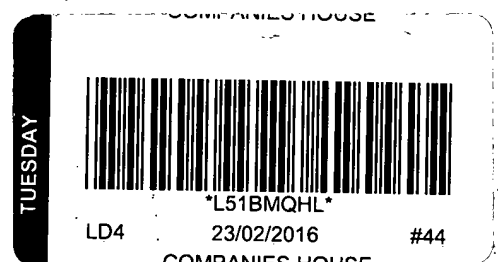


Lend Lease (Elephant & Castle) Limited

Directors' report and financial statements

for the year ended 30 June 2015
Registered number 7196467



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Directors' report

The directors present their directors' report and the audited financial statements for the year ended 30 June 2015.

Principal activities

The principal activity of Lend Lease (Elephant & Castle) Limited (the "Company") is the regeneration of the Heygate Estate in Elephant & Castle, London.

Dividends

No dividends were declared or paid during the year (2014: £nil). The Directors do not recommend a payment of a dividend.

Directors

The directors who held office during the year were as follows:

R Heasman	
E Mayes	(Appointed 01/11/2014)
G Scott	(Appointed 30/10/2015)
C Pettett	(Resigned 30/10/2015)
J Walsh	(Resigned 30/10/2015)
P Mittermaier	(Resigned 15/10/2014)

Political and charitable contributions

The company made no political or charitable contributions during the year (2014: £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 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.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in this report.

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



Director
20 Triton Street
Regents Place, London
NW1 3BF

17 February 2016

Statement of directors' responsibilities in respect of the Directors' Report and financial statements

The directors are responsible for preparing 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 (Elephant & Castle) Limited

We have audited the financial statements of Lend Lease (Elephant & Castle) Limited for the year ended 30 June 2015 set out on pages 4 to 11. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2015 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.

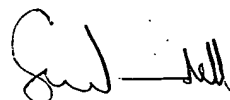
Opinion on other matter prescribed by the Companies Act

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirements to prepare a strategic report.



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

23 February 2016

Statement of Comprehensive Income
 for the year ended 30 June 2015

	Note	2015 £	2014 £
Operating result			
Result on ordinary activities before taxation			
Taxation charge	4	(1,502)	(195,278)
Loss on ordinary activities after taxation		<u>(1,502)</u>	<u>(195,278)</u>
Total comprehensive loss for the year		<u>(1,502)</u>	<u>(195,278)</u>

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.

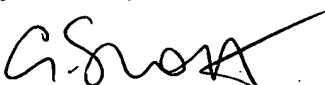
The notes to and forming part of these financial statements are set out on pages 8 to 11.

**Statement of Financial Position
as at 30 June 2015**

	Note	2015 £	2014 £
Current assets			
Cash & cash equivalents		7,456,034	1,720,235
Trade and other receivables	5	<u>6,497,273</u>	<u>11,333,691</u>
		<u>13,953,307</u>	<u>13,053,926</u>
Non current assets			
Inventory	6	89,977,609	29,480,627
Deferred tax asset	7	<u>30,038</u>	<u>31,540</u>
		<u>90,007,647</u>	<u>29,512,167</u>
Total assets		<u>103,960,954</u>	<u>42,566,093</u>
Current liabilities			
Trade and other payables	8	<u>(81,985,252)</u>	<u>(33,797,496)</u>
		<u>(81,985,252)</u>	<u>(33,797,496)</u>
Non current liabilities			
Trade and other payables	8	<u>(23,364,951)</u>	<u>(10,156,344)</u>
		<u>(23,364,951)</u>	<u>(10,156,344)</u>
Total liabilities		<u>(105,350,203)</u>	<u>(43,953,840)</u>
Net liabilities		<u>(1,389,249)</u>	<u>(1,387,747)</u>
Equity			
Called up share capital	9	1	1
Retained earnings		<u>(1,389,250)</u>	<u>(1,387,748)</u>
Total equity		<u>(1,389,249)</u>	<u>(1,387,747)</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 17 February 2016 and were signed on its behalf by:


