

Company registration number: 03635554

Lendlease Europe Retail Investments Limited

Annual Report and Financial Statements

for the year ended 30 June 2018



Lendlease Europe Retail Investments Limited

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Lendlease Europe Retail Investments Limited

Strategic Report for the year ended 30 June 2018

The directors of Lendlease Europe Retail Investments Limited present their report for the financial year ended 30 June 2018.

Principal activity

The principal activity of the Company is to hold investments.

The Company is a limited liability company incorporated and domiciled in the United Kingdom. The address of its registered office is 20 Triton Street, Regent's Place, London NW1 3BF.

During the previous financial year, the Company disposed of the beneficial interest in its 4.31% investment in the Lendlease Retail Partnership to Lendlease Construction Holdings (Europe) Limited for net consideration of £36.5m.

During the year, the Company generated a profit before tax of £0.5m (2017: £12.4m).

The Company finished the year with a net asset position of £10.6m (2017: £10.7m) and cash of (£0.4m) (2017: £nil).

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. The objectives of our approach to risk management include:

- Ensuring that there is alignment of the Board and management to drive informed and consistent decision making;
- Effective and efficient allocation of capital and resources;
- Providing a clear understanding of risk limits and where zero tolerance applies;
- Providing context for the identification, reporting and management of risks;
- Creating a workplace culture of risk awareness.

Risk awareness, improvement and governance are key elements of the Lendlease approach.

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 Units and Specialist Functions such as Risk, Internal Audit and the Centre of Excellence.

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 Europe Retail Investments Limited

Strategic Report for the year ended 30 June 2018 (continued)

Explanation		Mitigation
External environment		
Macro Conditions	Lendlease's business activities are impacted by prevailing economic conditions in the regions in which Lendlease operates. The changes in the global political environment and the increased frequency of unpredicted events creates greater uncertainty in the global economic environment.	We have a strong pipeline of long dated integrated projects and a solid base of recurring earnings through our global investments platform. We are focused on further diversifying the business through targeted growth opportunities in our gateway cities where we can achieve our target returns and are able to implement our Global Minimum Requirements (GMRs).
Capital Markets	Property and infrastructure development and investment is capital intensive and dependent on access to both equity and debt capital from third parties. Development and construction activity is dependent on access to forms of credit support for performance.	We manage our capital prudently across debt, equity and third party capital partners and remain focused on maintaining our credit rating.
Political Environment	In each of our operating regions we work with governments as a major customer and stakeholder and as such, our business is susceptible to changes in the political environment.	We have dedicated resources for government relations proactively liaising with all sides of politics to support policies for long term property and infrastructure projects.
Competitive Dynamics	The extent to which we are facing competition in our existing markets and sectors, and the threat of new competition.	We are one of a few companies globally that is offering end to end property and infrastructure solutions with a strong urbanisation delivery capability. We have a strong reputation for delivering our projects safely and we are a trusted partner. Our strong track record and access to capital along with our extensive integrated capabilities are also difficult to replicate.
Climate Change and Resilience	The world is experiencing the impacts of climate change. These impacts are likely to increase in the future and pose an increased risk to the safety of communities as well as having the potential to damage real estate and infrastructure.	We are committed to reducing our contribution to human induced climate change. We continually assess the impact of climate change on our operations and create mitigation plans for our communities and business generally. Our capability in this space is a source of competitive our communities and business generally. Our capability in this space is a source of competitive advantage for our business.
Materials and Supply Chain	We understand that our environmental, social and governance goals and targets extend beyond our direct business operations to our supply chain. We work with suppliers to maintain continuous improvement and compliance with environmental, social and ethical considerations.	The environmental performance of any supplier and the sustainability of products and services is considered in the Group's selection process.

Lendlease Europe Retail Investments Limited

Strategic Report for the year ended 30 June 2018 (continued)

Explanation		Mitigation
Technology	The emergence of digital business will disrupt current ways of working and offer opportunities for Lendlease to innovate. These opportunities also illustrate areas of cyber risk, and the increasing dependence in technology will only see a rise in this risk in the short term.	Innovation and disruption is a core element of our 'Focus & Grow' Strategy. Growth in this area encourages our people to adopt leading edge technologies to deliver innovative solutions for our customers and also provides avenues to new revenue streams in our target growth areas. Cyber resilience and greater adoption of technology continue to be key focus areas globally.

