Lend Lease Construction Holdings (EMEA) Limited

Strategic Report, Directors' Report and
Financial Statements
30 June 2014
Registered number 231889

Strategic Report, Directors' Report and Financial Statements

Contents

Strategic Report

Lend Lease Construction Holdings (EMEA) Limited is the holding company for a number of companies that make up the Project Management and Construction business of Lend Lease in EMEA. The Company is a wholly owned subsidary of Lend Lease Europe Holdings Limited part of the Lend Lease Corporation group, a company listed on the Australian Securities Exchange.

Business review

Lend Lease Construction Holdings (EMEA) Limited delivered a loss after tax for the year to 30 June 2014 of £8.0m (2013: profit £66.8m), with a net asset position of £167.2m (2013: £192.4m).

As a holding company for the group, the Company has no income other than dividend and interest receipts. The operating loss in the year of £6.9m (2013: operating loss £6.7m) reflects an allocation of group administration costs.

During the year the Company impaired its Investments by £22m.

Subsequent to the balance sheet date, on 6 July 2014, Lend Lease Construction (EMEA) Holdings Limited disposed of its wholly owned subsidiary Lend Lease Facilities Management Limited for a consideration of £33.0m.

Risks

The Company's principal risks are related to the liquidity of its investments and recoverability of amounts due from related parties. These are continually assessed by the Directors for impairment and adjustments made as they arise.

By order of the board

T Peach
Director
26 August 2014

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 30 June 2014.

The Company is a limited liability company incorporated and domiciled in England and Wales. 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 26 August 2014.

Dividend

The directors do not recommend a final dividend for the year (2013: £nil) and no interim dividend was declared during the year (2013: £nil).

Directors and directors' interests

The directors who served during the year are listed below:

L Gledhill
T Peach
V Quinlan (resigned 14/08/2014)
M Heyes (appointed 1/08/2014)
A Bates (appointed 1/08/2014)
G Ray (appointed 15/05/2014)
N Martin (appointed 15/05/2014)
G Anderson (resigned 31/12/2013)
P Boyle (resigned 05/01/2014)
G Scott (resigned 30/10/2013)
P Gandy (resigned 31/07/2014)

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 contributions

There were no donations of a political nature made during the year (2013: £nil).

Disclosure of information to 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.

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

T Peach
Director
26 August 2014

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

The directors are responsible for preparing the Strategic report, 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.

T Peach
Director
26 August 2014

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 2014 set out on pages 5 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 3, 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 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU;
- 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 Strategic Report and 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
- 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

William Meredith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

26 August 2014

Statement of Comprehensive Income
For the year ended 30 June 2014

	Notes	2014 £000	Restated 2013 £000
Administrative expenses		(6,867)	(6,708)
Operating loss		(6,867)	(6,708)
Finance income	6	720	3,182
Finance expenses	7	(230)	(3,542)
Dividend income from subsidiaries		20,000	80,000
Other income	8	127	-
Other expenses	9	(22,000)	(6,070)
(Loss)/profit before taxation	3	(8,250)	66,862
Tax on (loss)/profit on ordinary activities	10	252	(61)
(Loss)/profit on ordinary activities after taxation	17	(7,998)	66,801
Other comprehensive (loss)/gain			
Items that will not be reclassified to profit or loss:			
Actuarial (losses)/gains		(21,100)	9,200
		(21,100)	9,200
Tax on other comprehensive losses			
Actuarial (losses)/gains		3,817	(2,515)
Total comprehensive (loss)/income for the year		(25,281)	73,486

All activities are continuing.
The company had no recognised gains or losses other than the loss for the year.

Amendments to IAS 19 Employee Benefits introduced changes to the accounting for and presentation of pension and other post-employment benefits. The standard came into effective for the current financial year ended 30 June 2014. The amended standard requires unrecognised actuarial gains and losses to be recognised immediately in other comprehensive income. The comparatives for 30 June 2013 have been restated above to reflect the position under the revised accounting standard resulting in an increase in profit and total comprehensive income of £3,692,000.

The notes to and forming part of the financial statements are set out on pages 8 to 23.