Director

Registered number 7196467

Statement of Changes in Shareholders' Equity
 for the year ended 30 June 2015

	Attributable to shareholders	
	Share capital £	Retained earnings £
Balance at 1 July 2013	1	(1,192,470)
Loss for the year	-	(195,278)
Balance at 30 June 2014	<u>1</u>	<u>(1,387,748)</u>
Balance at 1 July 2014	1	(1,387,748)
Loss for the year	-	(1,502)
Balance at 30 June 2015	<u>1</u>	<u>(1,389,250)</u>

Total equity
£

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

Statement of Cash Flows
 for the year ended 30 June 2015

	2015 £	2014 £
Cash flows from operating activities		
Loss for the year	(1,502)	(195,278)
Adjustments for:		
Taxation	1,502	195,278
Operating result before changes in working capital		
Increase in inventories	(60,496,982)	(9,461,110)
Decrease / (increase) in trade and other receivables	4,836,418	(11,258,582)
Increase in trade and other payables	61,396,363	13,942,737
Net cash from operating activities	5,735,799	(6,776,955)
Increase / (decrease) in cash and cash equivalents	5,735,799	(6,776,955)
Cash and cash equivalents at 1 July	1,720,235	8,497,190
Cash and cash equivalents at 30 June	7,456,034	1,720,235

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 (Elephant & Castle) Limited (the "Company") is a company incorporated and domiciled in the UK. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations as adopted by the European Union ("Adopted IFRSs") and with those parts of the Companies Act, 2006 applicable to companies reporting under IFRS.

The Company is exempt by virtue of S401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

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

Inventory

Inventory is 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.

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 loss for the period. Taxable loss differs from the net loss as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

Key estimates and judgements

These accounts are prepared under IFRSs as adopted by the EU. The choice of accounting policies involves, in some cases, management evaluating and choosing the policy that gives the most true and fair view. The most relevant to the company is in relation to estimating the out-turn cost of the development to determine the appropriate provision levels for inventory.

New standards and Interpretations not yet adopted

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

- IFRS 9 Financial Instruments (on or after 1 January 2018).
- IFRS 15 Revenue from Contract with Customers (on or after 1 January 2017).
- Equity Method in Separate Financial Statements – Amendments to IAS 27 (on or after 1 January 2016).

2 Directors' remuneration and employees

The directors did not receive any remuneration in respect of their services to the company (2014: nil). The company did not employ any staff during the year (2014: 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 £6,500 (2014: £9,278).

4 Taxation

(a) Analysis of credit in year

	2015 £	2014 £
Current tax:		
Prior year adjustment	-	(15,683)
Total current tax	-	(15,683)
Deferred tax:		
Origination and reversal of timing differences	-	(135,908)
Prior year adjustment	-	(38,414)
Effect of future change in UK tax rate 20% (2014: 21%)	(1,502)	(5,273)
Tax charge on ordinary activities	(1,502)	(195,278)

(b) Factors Affecting Total Tax Charge for the Current Period

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

The charge for the year can be reconciled to the profit per the statement of comprehensive income as follows:

	2015 £	2014 £
Results on Ordinary activities before taxation	-	-
Tax using the UK corporation tax rate of 20.75% (2014: 22.50%)	-	-
Actual tax (charge)/credit	(1,502)	(195,278)
Over/(Under) charge for the year	1,502	195,278
Effects of:		
Adjustment in respect of prior year: current tax and deferred tax	-	54,097
Provisions	-	135,908
Tax rate changes: deferred tax	1,502	5,273
Total Current and Deferred tax charge for the period	1,502	195,278

Notes to the financial statements (continued)

The standard rate of Corporation Tax in the UK changed from 20% to 21% with effect from 1 April 2014 and 20% (effective from 1 April 2015) were substantially enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. Accordingly, the company's profits for the accounting period are taxed at an effective rate of 20.75% (2014: 21%).

