Lend Lease Construction Holdings (EMEA) Limited

(formerly Bovis Lend Lease Holdings Limited)

Directors' report and
financial statements
30 June 2011
Registered number 231889

Directors' report and financial statements

Contents

Directors' report

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

Change of name
The company changed its name to Lend Lease Construction Holdings (EMEA) Limited on 23 February 2011

Principal activities
The company's principal activity is to act as a holding company for the Project Management and Construction Lend Lease group

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

These financial statements were authorised for issue by the Board of Directors on 25 October 2011

Results and dividend

The Company's profit for the year after taxation amounted to £3,111,000 (2010 loss of £3,436,000) The directors do not recommend a final dividend for the year (2010 £nil) and no interim dividend was paid during the year (2010 £nil)

Directors and directors' interests

The directors who served during the year are listed below

B E J Dew
G A Anderson (appointed 5 November 2010)
P Gandy (appointed 5 November 2010)
G Kondo (appointed 5 November 2010)
J Spanswick (resigned 11 March 2011)
G Taylor (resigned 27 January 2011)
P Varga (resigned 10 December 2010)
M Dyke (appointed subsequent to year end on 1 July 2011)
S Grist (appointed subsequent to year end on 26 August 2011)

None of the directors who held office at the end of the year held any disclosable interest in group undertakings as recorded in the register of directors' interests

Political and charitable contributions

There were no donations of a political or charitable nature made during the year (2010 £nil)

Directors' report *(continued)*

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 they ought to have taken as a director to make themselves 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, auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

B Dew
Director

20 Triton Street
Regents Place
London
NW1 3BF

25 October 2011

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 finacial 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 Construction Holdings (EMEA) Limited

We have audited the financial statements of Lend Lease Construction Holdings (EMEA) Limited for the year ended 30 June 2011 set out on pages 6 to 23 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 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2011 and of its results for the year then ended
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the financial statements 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, 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

25th October 2011

15 Canada Square
London
E14 5GL

Statement of Comprehensive Income

For the year ended 30 June 2011

	Notes	2011 £000	2010 £000
Administrative expenses		**(9,538)**	(1)
Operating loss		**(9,538)**	(1)
Finance income	5	**14,537**	345
Finance costs	6	**(865)**	(467)
Profit/(loss) before taxation	3	**4,134**	(123)
Taxation	7	**(1,023)**	(3 313)
Profit/(loss) for the year	14	**3,111**	(3,436)
Other comprehensive income		-	-
Other comprehensive income for the period, net of tax		-	-
Other comprehensive income /(loss) for the period		**3,111**	(3 436)

No operations were acquired or discontinued during the year *(2010 none)* There is no material difference between the results disclosed in the income statement and the result given on an unmodified historical cost basis

Balance sheet
As at 30 June 2011

	Notes	**2011**		2010	
		£000	**£000**	£000	£000
Non-current assets					
Property, plant and equipment	8		**70**		70
Investments	9		**149,756**		154,071
Deferred tax assets	11		**-**		2,836
Retirement benefit surplus	18		**1,500**		-
			151,326		156,977
Current assets					
Trade and other receivables	10	**8,855**		3,681	
Cash and cash equivalents		**700**		706	
		9,555		4,387	
Total assets			**160,881**		161,364
Current liabilities					
Trade and other payables	12	**(12,470)**		(6,348)	
Net current assets		**(2,915)**		(1,961)	
Total assets less current liabilities			**148,411**		155,016
Non-current liabilities					
Deferred tax liability	11		**(384)**		-
Retirement benefit obligation	18		**-**		(10,100)
Net assets			**148,027**		144,916
Equity					
Ordinary shares	13		**55,219**		55,219
Share premium account	14		**143,816**		143 816
Revaluation reserve	14		**34**		34
Retained earnings	14		**(51,042)**		(54,153)
Total equity			**148,027**		144,916

These financial statements were approved by the board of directors on 25 October 2011 and were signed on its behalf by