Statement of Financial Position
As at 30 June 2014

	Notes	2014		Restated 2013		Restated 1 July 2012	
		£000	£000	£000	£000	£000	£000
Non-current assets							
Property, plant and equipment	11		-		70		70
Investments	12		121,939		143,939		151,857
Deferred tax asset	14		4,557		2,053		6,123
			126,496		146,062		158,050
Current assets							
Trade and other	13	79,124		90,442		11,004	
Cash and cash equivalents		21,956		1,919		105	
		101,080		92,361		11,109	
Total assets			227,576		238,423		169,159
Current liabilities							
Trade and other payables	15	(38,712)		(37,078)		(24,700)	
Net current assets		62,368		55,283		(13,591)	
Total assets less current			188,864		201,345		144,459
Non-current liabilities							
Retirement benefit deficit	21		(21,700)		(8,900)		(25,500)
Net assets			167,164		192,445		118,959
Equity							
Ordinary shares	16		55,219		55,219		55,219
Share premium account	17		104,781		143,816		143,816
Revaluation reserve	17		34		34		34
Retained earnings	17		48,062		17,025		(49,776)
Other comprehensive income	17		(40,932)		(23,649)		(30,334)
Total equity			167,164		192,445		118,959

Amendments to IAS 19 Employee Benefits introduced changes to the accounting for and presentation of pension and other post-employment benefits. The standard came into effective for the current financial year ended 30 June 2014. The amended standard requires unrecognised actuarial gains and losses to be recognised immediately in other comprehensive income. The comparatives for 30 June 2013 have been restated above to reflect the position under the revised accounting standard resulting in a decrease in net assets and total equity of £26,642,000. The 1 July 2012 comparatives have been provided to reflect the impact of the new accounting standard.

These financial statements were approved by the board of directors on 26 August 2014 and were signed on its behalf by:

T Peach
Director

The notes to and forming part of the financial statements are set out on pages 8 to 23.

Statement of Changes in Shareholders' Equity
For the year ended 30 June 2014

	Notes	Ordinary share capital £000	Ordinary share premium £000	Translation reserve £000	Other comprehensive income £000	Retained earnings £000	Total equity £000
Balance at 1 July 2012		55,219	143,816	34	-	(49,776)	149,293
Impact of IAS 19 adoption		-	-	-	(30,334)	-	(30,334)
Other comprehensive gain in the year		-	-	-	6,685	-	6,685
Retained profit for the year		-	-	-	-	66,801	66,801
Balance at 30 June 2013 (Restated)	17	**55,219**	**143,816**	**34**	**(23,649)**	**17,025**	**192,445**
Other comprehensive loss in the year		-	-	-	(17,283)	-	(17,283)
Retained loss for the year		-	-	-	-	(7,998)	(7,998)
Transfer to retained earnings		-	(39,035)	-	-	39,035	-
Balance at 30 June 2014		**55,219**	**104,781**	**34**	**(40,932)**	**48,062**	**167,164**

Statement of Cash Flows
For the year ended 30 June 2014

	Notes	2014 £000	Restated 2013 £000
Cash flows from operating activities			
Cash generated (used in)/from operations	18	(2)	9
Interest received		-	2
Interest paid		(161)	(52)
Income tax received in respect of operations		-	1,855
Net cash generated (used in)/from operating activities		**(163)**	**1,814**
Cash flows from investing activities			
Dividends received from subsidiaries		100,000	-
Proceeds from sale of Property, plant and equipment		200	-
Loan to related party		(80,000)	-
Net cash from investing activities		**20,200**	**-**
Net increase in cash and cash equivalents		**20,037**	**1,814**
Cash and cash equivalents at beginning of year		1,919	105
Cash and cash equivalents at end of year		**21,956**	**1,919**

The notes to and forming part of the financial statements are set out on pages 8 to 23.

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 exempt by virtue of section 400 of the Companies Act 2006 and IAS 27 – "Consolidated and Separate Financial Statements" 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 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 added tax.

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.

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 Statement of Comprehensive Income in the period in which they arise.

1 Accounting policies *(continued)*

Post retirement benefits

a) Defined Benefit Plan

The Company participates in a group pension scheme providing benefits based on final pensionable pay. 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. The assets of the scheme are held separately from those of the Company.

During the year, the Company adopted IAS 19 (revised) relating to the recognition and measurement of the defined benefit plan liability. Comparatives have been restated to reflect the revised standard.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses and the return on plan assets (excluding net interest), are recognised immediately in Other Comprehensive Income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs and administration expenses of the Scheme are recognised immediately in the Statement of Comprehensive Income, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight line basis over the vesting period.

b) Defined Contribution Plan

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 in the Statement of Comprehensive Income in the periods during which related services are rendered by the employees. 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 Statement of Comprehensive Income 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)*

1 Accounting policies *(continued)*

New Accounting Standards and Interpretations Not Yet Adopted

The following Adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements (mandatory for year commencing on or after 1 January 2014).
- IFRS 11 Joint Arrangements and Amendments to IAS 28 (2008) Investments in Associates and Joint Ventures (mandatory for year commencing on or after 1 January 2014).
- IFRS 12 Disclosure of Interests in Other Entities (mandatory for year commencing on or after 1 January 2014).
- Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' (mandatory for year commencing on or after 1 January 2014).
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (mandatory for year commencing on or after 1 January 2014).
- Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) (mandatory for year commencing on or after 1 January 2014).

