	(1,335,005)	(152,957)	(1,487,962)
Partnership profits	23,834	384,862	408,696
Tax value of loss carry forwards utilised	2,346,878	(2,346,878)	-
	<u>1,035,707</u>	<u>(2,114,973)</u>	<u>(1,079,266)</u>

8 Trade & other payables

	2011	2010
	£	£
Amounts owed to Lend Lease Europe Limited	28,483,105	123,159,782
Accruals and deferred income	121,383	-
	<u>28,604,488</u>	<u>123,159,782</u>

9 Called up share capital

	2011	2010
	£	£
Ordinary shares of £1 each	50,000,001	30,000,000
	<u>50,000,001</u>	<u>30,000,000</u>

During the year the company issued 50,000,000 ordinary shares of £1 each for consideration of £50,000,000 settled via an intercompany loan (non cash)

10 Subsequent events

There have been no significant post balance sheet events

11 Related Party Disclosures

At the year end the Company owed £28,483,106 (2010: £123,159,782) to Lend Lease Europe Limited, its immediate parent company. During the year the company recognised interest expense of £1,866,343 (2010: £2,262,386) on this balance. The interest was charged at LIBOR plus 1.5%. The company was also charged a management fee of £519,926 (2010: £2,232,523) by Lend Lease Europe Limited for management services provided during the year.

12 Commitments

	2011	2010
	£	£
Future loan advances	-	-
Lend Lease Retail Partnership	126,808	628,346
Lend Lease Overgate Partnership	-	455,944

All loan commitments relating to the Lend Lease Overgate Partnership were cancelled upon the sale of the partnership which occurred on 16th December 2010.

One of the conditions of acquiring the equity in the Lend Lease Retail Partnership is the provision of a loan facility of £20,900,000 (2010: £20,000,000). As at 30 June 2011, £20,552,777 had been drawn down (2010: £19,371,654). Subsequent to year end, all uncalled partnership loans not required for the funding of the Bluewater Events Venue were cancelled. Uncalled partnership loans required for the funding of the Bluewater Events Venue at 30 June 2011 totalled £126,808.

When the initial investment of £24,975 was made in the Warrington Retail Unit Trust, a commitment of £38,350,121 for future units in the Warrington Retail Unit Trust was made as part of the equity investment. During 2010 this was increased to £47,335,861. As at 30 June 2011 and 2010, units to the sum of £47,335,861 had been issued; therefore no further units are still committed to being paid in the future.

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 2011, it is estimated that an increase of one percentage point in interest rates would have decreased the Company's profit before tax by approximately £890,325 (2010: decreased profit by £1,109,020).

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

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, Mandy, Cardiff.