B Dew
Director

Statement of changes in shareholders' equity

For the year ended 30 June 2011

	Notes	Ordinary share capital £000	Ordinary share premium £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 July 2009		55,219	143,816	34	(50,717)	148,352
Retained loss for the year		-	-	-	(3,436)	(3,436)
Balance at 30 June 2010	14	**55,219**	**143,816**	**34**	**(54,153)**	**144,916**
Retained profit for the year		-	-	-	3,111	3,111
Balance at 30 June 2011		**55,219**	**143,816**	**34**	**(51,042)**	**148,027**

Cash flow statement

For the year ended 30 June 2011

	Notes	2011 £000	2010 £000
Cash flows from operating activities			
Cash generated from operations	15	**(17,994)**	(108)
Interest received		**2,600**	300
Interest paid		**(67)**	(467)
Income tax paid in respect of operations		**-**	28
Net cash outflow from operating activities		**(15,461)**	(248)
Cash flows from investing activities			
Dividend income from loan stock investments in subsidiary and associated undertakings		**11,937**	44
Proceeds from disposal of interest in subsidiary and associated undertakings		**3,517**	-
Net cash used in investing activities		**15,454**	44
Net decrease in cash and cash equivalents		**(7)**	(203)
Cash and cash equivalents at beginning of year		**706**	909
Cash and cash equivalents at end of year		**699**	706

Notes to the financial statements

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

Basis of preparation

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

The Company is not required to prepare consolidated financial statements under section 400 of the Companies Act 2006 and IAS 27 – "Consolidated and Separate Financial Statements" as it is a subsidiary of another entity that prepares consolidated financial statements As such, the results presented here are for the Company as an individual undertaking and not its Group

The financial statements have been prepared under the historical cost convention

Revenue

Revenue is measured at the fair value of the consideration received or receivable in the ordinary course of business net of value

a) Interest income

Interest income is recognised on a time proportionate basis using the effective interest method

Property, plant & equipment and depreciation

Property, plant & equipment is stated at historical cost less depreciation No depreciation has been provided on freehold land

Depreciation is provided by the Company to write off the cost less the estimated residual value of other tangible fixed assets over their useful economic lives as follows

Freehold buildings	-	2% per annum straight line

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 comprise cash in hand and at bank Bank overdrafts are shown within borrowings in current liabilities on the balance sheet

Foreign currencies

Transactions in currencies other than the entity's functional currency (foreign currencies) are initially recorded at the rates of exchange prevailing on the date of the transaction At each subsequent balance sheet date assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial period Foreign exchange differences are taken to the income statement in the period in which they arise

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Post retirement benefits

The Company operates a group pension scheme providing benefits based on final pensionable pay The assets of the scheme are held separately from those of the Company The Company has both defined benefit and defined contribution plans A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation A defined contribution plan is a pension plan under which the Company pays a fixed contribution into a separate entity

The asset and liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets together with adjustments for unrecognised and actuarial gains or losses and past service costs The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate or government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability

All actuarial gains and losses as at 1 July 2005, the date of transition to IFRS, were recognised In respect of actuarial gains and losses that arise subsequent to 1 July 2005, in calculating the consolidated entity's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10% of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan Otherwise, the actuarial gain or loss is not recognised in the income statement

Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period) In this case, past service costs are amortised on a straight-line basis over the vesting period

For defined contribution plans the Company pays contributions to publicly or privately administered superannuation/pension insurance plans on a mandatory, contractual or voluntary basis The Company has no further payment obligations once the contributions have been paid The contributions are recognised as an employee benefit expense when they re due Prepaid contributions are recognised as an asset to the extent that cash refund or a reduction in the future payments is available

Taxation

Tax on the profit or loss for the year comprises current and deferred tax Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes The following temporary differences are not provided for the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised

Notes to the financial statements *(continued)*

Critical judgements in applying the entity's accounting policies

The preperation of financial statements under IFRS requires management to make estimates and assumptions that affect amounts recognised for assets and liabilities at the balance sheet date and the amounts of revenue and expenses incurred during the reporting period Actual outcomes may therefore differ from these estimates and assumptions