Critical judgements in applying the entity's accounting policies

The preparation 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 19 for further details.

Notes to the financial statements *(continued)*

2 Segmental information

The Company acts as a holding company in the United Kingdom and accordingly all of its results are in one segment.

3 Profit before taxation

	2014	2013
	£000	£000
Profit /(loss) before taxation is stated after charging:		
Management charge from Lend Lease Europe Limited	-	465
Management charge from Lend Lease Construction (EMEA) Limited	**6,867**	6,223

The remuneration of the auditors for the current year of £14,516 (2013: £21,785) has been borne by a 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.

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

	2014	2013
	£000	£000
Aggregate emoluments	**1,406**	2,170
Termination payments	**227**	901
Company contributions to defined contribution pension schemes	**120**	204
	1,753	3,275

Retirement benefits are accruing to no directors (2013: no directors) under a defined benefit scheme and six directors (2013: seven directors) under a defined contribution scheme.

Notes to the financial statements *(continued)*

4 Remuneration of directors *(continued)*

Highest paid director

	2014	2013
	£000	£000
Total amount of emoluments and amounts receivable under long-term incentive schemes	358	643

5 Staff costs

The company employed no staff during the year (2013: nil).

6 Finance income

	2014	2013
	£000	£000
Bank and other interest	13	2
Interest received from related parties	117	-
Pension income	590	3,180
	720	3,182

7 Finance costs

	2014	2013
	£000	£000
Interest payable to related parties	(224)	(52)
Interest payable to external parties	(6)	-
Pension costs	-	(3,490)
	(230)	(3,542)

8 Other Income

	2014	2013
	£000	£000
Gain on sale of property, plant & equipment	127	-
	127	-

9 Other Expenses

	2014	2013
	£000	£000
Loss on liquidation of subsidiaries	-	1,712
Impairment of Investments	22,000	4,358
	22,000	6,070

Notes to the financial statements *(continued)*

10 Taxation

a) Tax on profit on ordinary activities

	2014 £000	Restated 2013 £000
Current tax:		
UK corporation tax	(1,539)	(1,495)
Prior period adjustment	(26)	-
Current tax (credit)	(1,565)	(1,495)
Deferred tax:		
Prior period adjustment	6	-
Temporary differences	1,868	1,784
Effect of future tax rate change	(561)	(228)
Deferred tax charge	1,313	1,556
Total tax charge/(credit) in the statement of comprehensive income	(252)	61

b) Reconciliation of the total tax charge

The tax charge for the year on the profit on ordinary activities is lower than the notional tax charge on those profits/(losses) calculated at the UK corporation tax rate of 22.5% (2013: 23.75%).

Any differences are explained below:

	2014 £000	Restated 2013 £000
Profit on ordinary activities before tax	(8,250)	66,862
Tax at 22.5% (2013: 23.75%)	(1,857)	15,880
Effects of:		
Tax-exempt revenues	(4,500)	(17,694)
Non-deductible expenses	4,951	275
Permanent difference on change of tax rate	(561)	(228)
Transfer pricing	1,735	1,831
Prior period adjustment	(20)	-
Total tax charge/(credit) for year (note 10 (a))	(252)	64

Notes to the financial statements *(continued)*

11 Property, plant and equipment

	Freehold land and buildings £000
Cost	
Balance at 1 July 2013	70
Disposals	(70)
Balance at 30 June 2014	-

12 Investments

	Shares in subsidiary undertakings	Other investments	Total
	£000	£000	£000
Cost			
At 1 July 2013	143,925	14	143,939
Impairment of Investments	(22,000)	-	(22,000)
At 30 June 2014	121,925	14	121,939

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
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
Lend Lease Pharmaceutical (EMEA) Limited	England and Wales	Construction & Project Management	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.

