# Lend Lease Performance Retail Limited

# Directors' report and financial statements

30 June 2009
Registered number 4373286

# Directors' report and financial statements

## Contents

# Directors' report

The directors present their report and the audited financial statements for the year ended 30 June 2009.

**Principal activities**

The principal activity of Lend Lease Performance Retail Limited is to hold investments.

**Results and dividends**

The loss for the year after taxation amounted to £12,127,665 (2008: profit £1,526,086). The directors do not recommend the payment of a dividend (2008: £nil).

The company has recognised an impairment loss of £13,632,308 (2008: £nil) in its share in the Performance Retail Unit Trust due to the deterioration of the UK economy.

**Directors and directors' interests**

The directors of the company during the year were as follows:

| | |
|---|---|
| R Butler | (resigned 20 November 2008) |
| D Nicklin | (resigned 1 May 2009) |
| G Scott | (resigned 18 June 2009) |
| D Labbad | (appointed 20 November 2008, resigned 18 June 2009) |
| G Kondo | (appointed 18 June 2009) |
| S Mosely | (appointed 18 June 2009) |

**Political and charitable contributions**

The Company made no political or charitable contributions during the year (2008: £nil).

**Statement as to disclosure of information to auditors**

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 auditors are 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 auditors are aware of that information.

**Auditors**

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

By order of the Board

**G Kondo**
*Director*

142 Northolt Road
Harrow, Middlesex
HA2 0EE
24 NOVEMBER 2009

## 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 AUDITORS' REPORT TO THE MEMBERS OF LEND LEASE PERFORMANCE LIMITED

We have audited the financial statements of Lend Lease Performance Limited for the year ended 30 June 2009 set out on pages 4 to 14. 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 sections 495 and 496 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 auditors' 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 auditors**
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 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/UKNP

**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 2009 and of its loss 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.

W. Meredith

**W Meredith**
**(Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
*Chartered Accountants*
8 Salisbury Square, London, EC4Y 8BB
24 November **2009**

## Income statement

*for the year ended 30 June 2009*

| | *Note* | **2009** | 2008 |
|---|---|---|---|
| | | **£** | £ |
| Other income | 1 | 1,949,500 | 1,991,535 |
| Administrative expenses | | (80,254) | (271,994) |
| Provision for impairment | 8 | (13,632,308) | - |
| **Operating (loss)/profit** | | (11,763,062) | 1,719,541 |
| Financial income | 4 | 558,865 | 850,312 |
| Financial expense | 5 | (338,276) | (621,821) |
| **(Loss)/profit before taxation** | | (11,542,473) | 1,948,032 |
| Taxation | 6 | (585,192) | (421,946) |
| **(Loss)/profit for the year attributable to equity holders of the parent** | | (12,127,665) | 1,526,086 |

All activities are continuing.

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

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

The notes to and forming part of the financial statements are set out on pages 8 to 14.

## Balance sheet

*at 30 June 2009*

| | Note | 2009 £ | 2008 £ |
|---|---|---|---|
| **Non current assets** | | | |
| Investments | 8 | 24,407,988 | 38,040,296 |
| Deferred tax asset | | 34,319 | 83,518 |
| | | 24,442,307 | 38,123,814 |
| **Current assets** | | | |
| Trade and other receivables | 9 | 13,664,882 | 12,166,333 |
| | | 13,664,882 | 12,166,333 |
| **Total assets** | | 38,107,189 | 50,290,147 |
| **Current liabilities** | | | |
| Trade and other payables | 10 | (9,261,715) | (9,317,008) |
| **Total liabilities** | | (9,261,715) | (9,317,008) |
| **Net assets** | | 28,845,474 | 40,973,139 |
| **Capital and reserves** | | | |
| Called up share capital | 11 | 37,786,255 | 37,786,255 |
| Retained earnings | | (8,940,781) | 3,186,884 |
| **Shareholders' funds** | | 28,845,474 | 40,973,139 |

The notes to and forming part of the financial statements are set out on pages 8 to 14.

These financial statements were approved by the board of directors on 24 NOVEMBER 2009 and signed on its behalf by:

**G Kondo**
*Director*

**S Mosely**
*Director*

# Statement of changes in equity
*for the year ended 30 June 2009*

| | Attributable to shareholders | | |
|---|---|---|---|
| | **Share capital** | **Retained earnings** | **Total equity** |
| | **£** | **£** | **£** |
| Balance at 1 July 2007 | 37,786,255 | 1,660,798 | 39,447,053 |
| Retained profit for the year | - | 1,526,086 | 1,526,086 |
| **Balance at 30 June 2008** | **37,786,255** | **3,186,884** | **40,973,139** |
| Balance at 1 July 2008 | 37,786,255 | 3,186,884 | 40,973,139 |
| Retained loss for the year | - | (12,127,665) | (12,127,665) |
| **Balance at 30 June 2009** | **37,786,255** | **(8,940,781)** | **28,854,474** |