The determination of the pension cost and defined benefit obligation of the Company's defined benefit pension scheme depends on the selection of certain assumptions which include the salary growth, inflation rate, discount rate and expected return on scheme assets Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods See note 18 for further details

2 Segmental information

The Company is a parent undertaking in the United Kingdom and accordingly all of its results are in that one segment

3 Profit before taxation

	2011	2010
	£000	£000
Profit /(loss) before taxation is stated after charging/(crediting)		
Auditors' remuneration		
Audit of the financial statements of the Company	20	20
Management charge from Lend Lease Europe Limited	3,381	-
Management charge from Lend Lease Construction (EMEA) Limited	4,534	-

The remuneration of the auditors for the current and prior accounting years has been borne by fellow group undertaking

The management charges are incurred in relation to central reporting services provided by Lend Lease Europe Limited and Lend Lease Construction (EMEA) Limited They were incurred in this year due to changes in the Lend Lease structure

4 Remuneration of directors

The directors did not receive any emoluments or pension contributions in respect of their services to the Company during the current or previous year

The following disclosures are in respect of remuneration received by the directors from the Company's subsidiary undertakings

Directors' emoluments

	2011	2010
	£000	£000
Aggregate emoluments	743	1,377
Company contributions to money purchase pension schemes	67	89
	810	1,466

Retirement benefits are accruing to no directors (2010 two directors) under a defined benefit scheme and four directors (2010 two directors) under a defined contribution scheme

Notes to the financial statements *(continued)*

4 Remuneration of directors *(continued)*

Highest paid director

	2011 £000	2010 £000
Total amount of emoluments and amounts receivable under long-term incentive schemes	**551**	551

5 Finance income

	2011 £000	2010 £000
Bank and other interest	-	-
Pension income	**2,600**	300
Dividend income	**11,937**	45
Pension curtailment gain	-	-
	14,537	345

6 Finance costs

	2011 £000	2010 £000
Interest payable to external parties	**(67)**	-
Realised losses on investments	-	(467)
Disposal of investment	**(798)**	-
	(865)	(467)

7 Taxation

a) Tax on loss/(profit) on ordinary activities

	2011 £000	2010 £000
Current tax		
UK corporation tax	**(2,197)**	(131)
Adjustments in respect of previous periods	-	-
Current tax charge	**(2,197)**	(131)
Deferred tax:		
Temporary differences	**3,192**	-
Other temporary differences	-	3,444
Effect of future tax rate change	**28**	-
Adjustments in respect of prior years	-	-
Deferred tax charge	**3,220**	3,444
Total tax charge/(credit) in the statement of comprehensive income	**1,023**	3,313

Notes to the financial statements *(continued)*

7 Taxation

b) Reconciliation of the total tax charge

The tax charge for the year on the profit on ordinary activities is higher than the notional tax charge on those (losses)/profits calculated at the UK corporation tax rate of 27 5% (2010 28%)

Any differences are explained below

	2011 £000	2010 £000
(Loss)/profit on ordinary activities before tax	**4,134**	(123)
Tax at 27 5% (2010 28%)	**1,137**	(34)
Effects of		
Tax-exempt revenues	**(3,283)**	0
Non-deductible expenses	**665**	-
Permanent difference on change of tax rate	**29**	-
Transfer pricing	**2,475**	-
Other permanent differences	-	(12)
Adjustments in respect of previous periods	-	3,359
Total tax charge for year (note 7 (a))	**1,023**	3,313

8 Property, plant and equipment

	Freehold land and buildings 2011 £000	Total 2010 £000
Cost		
At 1 July 2010 and 30 June 2011	**70**	**70**

9 Investments

	Shares in subsidiary undertakings £000	Other investments £000	Total £000
Cost			
At 1 July 2010	**154,057**	**14**	**154,071**
Disposal	**(4,315)**	-	**(4,315)**
At 30 June 2011	**149,742**	**14**	**149,756**

During the year ended June 2011, Crowngap Construction Limited and Bovis Urban Renewal Limited were disposed of