13 Trade and other receivables

	2014 £000	2013 £000
Intercompany tax for group relief	3,352	1,787
Amounts due from related parties (note 22)	75,772	88,655
	79,124	90,442

Notes to the financial statements *(continued)*

14 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2014	2013	**2014**	2013	**2014**	2013
	£000	£000	**£000**	£000	**£000**	£000
Property, plant and equipment	-	6	-	-	-	6
Employee benefits	10,878	7,055	(6,321)	(5,008)	4,557	2,047
Net tax asset/(liabilities)	10,878	7,061	(6,321)	(5,008)	4,557	2,053

Movement in deferred tax during the year

	01-Jul-13	Recognised in income	Recognised in equity	Disposals	30-Jun-14
	£000	£000	£000	£000	£000
Property, plant and equipment	6	-	-	(6)	-
Employee benefits	2,047	(1,307)	3,817	-	4,557
Total	2,053	(1,307)	3,817	(6)	4,557

Movement in deferred tax during the prior year

	01-Jul-12	Recognised in income	Recognised in equity	Disposals	30-Jun-13
	£000	£000	£000	£000	£000
Property, plant and equipment	6	-	-	-	6
Employee benefits	6,117	(1,556)	(2,514)	-	2,047
Total	6,123	(1,556)	(2,514)	-	2,053

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

The 2013 Budget on 20 March 2013 announced that the UK corporation tax rate will reduce to 20% by 2015. A reduction in the rate from 23% to 21% (effective from 1 April 2014) were substantively enacted on 17 July 2013, and further reductions to 20% (effective from 1 April 2015) was substantively enacted on 17 July 2013. This will reduce the company's future current tax charge accordingly and further reduce the deferred tax asset at 30 June 2014 (which has been calculated based on the rate of 21% substantively enacted at the the balance sheet date) by £216,985.

15 Current trade and other payables

	2014	2013
	£000	£000
Amounts due to related parties (note 22)	38,712	37,078

Notes to the financial statements *(continued)*

16 Called up share capital

	2014		2013	
	000's	£000	000's	£000
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.

17 Reserves

	Share premium account £000	Revaluation reserve £000	Other comprehensive income £000	Retained earnings £000
As at 1 July 2013	143,816	34	(30,334)	17,025
Profit for the year	-	-	-	(7,998)
Other comprehensive income	-	-	6,685	-
Transfer to/(from) retained earnings	(39,035)	-	-	39,035
At 30 June 2014	**104,781**	**34**	**(23,649)**	**48,062**

18 Cash flows from operating activities

	2014 £000	2013 £000
Cash flows from operating activities		
Net (loss)/profit	**(7,998)**	66,801
Adjustments for:		
Tax (credit)/charge	**(252)**	61
Finance cost	**230**	3,542
Finance income	**(130)**	(3,182)
Dividend income	**(20,000)**	(80,000)
Write off of liquidated subsidiaries	-	3,560
Impairment of Investments	**22,000**	4,359
Gain on sale of Property, plant & equipment	**(127)**	-
	(6,277)	(4,859)
Changes in working capital:		
Decrease/(increase) in amounts due from related parties	-	200
(Decrease)/increase in amounts due to related parties	-	12,378
Decrease/(increase) in pension obligations	**(590)**	(7,710)
Increase/(decrease) in accruals and other liabilities	**6,865**	
Cash generated from/(used in) operations	**(2)**	**9**

Notes to the financial statements *(continued)*

19 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.

20 Financing arrangements and financial instruments

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 exchange rates. The Lend Lease Group policy is to manage currency risk so as to minimise any adverse impact of this risk and associated costs on the results.

The Company acts as a holding Company within the UK such that its exposure to currency risk is considered to be minimal with no transactions enacted in a foreign currency. The company does not have any material exposure to foreign currency.

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 21). 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

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

The Company operates predominantly in the UK 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.

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 3 month UK LIBOR. A sensitivity analysis has been performed and a 1% increase in the 3 month UK LIBOR for the year would have reduced the Company's profit before taxation by £208,000 (2013: £26,000).

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 that sufficient levels of cash are maintained to meet working capital requirements.

Notes to the financial statements *(continued)*

20 Financing arrangements and financial instruments *(continued)*

The following are the contractual cash flow maturities of financial liabilities as at 30 June 2014:

30 June 2014:	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	38,712	38,712	-	38,712	-	-	-
Trade and other payables – non current	21,700	21,700	-	-	21,700	-	-
Total	60,412	60,412	-	38,712	21,700	-	-

30 June 2013:	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	37,078	37,078	-	37,078	-	-	-
Trade and other payables – non current	8,900	8,900	-	-	8,900	-	-
Total	45,978	45,978	-	37,078	8,900	-	-

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

The capital structure of the Company can be changed by equity issues, dividend payments and dividend reinvestments.