Lendlease Europe Retail Investments Limited


Strategic Report for the year ended 30 June 2018 (continued)

Explanation		Mitigation
Internal environment		
Delivery of Earnings	Our ability to continue to deliver earnings across Development, Construction and Investments.	Our GMRs allow the business to minimise risks of incidents and onsite injuries which in turn has increased productivity onsite. Strategies have been developed to mitigate the risk of settlement defaults within our residential business, and our non residential developments are mostly forward funded. We are diversifying our portfolio to provide for a portion of our operating EBITDA is recurring in nature.
Maintaining Strong Relationships	Customer and stakeholder focus is critical to delivering resilient products efficiently and on cost.	We are building an international framework for consistent customer relationship management to enhance our strong engagement with customers.
Training, Skills and Employment	The skills, experience and capabilities of our people influence our ability to deliver quality projects and to deliver the Group's strategy.	We continue to invest in the learning and development of our people to attract, retain and grow the best people. We provide construction and property industry training through academies and various training programs.
Eliminating Incidents and Injuries	The safety of our people, our supply chain, and the members of the public we interact with is paramount. As we undertake larger, more complex projects we must continue to evolve our approach to managing health and safety.	We empower our people to use informed judgement to manage their health and safety risks using our GMR Framework and have also introduced a Health & Wellbeing Framework to address the risks associated with mental health issues.

Outlook

There has been no indication of likely future developments in the business, nor any event or circumstance since the end of the financial year to the date of this report that would significantly affect the Company.

Approved by the Board on 4/9/18 and signed on its behalf by:



 M S Khan
 Director

Lendlease Europe Retail Investments Limited
Directors' Report for the Year Ended 30 June 2018

The directors of Lendlease Europe Retail Investments Limited present their report for the financial year ended 30 June 2018.

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 S Khan

G Scott

Results

The Company's loss after tax for the year was £0.1m (2017: £13.0m).

Dividends

The directors do not recommend the payment of a dividend (2017: £nil).

Political donations

The Company made no political donations or incurred any political expenditure during the year (2017: £nil).

Financial risk management

Information about the Company's financial risks, the Company's objectives, policies and processes for measuring and managing financial risk are detailed in note 14 to the financial statements.

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 on page 4.

Events after the balance sheet date

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

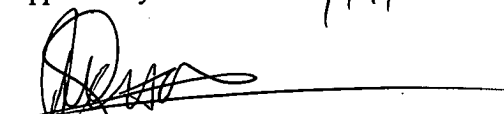
Disclosure of information to the auditor

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.

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 ...4/7/18... and signed on its behalf by:



M S Khan
Director

Lendlease Europe Retail Investments 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union (IFRSs as adopted by the EU).

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that 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 Europe Retail Investments Limited

Opinion

We have audited the financial statements of Lendlease Europe Retail Investments Limited (the "Company") for the year ended 30 June 2018, which comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and 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 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; 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

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

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, 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.

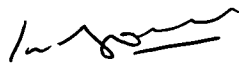
Auditors' responsibilities

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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.

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: 7 September 2018
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Lendlease Europe Retail Investments Limited

Statement of Profit or Loss and Other Comprehensive Income For the year ended 30 June 2018

	Note	2018 £	2017 £
Revenue		-	-
Other income	4	-	1,272,137
Gain on sale of investment in Lendlease Retail LP	4	-	13,937,438
Administrative expenses		<u>355,577</u>	<u>(2,047,894)</u>
Results from operating activities		<u>355,577</u>	<u>13,161,681</u>
Finance income	6	97,796	-
Finance costs	6	<u>-</u>	<u>(749,136)</u>
Net finance income/(cost)		<u>97,796</u>	<u>(749,136)</u>
Profit before tax		453,373	12,412,545
Income tax (expense)/credit	9	<u>(570,993)</u>	<u>627,627</u>
Total comprehensive (loss)/income after tax		<u>(117,620)</u>	<u>13,040,172</u>

The above results were derived from continuing operations.

The notes to and forming part of these financial statements are set out on pages 13 to 26.