Notes to the financial statements *(continued)*

9 Investments *(continued)*

The principal companies in which the Company's interest is more than 10% are as follows

Subsidiary and associated undertakings	Country of registration or incorporation	Principal activity	Percentage of ordinary shares held
Lend Lease Construction (EMEA) Limited	England and Wales	Project solutions	100
Lend Lease Construction (Scotland) Limited	Scotland	Project solutions	100
Lend Lease Construction (Lelliot) Limited	England and Wales	Project solutions	100
Bovis Lend Lease Overseas Holdings Limited	England and Wales	Holding company	100
Bovis Tanvec Group Limited	England and Wales	Pharmaceutical consulting	100
Lehrer McGovern International Limited	England and Wales	Project solutions	100
Lend Lease Facilities Management (EMEA) Limited	England and Wales	Facilities management	100
Bovis Lend Lease CEMEA Investments Limited	England and Wales	PFI holding company	100
Lend Lease Consulting (EMEA) Limited	England and Wales	Project solutions	100
Lend Lease Infrastructure Holdings (EMEA) Limited	England and Wales	PFI holding company	100
Lend Lease UK Pension Trustee Limited	England and Wales	Pension Trustee	100

In the opinion of the directors the investments in and amounts due from the Company's subsidiary and associated undertakings are worth at least the amounts at which they are stated in the balance sheet

10 Trade and other receivables

	2011 £000	2010 £000
Amounts due from related parties (note 19)		
Parent and other group undertakings	**8,855**	3,681

11 Deferred taxation

The deferred tax included in the balance sheet is as follows

	2011 £000	2010 £000
Fixed asset related temporary differences	**6**	8
Other temporary differences	**(390)**	2,828
	(384)	2,836

Notes to the financial statements *(continued)*

11 Deferred taxation *(continued)*

	Pensions £000	Other £000	Total £000
At 1 July 2009	6,272	8	6,280
Charged to the income statement	(3,444)		(3,444)
At 30 June 2010	2,828	8	2,836
Deferred tax charge relating to profit (note 7a)	(3,218)	(2)	(3,220)
Adjustments in respect of prior years	-	-	-
At 30 June 2011	**(390)**	**6**	**(384)**

The deferred tax liability relates to the retirement benefit obligation associated with the Lend Lease UK Pension Scheme

The 2011 Budget in March 2011 announced a reduction in the main rate of UK corporation tax to 23% over a period of 4 years from 2011 The rate reduction from 28% (2010) to 26% was substantively enacted on 29 March 2011, effective from 1 April 2011, and is the rate at which the closing net DTA/DTL is recognised at A reduction of the tax rate to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011 The impact of this rate change to the net DTA/DTL is a reduction of £15,000 No estimate has been made of the reduction in the company's net DTA/DTL as a result of the future reduction in the tax rate (to 23% in 2014)

12 Current trade and other payables

	2011 £000	2010 £000
Amounts due to related parties (note 19)	**11,415**	3,097
Other payables	-	0
Corporation tax	**1,055**	3,251
	12,470	6,348

Amounts due to related parties are unsecured, have no fixed repayment terms and bear no interest

13 Called up share capital

	2011		2010	
	000's	**£000's**	000's	£000's
Allotted, called up and fully paid				
Ordinary shares of £1 each	**55,219**	**55,219**	55 219	55,219

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company

Notes to the financial statements *(continued)*

14 Reserves

	Share premium account £000	Revaluation reserve £000	Retained earnings £000
As at 1 July 2010	143,816	34	(54,153)
Profit for the year			3,111
At 30 June 2011	**143,816**	**34**	**(51,042)**

15 Cash flows from operating activities

	2011 £000	2010 £000
Cash flows from operating activities	**3,111**	(3,436)
Net profit/(loss)		
Adjustments for		
Tax charge	**1,023**	3,313
Finance cost	**865**	467
Interest income	**(14,537)**	(345)
Amortisation and provisions	-	-
	(9,538)	(1)
Changes in working capital:		
Decrease/(increase) in trade and other receivables	-	63,862
Decrease/(increase) in amounts due from related parties	**(5,174)**	-
(Decrease)/increase in amounts due to related parties	**8,324**	(51 657)
Decrease in pensions obligations	**(11,600)**	(12 300)
Increase in other liabilities	**(6)**	(12)
Cash generated from operations	**(17,994)**	(108)