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.

21 Pension scheme

IAS 19 Employee benefits has been revised for periods commencing on or after 1 January 2013. Under the revised standard the corridor method is no longer permitted and all accumulated actuarial gains and losses are recognised in the scheme asset or liability. In addition, changes have been made to what is recognised in the Statement of Comprehensive Income. Due to this the 30 June 2013 closing position has been restated. The impact of this restatement has been the recognition of £9,200,000 of actuarial gains in other compresehensive income and the retirement benefit in the statement of position restated to a liability of £8,900,000 from an asset of £25,700,000 a movement of £34,600,000. The overall impact on the statement of positon is a decrease in net assets and total equity of £26,642,000.

The Company sponsors a funded defined benefit pension plan for qualifying UK employees. The scheme is administered by a board of Trustees which is legally separate from the Company. The Trustees are composed of representatives of both the employer and employees. The Trustees are required by law to act in the interests of all relevant beneficiaries and are responsible for the investment policy with regard to the assets plus the day to day administration of the benefits.

Notes to the financial statements *(continued)*

21 Pension scheme *(continued)*

The Lend Lease UK Pension Scheme is a funded defined benefit scheme, with the Final Salary Section providing retirement benefits based on final salary and the Index-Linked Section providing retirement benefits based on career average salary. A separate section, the Personal Investment Section, provides retirement benefits on a defined contribution basis. The Company's contributions to members' Personal Investment Fund accounts are not included in these disclosures.

The Final Salary Section was closed to future accrual on 31 August 2008 and the Index- Linked Section closed to future accrual on 31 January 2012. There were no Scheme amendments affecting defined benefits payable, curtailments or settlements during the year.

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the Scheme was carried out by a qualified actuary as at 31 March 2011 and showed a funding deficit of £83.2 million. The Company is paying deficit contributions of £7.71 million per annum, which, along with investment returns from return-seeking assets, were expected to make good this shortfall by 31 March 2018. The next funding valuation will be completed as at 31 March 2014. The estimated contributions for year ended 30 June 2015 £10,500,000.

The Scheme exposes the Company to a number of risks, the most significant of which are detailed below.

Asset volatility
The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The Scheme holds a significant proportion of growth assets which, though expected to outperform corporate bonds in the long term, create volatility and risk in the short term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long term objectives.

Changes in bond yields
A decrease in corporate bond yields will increase the value placed on the Scheme's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the Scheme's bond holdings.

Inflation risk
The majority of the Scheme's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities (although in most cases caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy
The majority of the Scheme's obligations are to provide benefits for the life of the member so increases in life expectancy will result in an increase in the liabilities.

The Company and Trustees have agreed a long term strategy for reducing investment risk as and when appropriate. This includes an asset-liability matching policy which aims to reduce the volatility of the funding level of the pension plan by investing in assets such as index linked bonds which perform in line with the liabilities of the plan so as to protect against inflation being higher than expected. The current benchmark allocation is 55% growth assets and 45% matching assets.

a) Principal actuarial assumptions

	30 June 14	30 June 13	30 June 12
	% p.a.	% p.a.	% p.a.
Pension increases	2.4	2.5	2.3
Inflation assumption	3.4	3.5	3.1
Discount rate applied to scheme liabilities	4.2	4.5	4.75
Expected rate of return	5.5	5.8	5.8
Life expectancy for pensioners at the age of 63:	**Years**	Years	Years
Male	25.4	25.3	25.6
Female	26.8	26.8	27

Notes to the financial statements *(continued)*

21 Pension scheme *(continued)*

b) Changes in the defined benefit plan obligation and fair value of plan assets

Year ended 30 June 2014

	1 July 2013	Admin expenses	Net interest	* Sub-total included in profit or loss	Benefits paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI	Contributions by employer	30 June 2014
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Defined Benefit obligation	(459,200)	-	(20,300)	(20,300)	15,500	-	-	(17,800)	200	(17,600)	-	(481,600)
Fair value of plan assets	450,300	(1,900)	20,000	18,100	(15,500)	(3,500)	-	-	-	(3,500)	10,500	459,900
Pension deficit	(8,900)			(2,200)		(3,500)		(17,800)	200	(21,100)		(21,700)

*Note that in the 2014 year £2.8m of pension costs were borne by Lend Lease Construction Limited with the remaining income of £590k being recognised by Lend Lease Construction Holdings, resulting in a net expense of £2.2m.