5 Trade and other receivables

	2015	2014
	£	£
Trade debtors		728,056
Trade receivables	6,489,773	10,158,343
Amounts owed from Land Lease Group undertaking	-	409,177
Accrued income	7,500	11,333,691
	<u>6,497,273</u>	<u>11,333,691</u>

6 Inventories

	2015	2014
	£	£
Cost at 1 July	20,486,652	20,019,517
Inventory acquired during the year	60,486,982	9,461,110
Cost at 30 June	<u>80,973,634</u>	<u>29,480,627</u>
	<u>69,977,609</u>	<u>29,480,627</u>

The directors consider all inventories to be non-current in nature. The operational cycle is such that a significant proportion of inventories will be realised in the period following the year end. Inventories are stated at the lower of cost and net realisable value. Inventory is subject to a number of issues such as consumer demand and development programmes.

7 Deferred taxation

Factors that may affect future tax charges
The effective rate of taxation will vary as a result of any dividends paid by the shareholder, overseas tax rates and the utilisation of tax losses brought forward.

	2015	2014
	£	£
Deferred tax assets:		
Net tax assets at start of period	31,540	211,135
Deferred tax credits and losses for the period	1,030,238	1,030,238
Net tax assets at end of period	<u>30,039</u>	<u>31,540</u>

Deferred tax assets by type

	2015	2014
	£	£
Trading losses	30,039	31,540
	<u>30,039</u>	<u>31,540</u>

Deferred income tax assets are recognised for tax losses carried forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

8 Trade and other payables

	2015	2014
	£	£
Current liabilities		
Trade payables	1,927,253	154,897
Accrued expenses and other payables	77,631,188	26,829,321
Accrued expenses and other payables	2,631,198	4,929,321
Non-current liabilities		
Deferred income and other payables	81,985,252	53,797,498
Total liabilities	<u>23,964,951</u>	<u>10,156,344</u>
	<u>105,350,203</u>	<u>43,853,840</u>

The carrying amount of "Trade & other payables" is deemed to represent the liabilities' fair value.

9 Called up share capital

	2015	2014
	£	£
Called up and fully paid	-	-
Ordinary shares of £1 each	-	-

10 Related Party Transactions

At the year end the Company was owed £11,201 (2014: 10,156,343) by Land Lease Residential (CG) plc, another group company. During the year the Company recognised interest expense of nil (2014: nil) on the balance.
At the year end the Company was owed £57,679 (2014: nil) by Land Lease Development Ltd, another group company. During the year the Company recognised interest expense of nil (2014: nil) on this balance.

At the year end the Company was owed £5,724,982 (2014: nil) by Land Lease Europe Ltd, another group company. During the year the Company recognised interest expense of nil (2014: nil) on this balance.

At the year end the Company owned £75,111,284 (2014: £29,833,078) to Land Lease Europe Holdings Ltd, the parent of Land Lease Europe Ltd. During the year the Company was charged an interest expense of £2,313,549 (2014: £2,361,295) on the balance at an interest rate of 9.52%. This cost was capitalised into the inventory.

During the year the Company was charged £338,140 (2014: £200,000) in guarantee fees by its ultimate parent company, Land Lease Corporation Limited. This cost was capitalised into the inventory.

Directors' management compensation - refer to note 2.

Notes to the financial statements (continued)

11 Financial Instruments

The Company's financial instruments comprise cash, intercompany loans and various items such as trade receivables and trade payables which arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Company's operations.

All financial instruments recognised on the statement of financial position, including those instruments carried at amortised cost, are recognised at amounts that represent a reasonable approximation of fair value.

Financial Assets

	2015 Carrying Value £	2014 Carrying Value £
Cash and cash equivalents	7,456,034	1,720,235
Trade and other receivables	6,497,273	11,333,691
	<u>13,953,307</u>	<u>13,053,926</u>

Financial liabilities

	2015 Carrying Value £	2014 Carrying Value £
Trade and other payables	(105,350,203)	(43,953,840)
	<u>(105,350,203)</u>	<u>(43,953,840)</u>

a) Capital Risk

The Company operates within the policies and procedures governed by its ultimate parent undertaking, Lend Lease Corporation Limited. Within the scope of these policies and procedures, the Company manages its capital with the objective to enable the business to continue as a going concern and maximise returns to stakeholders. The assets and liabilities of the Company that are managed as capital comprise trade and other receivables, cash and cash equivalents, inventories, and trade and other payables.

b) Financial Risk

The Company's activities expose it to a variety of financial risks, such as market risk (including foreign exchange risk, price risk and credit risk) and liquidity risk. The Company's risk management programme seeks to minimise potential adverse effects on the Company's financial performance.

c) Liquidity risk

The Company manages liquidity risk by continuously monitoring forecast and actual cashflows. Future cash requirements are forecast on a monthly basis and funding including appropriate headroom is secured through the Company's ultimate parent undertaking, Lend Lease Corporation Limited.