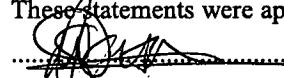
Lendlease Europe Retail Investments Limited

Statement of Financial Position as at 30 June 2018

	Note	2018 £	2017 £
Assets			
Non current assets			
Investments in subsidiaries, joint ventures and associates	11	3	3
Deferred tax assets	9	397,567	627,940
Total non current assets		<u>397,570</u>	<u>627,943</u>
Current assets			
Trade and other receivables	10	10,656,469	12,659,657
Current tax assets	9	-	217,377
Total current assets		<u>10,656,469</u>	<u>12,877,034</u>
Total assets		<u>11,054,039</u>	<u>13,504,977</u>
Current liabilities			
Trade and other payables	15	(40,535)	(2,830,833)
Current tax payable	9	(7,540)	-
Bank overdraft	12	(449,440)	-
Total current liabilities		<u>(497,515)</u>	<u>(2,830,833)</u>
Net Assets		<u>10,556,524</u>	<u>10,674,144</u>
Equity			
Issued capital	13	50,000,001	50,000,001
Retained earnings		<u>(39,443,477)</u>	<u>(39,325,857)</u>
Total equity		<u>10,556,524</u>	<u>10,674,144</u>

The notes to and forming part of these financial statements are set out on pages 13 to 26.

These statements were approved by the Board on 4/7/18 and were signed on its behalf by:



M S Khan

Director

Company Registration Number: 03635554

Lendlease Europe Retail Investments Limited

Statement of Changes in Equity for the year ended 30 June 2018

	Share capital £	Retained earnings £	Total £
At 1 July 2016	50,000,001	(52,366,029)	(2,366,028)
Total comprehensive income			
Profit for the year	-	13,040,172	13,040,172
Total comprehensive income	-	13,040,172	13,040,172
At 30 June 2017	50,000,001	(39,325,857)	10,674,144

The notes to and forming part of these financial statements are set out on pages 13 to 26.

	Share capital £	Retained earnings £	Total £
At 1 July 2017	50,000,001	(39,325,857)	10,674,144
Total comprehensive income			
Loss for the year	-	(117,620)	(117,620)
Total comprehensive income	-	(117,620)	(117,620)
At 30 June 2018	50,000,001	(39,443,477)	10,556,524

Lendlease Europe Retail Investments Limited

Statement of Cash Flows for the Year Ended 30 June 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
(Loss)/profit for the year		(117,620)	13,040,172
<i>Adjustments for</i>			
Profit from disposals of investments		-	(13,937,438)
Finance income	6	(97,796)	-
Finance costs	6	-	749,136
Income tax expense	9	570,993	(627,627)
		<u>355,577</u>	<u>(775,757)</u>
Working capital adjustments			
Decrease/(increase) in trade and other receivables	10	1,887,485	(12,564,997)
Decrease in trade and other payables	15	<u>(2,790,298)</u>	<u>(22,149,623)</u>
Net cash flow used in operating activities		<u>(547,236)</u>	<u>(35,490,377)</u>
Cash flows from investing activities			
Interest received	6	97,796	-
Proceeds from sale of subsidiaries		<u>-</u>	<u>36,500,000</u>
Net cash flows from investing activities		97,796	36,500,000
Cash flows from financing activities			
Interest paid	6	<u>-</u>	<u>(749,136)</u>
Net (decrease)/increase in cash and cash equivalents		(449,440)	260,487
Cash and cash equivalents at 1 July		<u>-</u>	<u>(260,487)</u>
Cash and cash equivalents at 30 June		<u>(449,440)</u>	<u>-</u>

Lendlease Europe Retail Investments Limited

Notes to the Financial Statements for the year ended 30 June 2018

1 General information

Lendlease Europe Retail Investments Limited (the "Company") is a private company limited by share capital incorporated and domiciled in United Kingdom. The company registration number is 03635554.

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 are general purpose financial statements which have been prepared in accordance with International Financial Reporting Standards and interpretations as adopted by the EU ("adopted IFRS").

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

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

These financial statements are the separate financial statements of Lendlease Europe Retail Investments Limited. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the IFRS compliant consolidated financial statements of the parent, Lendlease Europe Holdings Limited. Refer to note 17.