Year ended 30 June 2013

	1 July 2012	Admin expenses	Net interest	Sub-total included in profit or loss	Benefits paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI	Contributions by employer	30 June 2013
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Defined Benefit obligation	(423,300)	-	(19,700)	(19,700)	16,500	-	12,000	(45,800)	1,100	(32,700)	-	(459,200)
Fair value of plan assets	397,800	(2,400)	18,600	16,200	(16,500)	41,900	-	-	-	41,900	10,900	450,300
Pension deficit	(25,500)			(3,500)		41,900	12,000	(45,800)	1,100	9,200		(8,900)

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

21 Pension scheme ***(continued)***

c) Actual return on plan assets

	30 June 14 £000	30 June 13 £000
Interest income on scheme assets	20,000	18,600
Remeasurement (loss)/gain on scheme assets	(3,500)	41,900
Actual return on assets	16,500	60,500

d) Categories of plan assets

	% held at 30 June 14	% held at 30 June 13
Equity instruments	38	39
Corporate bonds	14	14
Multi strategy funds	17	14
Liability driven instruments (including Government bonds)	30	28
Other	1	5
	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:

	30 June 14			30 June 13		
	Expected long-term rate of return % p.a.	Value £000	Of which are assumed to be Level 2 assets £000	Expected long-term rate of return % p.a.	Value £000	Of which are assumed to be Level 2 assets £000
Equities	7.5	174,800	66,000	8	175,800	64,000
Corporate Bonds	3.5	65,300	65,300	4.2	62,600	62,600
Multi strategy funds	6.5	80,100	70,800	7.0	64,000	55,500
Liability driven investments	3.3	136,700	136,700	3.3	126,900	126,900
Other	1	3,000	-	0.9	21,000	-
Total	6	459,900	338,800	5.7	450,300	309,000

Plan assets are categorised as level 1, where the fair value is determined using an unadjusted quoted price for an identical asset or level 2, where the fair value is determined either directly or indirectly from observable inputs.

Notes to the financial statements *(continued)*

21 Pension scheme *(continued)*

e) History of experience gains and losses

	30 June 14	30 June 13	30 June 12	30 June 11
	£000	£000	£000	£000
Plan assets	**459,900**	450,300	397,800	381,300
Defined benefit obligation	**(481,600)**	(459,200)	(423,300)	(385,500)
Deficit	**(21,700)**	(8,900)	(25,500)	(4,200)
Experience adjustment arising on plan assets	**(3,500)**	41,900	(3,400)	26,100
Experience adjustment arising on plan liabilities	**200**	1,100	(1,800)	(2,700)

f) Sensitivity Analysis

The sensitivity of the defined benefit obligation to the key assumptions at 30 June 2014 is set out below:

Assumption	**Discount rate**	**Inflation**	**Life expectancy**
Sensitivity level	**0.1% p.a. increase**	**0.1% p.a. increase**	**1 year increase**
Increase/(decrease) in defined benefit obligation	(9,000)	9,300	11,600

The sensitivity information shown above has been prepared using the same method as adopted when adjusting the results of the latest funding valuation to the balance sheet date.

22 Related party transactions

a) Finance income

	2014	2013
	£000	£000
Other group companies	**117**	-

Finance income during the current and previous year represents interest receivable on certain balances with group undertakings. Interest is earned based on 3 month UK LIBOR.

b) Finance costs

	2014	2013
	£000	£000
Payable to subsidiary	**224**	52

Finance costs during the current and previous year represents interest payable on certain balances with group undertakings. Interest is charged based on 3 month UK LIBOR.

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

	2014	2013
	£000	£000
Amounts due from parent and other group undertakings (Note 13)	**75,772**	88,655
Amounts due to subsidiary and other group undertakings (Note 15)	**38,712**	37,078

Amounts due from parent and other group undertakings are unsecured, have no fixed repayment terms and are non-interest bearing.

Amounts due to subsidiary and other group undertakings have no fixed repayment terms. As part of the group's funding arrangements, £13.9m (2013: £8.2m) of amounts due to subsidiary and group undertakings bears interest based on 3 month UK LIBOR. The remaining balance is non-interest bearing.

d) Key management/directors compensation

Refer to note 4

Notes to the financial statements *(continued)*

23 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.

24 Subsequent events

Subsequent to the balance sheet date, on 6 July 2014, Lend Lease Construction Holdings (EMEA) Limited disposed of its wholly owned subsidiary Lend Lease Facilities Management Limited for a consideration of £33.0m.