16 Contingent liabilities

There are contingent liabilities in respect of performance bonds and other undertakings entered into in the ordinary course of business The Company participates in a cross-guarantee arrangement with its principal bank in respect of the accounts of other group undertakings

17 Financial risk management

The Company's activities expose it to a variety of financial risks market risk (including foreign exchange risk price risk), credit risk and liquidity risk The Company's risk management programme seeks to minimise potential adverse effects on the Company's financial performance, under the auspices of the Company's Risk Management Director working in concert with the Lend Lease Corporation risk management function

Notes to the financial statements *(continued)*

17 Financial risk management (continued)

Foreign currency risk

Foreign currency risk is the risk that the value of a financial commitment, a recognised asset or liability will fluctuate due to changes in foreign currency rates

The Company operates predominantly 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

Price risk

Price risk is the risk that the fair value of either a traded or non-traded equity instrument, derivative equity instrument, or a portfolio of such financial instruments decreases in the future The Company is exposed to price risk on assets and liabilities of the Lend Lease UK Pension Scheme (refer Note 18) Except for the Pension Scheme the Company does not have significant equity investments or investments in commodities and does not consider itself to be exposed to any significant equity, commodity or other price risk

Credit risk

The Company operates predominantly in the UK construction market and has no significant concentrations of credit risk on either a geographic or industry specific basis It has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history

Credit risk is also managed by limiting the aggregate exposure to any one individual counterparty, taking into account its credit rating Such counterparty exposures are regularly reviewed and adjusted as necessary Accordingly, the possibility of material loss arising in the event of non-performance by counterparties is considered to be unlikely

The maximum exposure to credit risk at the balance sheet date on financial assets recognised in the balance sheet equals the carrying amount, net of any impairment

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or future cash flow associated with the instrument will fluctuate due to changes in the market interest rates The only financial instruments that the Company holds and are subject to interest rate risk are financial assets in the form of loans to associated companies which do not have specified repayment terms

Interest is charged based upon the average annual base rate, plus a margin as specified by Group treasury A net sensitivity analysis has been performed and a 1% change in the average base rate for the year would have had nil impact on the Company's profit before taxation *(2010 £nil)*

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as and when they fall due Liquidity risk is reduced through prudent cash management which ensures sufficient levels of cash are maintained to meet working capital requirements

Notes to the financial statements *(continued)*

17 Financial risk management *(continued)*

The following are the contractual cash flow maturities of financial liabilities as at 30 June 2011

30 June 2011	Carrying Amount £000	Contractual Cash flows £000	6 mths or less £000	6-12 mths £000	1-2 years £000	2-5 years £000	More than 5 years £000
Non-derivative financial liabilities							
Trade and other payables – current	12,470	12,470	-	12,470	-	-	-
Trade and other payables – non current	384	384	-	384	-	-	-
Total	12 854	12,854	-	12,854	-	-	-

30 June 2010	Carrying Amount £000	Contractual Cash flows £000	6 mths or less £000	6-12 mths £000	1-2 years £000	2-5 years £000	More than 5 years £000
Non-derivative financial liabilities							
Trade and other payables – current	6,348	6,348	-	6 348	-	-	-
Trade and other payables – non current	10 100	10,100	-	10,100	-	-	-
Total	16 448	16,448	-	16,448	-	-	-

Net fair values of assets and liabilities

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

Capital management

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 Lend Lease Corporation capital management goals

The Company actively manages the working capital on a daily basis with periodic narrative and recommendations prepared for senior management on movements, risk, exceptions and tracking against business targets The Company operates under a strict regime of contract billings and debtor payment cycle to maximise liquidity