Significant accounting policies

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

Lendlease Europe Retail Investments Limited

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

2 Basis of preparation (continued)

Changes in accounting policy

New standards, interpretations and amendments effective

The following standards have been applied for the first time from 1 July 2017:

IFRS 9 Financial Instruments

IFRS 9 addresses the classification, measurement and derecognition of financial assets, financial liabilities and hedging. The changes from the implementation have been deemed immaterial and have not had a material effect on the Company's accounting policies for financial assets, liabilities and hedging.

Amendment to IAS 12 on recognition of deferred tax assets for unrealised losses

The amendment clarifies that, when an entity assess whether taxable profits will be available against which it can utilise a deductible temporary difference, it considers whether tax law restricts the sources of taxable profits against which it can make deductions on the reversal of that deductible temporary difference.

It also clarifies that the estimate of probable future taxable profit can include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

There was no material financial impact on the Company following the adoption of this amendment.

Disclosure initiative: Amendments to IAS 7 Statement of Cash Flows

The amendment introduces additional disclosure requirements regarding changes in liabilities arising from financing activities. There was no material financial impact on the Company following adoption of this amendment.

New standards, interpretations and amendments not yet effective

The following newly issued but not yet effective standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the Company financial statements in future:

IFRS 16 Leases

IFRS 16 provides a new model for accounting for leases. The standard becomes mandatory for the June 2020 financial year and will be applied retrospectively. Based on preliminary analysis performed, this standard is not anticipated to have any impact on the Company's financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a new five step model for recognising revenue earned from a contract with a customer and will replace IAS 11 Construction Contracts and IAS 18 Revenue. The standard becomes mandatory for the June 2019 financial year and will be applied retrospectively.

Lendlease Europe Retail Investments Limited

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

2 Basis of preparation (continued)

On adoption of IFRS 15, the impacts are as follows:

- The process to value and allocate consideration to individual components of revenue transactions will not change;
- Recognition of construction and development services will continue to be over time;
- Recognition of investment management and origination fees will continue to be recognised when services are rendered; and
- The recognition point of development properties will change from the current practice of practical completion to settlement. This will impact the timing of recognition from FY19 onwards.

The new standard will require an increase in the disclosure in relation to revenue derived from contracts, key judgements and future revenue expected to be generated.

Going concern

The financial statements have been prepared on a going concern basis.

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.

3 Accounting policies

Revenue recognition

Revenue from the provision of services

Funds, origination, and asset management fee entitlements are recognised for services rendered. Revenue is stated net of value added tax.

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.

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 in other comprehensive income, in which case it is recognised directly in other comprehensive income.

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 Europe Retail Investments Limited

Notes to the Financial Statements for the year ended 30 June 2018 (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.

Investments

Equity investments in subsidiary and associated undertakings are stated at cost less impairment. Adjustments are made to the carrying value to reflect the net realisable value of the investment where these are lower than cost. Management conducts impairment reviews annually.

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 and are shown as a reduction to the cash balance in the Statement of Cash Flows.

Trade 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 receivable. 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 receivable based on expected loss, 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.

Lendlease Europe Retail Investments Limited

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

3 Accounting policies (continued)

Trade and other payables

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.

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 Other income

The analysis of the Company's other operating income for the year is as follows:

	2018	2017
	£	£
Dividends received	-	1,272,137
Gain (loss) from disposals of investments	-	13,937,438
Total other income	-	15,209,575

5 Auditors' remuneration

	2018	2017
	£	£
Audit of financial statements	6,199	8,700

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

Lendlease Europe Retail Investments Limited

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

6 Finance income and costs

	2018 £	2017 £
Finance income		
Interest receivable from related parties	97,796	-
Total finance income	97,796	-
Finance costs		
Interest on bank overdrafts and borrowings	-	(708)
Interest payable to related parties	-	(748,428)
Total finance costs	-	(749,136)
Net finance income/(costs)	97,796	(749,136)

7 Employees

The Company did not employ any staff during the year (2017:nil). Payroll costs included within administrative expenses reflect recharges made to the Company by Lendlease Europe Limited.

8 Directors' remuneration

The Directors of the Company were all employed by Lendlease Europe Limited during the financial period.

Any qualifying services in respect of the Company are considered to be incidental and part of the directors' overall management services within the above entity. Their remuneration for the current year and prior year was paid by and included in the financial statements of the above entity.