# Cash flow statement

*for the year ended 30 June 2009*

| | **2009** | 2008 |
|---|---|---|
| | **£000** | £000 |
| **Cash flows from operating activities** | | |
| (Loss)/profit for the year | **(12,127,665)** | 1,526,086 |
| *Adjustments for:* | | |
| Provision for impairment on investments | **13,632,308** | - |
| Financial income | **(558,865)** | (850,312) |
| Financial expense | **338,276** | 621,821 |
| Income tax expense | **585,192** | 421,946 |
| **Operating profit before changes in working capital** | **1,869,246** | 1,719,541 |
| Increase in trade and other receivables | **(1,498,549)** | (1,293,642) |
| Decrease in trade and other payables | **(55,293)** | (148,926) |
| Income tax paid | **(535,993)** | (505,464) |
| **Net cash from operating activities** | **(220,589)** | (228,491) |
| **Cash flow from investing activities** | | |
| Interest received | **558,865** | 850,312 |
| **Net cash from investing activities** | **558,865** | 850,312 |
| **Cash flow from financing activities** | | |
| Interest paid | **(338,276)** | (621,821) |
| **Net cash from financing activities** | **(338,276)** | (621,821) |
| Net increase in cash and cash equivalents | - | - |
| Cash and cash equivalents at 1 July | - | - |
| **Cash and cash equivalents at 30 June** | - | - |

# Notes to the financial statements

## 1 Accounting policies

Lend Lease Performance Retail Limited is a company incorporated in the UK.

The Companys financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

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

*Revenue*

Revenue is stated net of value added tax and is derived from distributions from the Performance Retail Unit Trust.

*Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

*Trade and other receivables*

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

*Borrowing costs*

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings. Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets that take more than six months to prepare for their intended use or sale. In these circumstances, borrowing costs are capitalised to the costs of the assets. Where funds are borrowed specifically for the acquisition or construction of a qualifying asset, the amount of borrowing costs capitalised are those incurred in relation to that borrowing. To the extent that funds are borrowed generally, the amount of borrowing costs capitalised is calculated by applying a capitalisation rate to the expenditures on that asset.

*Net financing costs*

Net financing costs comprise interest payable and interest receivable on funds invested.

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

*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 loss 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.

# Notes to the financial statements *(continued)*

## 1 Accounting policies *(continued)*

*Taxation (continued)*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or subsequently enacted by the balance sheet date. Deferred tax assets are not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

*New standards and interpretations not yet adopted*

A number of new standards, amendments to standard and interpretations that are effective and not yet effective for the year ended 30 June 2009, and have not been applied in preparing these financial statements. None of these have a material effect on the financial statements of the Company

## 2 Auditor's remuneration

Auditor's remuneration is paid by a fellow subsidiary within the Lend Lease Europe Holdings Limited group.

The directors estimate the fee attributable to the company is £3,500 (2008: £3,000)

## 3 Directors' remuneration and employees

The directors did not receive any emoluments in respect of their services to the company (2008:£nil).

The company did not employ any staff during the year (2008: nil).

## 4 Financial income

| | **2009** | 2008 |
|---|---|---|
| | **£** | £ |
| Interest income on amounts owed by Lend Lease Europe Limited | 558,865 | 850,312 |

## 5 Financial expense

| | **2009** | 2008 |
|---|---|---|
| | **£** | £ |
| Interest expense on loan from Performance Retail Limited Partnership | 338,276 | 621,821 |

# Notes to the financial statements *(continued)*

## 6 Tax on loss on ordinary activities

### (a) Analysis of charge in year

| | **2009** £ | 2008 £ |
|---|---|---|
| *Current tax:* | | |
| United Kingdom corporation tax | 535,955 | 505,464 |
| Total current tax | 535,955 | 505,464 |
| *Deferred tax:* | | |
| Partnership interest | 49,199 | 65,687 |
| Adjustments in respect of previous periods | - | (149,205) |
| Total tax for the year (note 6 (b)) | 585,192 | 421,946 |

### (b) Factors affecting the tax charge for the year

The tax assessed differs from the application of the standard rate of corporation tax in the UK (2009: 28%, 2008: 29.5%) to the company's accounting loss before taxation for the following reasons:

| | **2009** £ | 2008 £ |
|---|---|---|
| (Loss)/profit on ordinary activities before tax | (11,542,473) | 1,948,032 |
| (Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK (2009: 28%, 2008: 29.5%) | (3,231,892) | 574,669 |
| Effects of: | | |
| Non-deductible expenses | 3,817,084 | - |
| Permanent difference on change of tax rate | - | (3,518) |
| Adjustments in respect of previous periods | - | (149,205) |
| Total tax for year (note 6 (a)) | 585,192 | 421,946 |

# Notes to the financial statements *(continued)*

## 7 Deferred tax asset and liabilities

### Recognised deferred tax assets and liabilities

A deferred tax asset has been recognised as the company has been historically profitable and is expected to be so going forward. The current year loss is due to the £13.6 million impairment for the company's share in the Performance Retail Unit Trust which is a one-off event in response to the deterioration of the UK economy.