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

18 Pension scheme

The Company acts as a sponsor for its group pension scheme, the Lend Lease UK Pension Scheme which is a funded Scheme of the defined benefit type A separate section the Personal Investment Section, provides retirement benefits on a defined contribution basis The Company's contributions to members' PIF accounts are not included in these disclosures

The Final Salary Section was closed to future accrual on 31 August 2008 and members of this Section joined the Index-Linked Section for service from 1 September 2008 These members have retained leaving service benefits in the Final Salary Section

Notes to the financial statements *(continued)*

18 Pension scheme *(continued)*

For the year ended 30 June 2011 the total Company contributions paid to the Defined Benefit Section of the Lend Lease UK Pension Scheme were £20 000,000 (2010 £24 600 000)

These contributions were based on the funding agreement following the full actuarial valuation of the Lend Lease UK Pension Scheme carried out by the Scheme Actuary as at 31 March 2008 finalised on 26 October 2009 We are currently undertaking an actuarial valuation as at 31 March 2011 which is expected to be finalised in March 2012

The present values of the defined benefit obligation the related current service cost and any past service costs were measured using the projected unit credit method

There is currently a pension surplus in the scheme as at 30 June 2011 (2010 deficit) Regular employer contributions to the Lend Lease UK Pension Scheme in 2011/12 are estimated to be £10 2m (2010/11 £12 0m)

a) Principal actuarial assumptions

	30 June 11	30 June 10	30 June 09	30 June 08
	% p a	% p a	% p a	% p a
Pension increases post April 2008	**2 5**	2 6	2 7	2 9
Rate of increase in salaries	n/a	n/a	n/a	5 6
Inflation assumption	**3 6**	3 7	3 9	4 1
Discount rate applied to scheme liabilities	**5 4**	5 4	6 5	6 4
Expected rate of return	**6 4**	6 3	6 1	7 0

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice

The overall expected rate of return on the scheme assets is weighted average of the individual expected rates of return on each asset class

Lend Lease Construction Holdings (EMEA) Limited employs a building block approach in determining the long-term rate of return on pension plan assets Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles The assumed long-term rate of return on each asset class is set out within this note The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Scheme at the 30 June 2011

b) Balance sheet amounts

The amounts recognised in the balance sheet are determined as follows

	30 June 11	30 June 10
	£000	£000
Present value of defined benefit obligations	**(385,500)**	(375,900)
Fair value of plan assets	**381,300**	331 800
Unrecognised actuarial gains	**5,700**	34,000
	1,500	(10,100)

During the year, it was identified that a reclassification needed to be performed with respect to the 2010 disclosures This has been reflected in the 2010 figures shown above resulting in a decrease in defined benefit obligations of £5,300,000, a decrease in plan assets of £2,900,000 and a decrease in unrecognised actuarial gains of £2 400,000, a net nil effect on the Balance Sheet

Notes to the financial statements *(continued)*

18 Pension scheme (continued)

c) Reconciliation of the present value of defined benefit obligations

	30 June 11 £000	30 June 10 £000
Present value of defined benefit obligations at beginning of financial year	**375,900**	338,700
Current service cost	**7,200**	7,200
Interest cost on benefit obligation	**19,900**	20 200
Contributions by Scheme participants	**100**	100
Actuarial gains/(losses)	**(2,200)**	28,300
Benefits paid	**(15,400)**	(18 600)
Curtailments	**-**	
Present value of defined benefit obligations at end of financial year	**385,500**	375 900

d) Reconciliation of the fair value of plan assets

	30 June 11 £000	30 June 10 £000
Fair value of plan assets at beginning of financial year	**331,800**	274,000
Expected return on plan assets	**18,700**	15,900
Actuarial gains	**26,100**	35,800
Contributions by group companies	**20,000**	24,600
Contributions by Scheme participants	**100**	100
Benefits paid	**(15,400)**	(18,600)
Fair value of plan assets at end of financial year	**381,300**	331,800

e) Expense recognised in the income statement

	30 June 11 £000	30 June 10 £000
Current service cost	**7,200**	7,200
Interest cost on benefit obligation	**19,900**	20,200
Expected return on plan assets	**(18,700)**	(15 900)
Net actuarial (gain)/loss recognised in year	**-**	800
Net defined benefit plan expense	**8,400**	12,300
Group recovery	**(11,000)**	(12,600)
Net pension income (note 5)	**(2,600)**	(300)