Lendlease Europe Retail Investments Limited

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

9 Taxation

Tax (charged)/credited in the Statement of Profit or Loss

	2018 £	2017 £
Current tax		
Current year	(7,540)	-
Adjustments for prior years	(333,081)	-
Total current tax	(340,621)	-
Deferred tax		
Origination and reversal of temporary differences	(105,389)	652,750
Change in tax rate	(46,773)	(24,810)
Adjustments for prior years	(78,210)	(313)
Total deferred tax	(230,372)	627,627
Total income tax (charge)/credit	(570,993)	627,627

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK of 19% (2017 - lower than the standard rate of 19.75%).

The differences are reconciled below:

	2018 £	2017 £
Profit before tax	453,373	12,412,545
Income tax using the domestic corporation tax rate 19% (2017: 19.75%)	(86,141)	(2,451,478)
Adjustments for prior year tax claim	(411,291)	(313)
Exempt income	-	2,856,980
Non allowable expenses	(26,788)	(4,008)
Deferred tax relating to changes in tax rates	(46,773)	(24,810)
Effect of dividends from UK companies	-	251,256
Total income tax (charge)/credit	(570,993)	627,627

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

Lendlease Europe Retail Investments Limited

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

9 Taxation (continued)

Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Asset £
2018	
Unused tax losses recognised	397,567
Other items	-
	<u>397,567</u>
2017	
Unused tax losses recognised	469,549
Other items	158,391
	<u>627,940</u>

Lendlease Europe Retail Investments Limited

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

9 Taxation (continued)

Deferred tax movement during the year:

	At 1 July 2017 £	Recognised in income £	At 30 June 2018 £
Unused tax losses recognised	469,549	(71,982)	397,567
Other items	158,391	(158,391)	-
Net tax assets	627,940	(230,373)	397,567

Deferred tax movement during the prior year:

	At 1 July 2016 £	Recognised in income £	At 30 June 2017 £
Unused tax losses recognised	313	469,236	469,549
Other items	-	158,391	158,391
Net tax assets	313	627,627	627,940

10 Trade and other receivables

	Note	2018 £	2017 £
Current			
Amounts owing from related parties	16	10,656,466	12,659,655
Other receivables		3	2
Total trade and other receivables		10,656,469	12,659,657

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

11 Investments

	2018 £	2017 £
Subsidiaries	3	3
Total investments	3	3

Reconciliation of subsidiaries

	2018 £	2017 £
Carrying amount at the beginning of year	3	3
Carrying amount at end of year	3	3
Subsidiaries cost	3	3
Carrying amount at end of year	3	3

Lendlease Europe Retail Investments Limited

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

11 Investments (continued)

Details of the subsidiaries as at 30 June 2018 are as follows:

Name of subsidiary	Principal activity	Country of incorporation	Note	Ownership and voting rights %	
				2018	2017
Lendlease Communities Limited	Property Development	United Kingdom		100%	100%
Lendlease Europe GP Limited	Property Investment	United Kingdom		100%	100%

Notes - registered addresses:

1. 20 Triton Street, Regent's Place, London, NW1 3BF

12 Cash and cash equivalents

	2018 £
Cash and equivalents	-
Bank overdrafts	(449,440)

13 Issued capital

Allotted, called up and fully paid shares

	2018		2017	
	No.	£	No.	£
Allotted, called up and fully paid shares of £1 each	50,000,001	50,000,001	50,000,001	50,000,001

Rights, preferences and restrictions

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 Financial risk management

The Company's activities expose it to a variety of financial risks. The Lendlease Asset and Liability Committee oversees the management of the Group's Treasury risks, within the parameters of a Board approved Treasury Policy, and maintains a Group-wide framework for financial risk management and reviews issues of material risk exposure within the scope of the Treasury Policy. A summary of key risks identified, exposures and management of exposures is detailed below.

Lendlease Europe Retail Investments Limited

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

14 Financial risk management (continued)

Market risk

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 exposure to interest rate risk includes financial assets (mainly cash at bank), financial liabilities (mainly borrowings and financing arrangements) and movements in intra-group lending rates. The exposure is managed using physical financial instruments, derivative financial instruments (mainly interest rate swaps) and managing to hedging limits in respect of recourse funding as outlined in the Treasury Policy.