The maturity analysis for the Company's financial liabilities is contractually as follows:

30-Jun-15	Carrying value £	On demand £	< 1 year £	1-2 years £	2-5 years £	Over 5 years £
Trade and other payables	(105,350,203)	77,826,831	4,158,421	-	23,364,951	-
	<u>(105,350,203)</u>	<u>77,826,831</u>	<u>4,158,421</u>	<u>-</u>	<u>23,364,951</u>	<u>-</u>

30-Jun-14	Carrying value £	On demand £	< 1 year £	1-2 years £	2-5 years £	Over 5 years £
Trade and other payables	(43,953,840)	29,633,078	4,164,418	-	10,156,344	-
	<u>(43,953,840)</u>	<u>29,633,078</u>	<u>4,164,418</u>	<u>-</u>	<u>10,156,344</u>	<u>-</u>

The "Trade and other payables" due on demand relate to amounts owed to group undertakings. There is no expectation that this contractual right will be exercised.

d) Market risk

Foreign currency risk

The Company operates exclusively within the UK such that its exposure to currency risk is considered to be minimal with only a small proportion of items both in terms of volume and value transacted in a foreign currency. As a result, there are no hedges in place with respect to any potential currency exposure.

Credit risk

Given the nature of the Company's business, legal title to development properties only passes to the purchaser on completion, and therefore the point at which full settlement is received. The Company does therefore not consider itself to be exposed to significant concentrations of credit risk.

Sensitivity analysis

In managing interest rate and currency risks the Company aims to reduce the impact of short-term fluctuations on the Company's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates would have an impact on earnings.

At 30 June 2015 and 30 June 2014, the fair values of the Company's financial instruments were not materially different to the book value of these instruments.

Exposure to interest rate risk arises in the normal course of the Company's business. Given that the Company is primarily funded from loans obtained from group companies, interest rate risk is considered to be minimal and is managed at the group level. The Company does not therefore utilise interest rate swaps or other interest rate risk hedging instruments.

e) Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature or, if earlier, are repriced.

30-Jun-15	Effective Interest rate	Total £	0-1 years £	< 1 year £	1-2 years £	2-5 years £	Over 5 years £
Cash	-	7,456,034	7,456,034	-	-	-	-
Amounts owed from group undertakings	3.00%	-	-	-	-	-	-
Loans from group undertakings	9.52%	77,826,831	77,826,831	-	-	-	-
Loans from parent company	-	-	-	-	-	-	-
		<u>85,282,865</u>	<u>85,282,865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

30-Jun-14	Effective Interest rate	Total £	0-1 years £	< 1 year £	1-2 years £	2-5 years £	Over 5 years £
Cash	-	1,720,235	1,720,235	-	-	-	-
Amounts owed from group undertakings	-	10,156,343	10,156,343	-	-	-	-
Loans from group undertakings	9.52%	29,633,078	29,633,078	-	-	-	-
Loans from parent company	-	-	-	-	-	-	-
		<u>41,509,656</u>	<u>41,509,656</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the financial statements (continued)

Interest of LIBOR minus 1% is accrued on positive cash balances. The cash balances of the Company are part of a pooling arrangement with the bank balances of other group undertakings. As at the balance sheet date, the overall position of these balances was positive and therefore the interest rate applicable to these balances is £nil (2014: nil).

Loans from Lend Lease Europe Holdings Limited are made for specific qualifying projects. Interest on these loans is charged at 9.52% and is capitalised into inventory.

12 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

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, Mairdy, Cardiff.