Notes to the financial statements *(continued)*

18 Pension scheme (continued)

f) Actual return on plan assets

	30 June 11 £000	30 June 10 £000
Expected return on assets	**18,700**	15,900
Actuarial gain on assets	**26,100**	35,800
Actual return on assets	**44,800**	51 700

g) Categories of plan assets

	% held at 30 June 11	% held at 30 June 10
Equity instruments	**39**	35
Corporate bonds	**14**	14
Multi strategy funds	**14**	8
Liability driven instruments (including Government bonds)	**31**	33
Other	**2**	10
	100	100

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were

	Long-term rate of return expected at 30 June 2011 % p a.	Value at 30 June 2011 £000	Long-term rate of return expected at 30 June 2010 % p a	Value at 30 June 2010 £000	Long-term rate of return expected at 30 June 2009 % p a	Value at 30 June 2009 £000	Long-term rate of return expected at 30 June 2008 % p a	Value at 30 June 2008 £000
Equities	**8.3**	**147,900**	8 3	137 400	8 5	88 900	8 4	129,300
Multi strategy funds	**8.3**	**53,900**	8 3	25,800	8 5	23,800	8 4	32,200
Corporate bonds	**5.0**	**52,200**	5 3	48,800	6 0	41,100	5 4	-
Liability driven investments	**4.1**	**118,000**	4 1	110,200	4 2	109 400	5 2	133,700
Other	**1.5**	**9,300**	1 5	9,600	2 0	10,800	6 0	2,900
Balance at 30 June	**6.4**	**381,300**	6 3	331,800	6 1	274,000	7 0	298,100

Notes to the financial statements *(continued)*

18 Pension scheme (continued)

History of experience gains and losses

	30 June 11	30 June 10	30 June 09	30 June 08
	£000	£000	£000	£000
Plan assets	**381,300**	334,700	274,000	298,100
Defined benefit obligation	**(385,500)**	(381 200)	(338 700)	(335,800)
Deficit	**(4,200)**	(46,500)	(64,700)	(37,700)
Experience adjustment arising on plan assets	**26,100**	38,700	(51,300)	(8,900)
Experience adjustment arising on plan liabilities	**(2,700)**	9 800	(12 900)	(400)

19 Related party transactions

The following transactions were carried out with related parties

a) Finance income

Included in finance income is interest received from group and associated undertakings as follows

	2011	2010
	£000	£000
Associated undertakings	-	-

Interest is earned at rates of LIBOR plus margin of 1 5% per annum

b) Finance costs

Finance costs during the current and previous year represents interest payable on certain balances with group undertakings Interest is charged at LIBOR plus margin of 1 5%

c) Year-end balances arising from group funding arrangements, dividends and group relief

	2011	2010
	£000	£000
Amounts due from parent and other group undertakings (Note 10)	**8,855**	3 681
Amounts due to subsidiary and other group undertakings (Note 12)	**11,415**	3,097

Amounts due from parent and other group undertakings are unsecured, have no fixed repayment terms and bear interest at LIBOR plus margin of 1 5% per annum

Amounts due to subsidiary and other group undertakings have no fixed repayment terms and bears interest at LIBOR plus margin of 1 5% per annum, 2011 nil (2010 £nil) The remaining balance is non-interest bearing

Notes to the financial statements *(continued)*

20 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 Holdings 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 this group may be obtained from Level 4, 30 The Bond, 30 Hickson Road, Millers Point, New South Wales Australia 2000 or from its website at www lendlease com au

The smallest group in which the financial statements of the Company are consolidated is that headed by Lend Lease Europe Holdings Limited which is the Company's immediate parent undertaking The consolidated financial statements of this group may be obtained from the Registrar of Companies, Companies House Crown Way Maindy Cardiff

21 Post balance sheet event

No post balance sheet events to note