Interest rate risk sensitivity analysis

At 30 June 2018, it is estimated that an increase of one percentage point in interest rates would have decreased the Company's loss before tax by approximately £97,796 (2017: £276,868). The assumptions made are the stability of the interest rate and the charge being only on cash balances. There has been no change in method or assumptions from previous periods.

Credit risk

Credit risk is the risk that a counterparty will not be able to meet its obligations in respect of a financial instrument, resulting in a financial loss to the Company.

The risk includes the recoverability of loans and receivables, other financial assets and cash deposits. Credit risk exposure is managed by having policies in place to ensure that customers and suppliers are appropriately credit assessed. The Treasury Policy sets out credit limits for each counterparty based on minimum investment-grade ratings.

Liquidity risk

Liquidity risk is the risk of having insufficient funds to settle financial liabilities as and when they fall due. This includes having insufficient levels of committed credit facilities.

The exposure is managed by maintaining sufficient levels of cash and committed credit facilities to meet financial commitments and working capital requirements, managing to funding portfolio benchmarks as outlined by the Treasury Policy, and timely review and renewal of credit facilities. The Company has a loan facility with Lendlease Europe Holdings Limited to meet short term financing needs.

Maturity analysis

	Within 1 year £	Total £
2018		
Trade and other payables	40,535	40,535
	<hr/>	<hr/>
	Within 1 year £	Total £
2017		
Trade and other payables	2,830,833	2,830,833
	<hr/>	<hr/>

Lendlease Europe Retail Investments Limited

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

14 Financial risk management (continued)

Capital risk management

The Company assesses its capital management model as part of the broader Lendlease Group Board's strategic plan. When investing capital, the Company's objective is to deliver strong shareholder returns and to continue to generate high levels of liquid assets in line with the Lendlease Corporation capital management goals.

The Company actively manages the working capital on a daily basis and operates a strict regime of contract billings and debtor payment cycles to maximise liquidity.

There were no changes to the Company's approach to capital management during the year. The Company is not exposed to externally imposed capital requirements.

15 Trade and other payables

	Note	2018 £	2017 £
Current			
Amounts due to related parties	16	(23,166)	(2,035,965)
Accrued expenses		-	(787,367)
Other payables		(17,369)	(7,501)
Current trade and other payables		(40,535)	(2,830,833)

The Company's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in note 14 "Financial risk management and impairment of financial assets".

16 Related party transactions

16.1 Summary of transactions with related parties

Summary of transactions with parent entities

Transactions with the parent entity include a loan to fund working capital. Interest was incurred on this balance during the year at a rate of 1% (2017: LIBOR + 2.45%). Loans outstanding at the end of the period can be recalled at any time.

Summary of transactions with other related parties

Other related parties are entities controlled by Lendlease Corporation Limited that are neither the parent nor subsidiaries of the Company. Transactions with other related parties include management charges, loans and interest.

Lendlease Europe Retail Investments Limited

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

16 Related party transactions (continued)

16.1 Summary of transactions with related parties (continued)

During the year, the Company received the following income and incurred the following costs with related parties:

	2018 £	2017 £
Purchase of goods and services:		
Parent entities	(18,000)	-
Other related parties	-	(1,852,638)
Total purchase of goods and services	<u>(18,000)</u>	<u>(1,852,638)</u>
Finance income:		
Parent entities	97,796	-
Finance costs:		
Parent entities	-	(743,935)
Other related parties	-	(4,492)
Total finance costs	<u>-</u>	<u>(748,427)</u>

16.2 Related party receivables

	2018 £	2017 £
Parent entities	10,656,466	12,659,655
Total related parties receivables	<u>10,656,466</u>	<u>12,659,655</u>

16.3 Related party payables

	2018 £	2017 £
Other related parties	23,166	2,035,965
Total related party payables	<u>23,166</u>	<u>2,035,965</u>

Loans to related parties

	Parent £
2018	
At start of period	10,705,328
Repaid	(685,155)
Interest charged	97,796
At end of period	<u>10,117,969</u>

Lendlease Europe Retail Investments Limited

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

17 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.

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.

18 Non adjusting events after the financial period

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