Deferred tax assets and liabilities are attributable to the following;

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| | **£** | £ | **£** | £ | **£** | £ |
| Partnership profits | 34,319 | 83,518 | - | - | 34,319 | 83,518 |
| Net tax assets | **34,319** | **83,518** | - | - | 34,319 | **83,518** |

### Movement in deferred tax during the year

| | **1 July 2008** | **Prior year** | **Recognised in income current year** | **Rate change** | **Recognised in equity** | **30 June 2009** |
|---|---|---|---|---|---|---|
| | **£** | **£** | **£** | **£** | **£** | **£** |
| Partnership profits | 83,518 | - | (49,199) | - | - | 34,319 |
| | **83,518** | - | **(49,199)** | - | - | 34,319 |

### Movement in deferred tax during the prior year

| | **1 July 2007** | **Prior year** | **Recognised in income current year** | **Rate change** | **Recognised in equity** | **30 June 2009** |
|---|---|---|---|---|---|---|
| | **£** | **£** | **£** | **£** | **£** | **£** |
| Partnership profits | - | 149,205 | (65,687) | - | - | 83,518 |
| | - | 149,205 | **(65,687)** | - | - | 83,518 |

# Notes to the financial statements *(continued*

## 7 Deferred tax asset and liabilities (continued)

**Unrecognised deferred tax during the prior year**

| | 2009 | | 2008 | |
|---|---|---|---|---|
| | **Gross** | **Net** | Gross | Net |
| Provisions / impairments | **13,632,308** | **3,817,046** | - | - |
| | | **3,817,046** | | - |

The impairment of the investment in Performance Retail Unit Trust has not yet crystallised. Deferred tax assets have not been recognised in respect of this impairment as it is not probable that future taxable profits will be available against which this company can utilise the benefits of this loss

## 8 Investments

| | **2009** | 2008 |
|---|---|---|
| | **£** | £ |
| Investment in Performance Retail Unit Trust | 38,040,296 | 38,040,296 |
| Less: Provision for impairment | (13,632,308) | - |
| | 24,407,988 | 38,040,296 |

The company has recognised an impairment loss of £13,632,308 (2008: £nil) in its share in the Performance Retail Unit Trust due to the deterioration of the UK economy.

## 9 Trade and other receivables

| | **2009** | 2008 |
|---|---|---|
| | **£** | £ |
| Amounts owed by Lend Lease Europe Limited | 13,664,882 | 12,166,333 |
| | 13,664,882 | 12,166,333 |

# Notes to the financial statements *(continued)*

## 10 Trade and other payables

| | **2009** | 2008 |
|---|---|---|
| | **£** | £ |
| Accruals and deferred income | 92,882 | 148,175 |
| Amounts owed to related parties | 9,168,833 | 9,168,833 |
| | 9,261,715 | 9,317,008 |

The amounts owed to related parties represent a loan to Lend Lease Performance Retail Limited from the Performance Retail Limited Partnership; a related party of the company. The date for the repayment of the loan is yet to be agreed between the two parties, however under the terms of the loan agreement the company may be called upon to repay this loan at any time.

## 11 Called up share capital

| | **2009** | 2008 |
|---|---|---|
| | **£** | £ |
| *Authorised* | | |
| 'O' ordinary shares of £1 each | 50,000,000 | 50,000,000 |
| | 50,000,000 | 50,000,000 |
| *Allotted, called up and fully paid* | | |
| 'O' ordinary share of £1 each | 37,786,255 | 37,786,255 |
| | 37,786,255 | 37,786,255 |

## Notes to the financial statements *(continued)*

**12 Financing Arrangements and Financial Instruments**

*Fair values of financial assets and liabilities – on balance sheet*

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

*Financial Instruments - 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.

*Financial Instruments - 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 Company's objective is to maintain the efficient use of cash and debt facilities in order to minimise the cost of borrowing to the Company and ensure sufficient availability of credit facilities.

*Financial Instruments - 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 2009, it is estimated that an increase of one percentage point in interest rates would have decreased the Company's loss before tax by approximately £37,082 (2008: increased the profit by £22,909).

**13 Subsequent events**

There have been no significant post balance sheet events.

**14 Related Party Disclosures**

At the year end the company was owed £13,664,882 (2008: £12,166,333) by Lend Lease Europe Limited, its parent company. During the year the company recognised interest income of £558,865 (2008: £850,312) on this balance. The interest was charged at LIBOR plus 1.5%. The company was also charged a management fee of £80,254 (2008: £270,395) by Lend Lease Europe Limited for management services provided during the year.

At the year end the company owed £9,168,833 (2008: £9,168,833) to Performance Retail Limited Partnership, investment held by Performance Retail Unit Trust. During the year the company recognised interest expense of £338,276 (2008: £621,821) on this balance. The interest was charged at Base rate plus 1.5%.

**15 Ultimate parent company and parent undertaking of larger group of which the company is a member**

The company's immediate parent undertaking was Lend Lease Europe Limited, which is registered in England and Wales. The ultimate parent undertaking of the company 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 results of the company are consolidated is that headed by Lend Lease Europe Holdings Limited. Consolidated financial statements may be obtained from The Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff.