

Lend Lease Construction Holdings (EMEA) Limited

Strategic Report, Directors' Report and
Financial Statements

30 June 2015

Registered number 231889



Strategic Report, Directors' Report and Financial Statements

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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 subsidiary of Lend Lease Europe Holdings Limited and 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 2015 of £2.1m (2014: loss of £8.0m), with a net asset position of £87.3m (2014: £167.2m).

As a holding company for the group, the Company has no trading income. The profit before tax for the current year of £2.5m (2014: loss before tax of £8.3m) reflects the gain on the sale of the Lend Lease Facilities Management business of £25.5m, dividends received from subsidiaries and an allocation of group administration costs. Lend Lease Facilities Management was sold on 6 July 2014.

During the year the Company impaired its investments in subsidiary undertakings by £20.8m (2014: £22.0m).

Risks and uncertainties

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



M Heyes

Director

20 August 2015

Directors' Report

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

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 20 August 2015.

Dividend

The directors do not recommend a final dividend for the year (2014: £nil). During the period the directors declared an in-specie distribution of £48m to Lend Lease Europe Limited out of distributable reserves following sale of Lend Lease Facilities Management Limited. No interim dividend was declared during the prior year.

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
N Martin
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 (2014: £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.

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 the Strategic Report on page 1.

By order of the board



M Heyes

Director

20 August 2015

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.

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 2015 set out on pages 5 to 24. 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 2015 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.

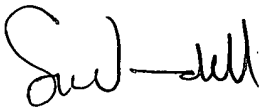
Opinion on other matter prescribed by the Companies Act 2006

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.



Stephen Wardell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square
London
E14 5GL

20 August 2015

Statement of Comprehensive Income
For the year ended 30 June 2015

	Notes	2015 £000	2014 £000
Administrative expenses		<u>(8,117)</u>	<u>(6,867)</u>
Operating loss		(8,117)	(6,867)
Finance income	6	1,225	720
Finance expenses	7	(94)	(230)
Dividend income from subsidiaries		4,750	20,000
Other income	8	25,502	127
Other expenses	9	<u>(20,773)</u>	<u>(22,000)</u>
Profit/(loss) before taxation	3	2,493	(8,250)
Tax on ordinary activities	10	(4,599)	252
Loss on ordinary activities after taxation	17	<u>(2,106)</u>	<u>(7,998)</u>
Other comprehensive loss			
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial losses		<u>(36,500)</u>	<u>(21,100)</u>
		(36,500)	(21,100)
Tax on other comprehensive losses			
Actuarial losses		6,783	3,817
Total comprehensive loss for the year		<u>(31,823)</u>	<u>(25,281)</u>

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 effect for the prior financial year ended 30 June 2014. The amended standard requires unrecognised actuarial gains and losses to be recognised immediately in other comprehensive income.

The notes to and forming part of the financial statements are set out on pages 9 to 24.

Statement of Financial Position
As at 30 June 2015

	<i>Notes</i>	2015 £000	2014 £000
Current assets			
Trade and other receivables	12	18,706	79,124
Cash and cash equivalents		362	21,956
		<u>19,068</u>	<u>101,080</u>
Non-current assets			
Investments in group companies and associated undertakings	11	101,166	121,939
Deferred tax asset	13	6,741	4,557
		<u>107,907</u>	<u>126,496</u>
Total assets		<u>126,975</u>	<u>227,576</u>
Current liabilities			
Trade and other payables	14	(5,934)	(38,712)
		<u>(5,934)</u>	<u>(38,712)</u>
Non-current liabilities			
Defined benefit plan liability	20	(33,700)	(21,700)
		<u>(33,700)</u>	<u>(21,700)</u>
Total Liabilities		<u>(39,634)</u>	<u>(60,412)</u>
Net assets		<u>87,341</u>	<u>167,164</u>
Equity			
Ordinary shares	15	1	55,219
Share premium account	16	-	104,781
Revaluation reserve	16	34	34
Retained earnings	16	157,955	48,062
Other comprehensive income	16	(70,649)	(40,932)
Total equity		<u>87,341</u>	<u>167,164</u>

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 effect for the prior financial year ended 30 June 2014. The amended standard requires unrecognised actuarial gains and losses to be recognised immediately in other comprehensive income.

These financial statements were approved by the board of directors on 20 August 2015 and were signed on its behalf by:



M Heyes
Director

The notes to and forming part of the financial statements are set out on pages 9 to 24.

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

	<i>Notes</i>	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 2013		55,219	143,816	34	(23,649)	17,025	192,445
Other comprehensive loss in the year		-	-	-	(17,283)	-	(17,283)
Retained profit 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
Other comprehensive loss in the year		-	-	-	(29,717)	-	(29,717)
Retained loss for the year		-	-	-	-	(2,106)	(2,106)
Capital reduction	15	(55,218)	(104,781)	-	-	159,999	-
In-specie distribution		-	-	-	-	(48,000)	(48,000)
Balance at 30 June 2015	15, 16	<u>1</u>	<u>-</u>	<u>34</u>	<u>(70,649)</u>	<u>157,955</u>	<u>87,341</u>

The notes to and forming part of the financial statements are set out on pages 9 to 24.

Statement of Cash Flows
For the year ended 30 June 2015

	<i>Notes</i>	2015 £000	2014 £000
Cash flows from operating activities			
Cash generated from operations	17	(1,679)	(2)
Interest received		123	-
Interest paid		-	(161)
Pension contributions		(24,518)	-
Net cash used in operating activities		(26,074)	(163)
Cash flows from investing activities			
Dividends received from subsidiaries		4,750	100,000
Proceeds from sale of subsidiary		32,988	-
Proceeds from sale of property, plant and equipment		-	200
Loan to related party		(33,258)	(80,000)
Net cash from investing activities		4,480	20,200
Net (decrease)/increase in cash and cash equivalents		(21,594)	20,037
Cash and cash equivalents at beginning of year		21,956	1,919
Cash and cash equivalents at end of year		362	21,956

The notes to and forming part of the financial statements are set out on pages 9 to 24.

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 in group companies and associated undertakings

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.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Employee 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 prior 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 asset and liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets; together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries 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 may pay 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. The Company made no contributions to defined contribution plans during the year.

c) Share-based compensation

The Lend Lease Group operates equity settled share based compensation plans. The shares issued are in the Company's ultimate parent, Lend Lease Corporation (LLC) and are treated as cash settled in the Company's accounts. The fair value of the employee services received in exchange for the grant is recognised as an expense and a corresponding intercompany liability for which LLC is fully reimbursed. The total amount to be expensed over the vesting period is determined by reference to the fair value of the services granted. At each statement of financial position date, the entity revises its estimates of the entitlement due. It recognises the impact of original estimates, if any, in the income statement, and a corresponding adjustment to the intercompany over the remaining vesting period. Changes in entitlement for equity settled plans are not recognised if they fail to vest due to market conditions not being met.

d) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after statement of financial position date are discounted to present value.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Employee benefits (continued)

e) Profit Sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision when contractually obliged or when there is a past practice that has created a constructive obligation.

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.

Changes in accounting standards

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:

- Defined Benefit Plans: Employee Contributions – Amendments to IAS 19 (effective date from 1 February 2015)
- Annual Improvements to IFRSs – 2010-2012 Cycle (effective date from 1 February 2015)
- Annual Improvements to IFRSs – 2011-2013 Cycle (effective date from 1 January 2015)
- Annual Improvements to IFRSs – 2012-2014 Cycle (effective date from 1 January 2016)

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 20 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/(Loss) before taxation

	2015	2014
	£000	£000

Profit/(loss) before taxation is stated after charging:

Management charge from Lend Lease Construction (EMEA) Limited	<u>8,098</u>	<u>6,867</u>
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The remuneration of the auditors for the current year of £14,500 (2014: £14,516) has been borne by a fellow group undertaking.

The management charges incurred are in relation to services provided by Lend Lease Europe Limited and Lend Lease Construction (EMEA) Limited.

4 Remuneration of directors

The directors did not receive any remuneration or pension contributions from the Company in respect of their services to the Company during the current or previous year. Remuneration as disclosed below was paid by a related entity.

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

Directors' remuneration

	2015	2014
	£000	£000
Aggregate remuneration	1,389	1,406
Termination payments	-	227
Company contributions to defined contribution pension schemes	152	120
	<u>1,541</u>	<u>1,753</u>

Retirement benefits are accruing to no directors (2014: no directors) under a defined benefit scheme and six directors (2014: six directors) under a defined contribution scheme.

Notes to the financial statements (continued)

4 Remuneration of directors (continued)

Highest paid director

	2015 £000	2014 £000
Total amount of remuneration and amounts receivable under long-term incentive schemes	<u>737</u>	<u>358</u>

5 Staff costs

The company employed no staff during the year (2014: nil).

6 Finance income

	2015 £000	2014 £000
Bank and other interest	126	13
Interest receivable from related parties	959	117
Pension income	-	590
Unrealised foreign currency gain	140	-
	<u>1,225</u>	<u>720</u>

7 Finance costs

	2015 £000	2014 £000
Interest payable to related parties	(94)	(224)
Interest payable to external parties	-	(6)
	<u>(94)</u>	<u>(230)</u>

8 Other income

	2015 £000	2014 £000
Gain on sale of property, plant & equipment	-	127
Profit on sale of controlled entity (note 11)	25,502	-
	<u>25,502</u>	<u>127</u>

9 Other expenses

	2015 £000	2014 £000
Impairment of investments (note 11)	<u>(20,773)</u>	<u>(22,000)</u>

Notes to the financial statements (continued)

10 Taxation

a) Tax on profit on ordinary activities

	2015 £000	2014 £000
Current tax:		
UK corporation tax	-	(1,539)
Prior period adjustment	-	(26)
Current tax (credit)	-	(1,565)
Deferred tax:		
Prior period adjustment	-	6
Temporary differences	5,084	1,868
Effect of future tax rate change	(485)	(561)
Deferred tax charge	4,599	1,313
Total tax charge/(credit) in the statement of comprehensive income	4,599	(252)

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 profits/(losses) calculated at the UK corporation tax rate of 20.75% (2014: 22.5%).

Any differences are explained below:

	2015 £000	2014 £000
Profit/(Loss) on ordinary activities before tax	2,493	(8,250)
Tax at 20.75% (2014: 22.5%)	517	(1,857)
<i>Effects of:</i>		
Tax-exempt revenues	(6,277)	(4,500)
Non-deductible expenses	4,310	4,951
Permanent difference on change of tax rate	(485)	(561)
Pension contributions	5,084	1,735
Tax losses not recognised	1,450	-
Prior period adjustment	-	(20)
Total tax charge/(credit) for year (note 10 (a))	4,599	(252)

c) Future

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 June 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

Notes to the financial statements (continued)

11 Investments in group companies and associated undertakings

	Shares in subsidiary undertakings	Other investments	Total
	£000	£000	£000
<i>Cost</i>			
At 1 July 2014	121,925	14	121,939
Impairment of investments	(20,773)	-	(20,773)
At 30 June 2015	<u>101,152</u>	<u>14</u>	<u>101,166</u>

The Company's subsidiary undertakings 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 (Lelliott) 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 Infrastructure Investment (EMEA) Limited	England and Wales	Holding company	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	Project solutions	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.

On 6 July 2014 the Company sold its wholly owned subsidiary Lend Lease Facilities Management Ltd for consideration of £33m. The Company recorded a profit of £25.5m on the sale.

12 Trade and other receivables

	2015	2014
	£000	£000
Intercompany tax for group relief	1,568	3,352
Amounts due from related parties (note 21)	16,998	75,772
Derivative asset	<u>140</u>	<u>-</u>
	<u>18,706</u>	<u>79,124</u>

Notes to the financial statements (continued)

13 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
	£000	£000	£000	£000	£000	£000
Employee benefits	17,661	10,878	(10,920)	(6,321)	6,741	4,557
Net tax asset/(liabilities)	<u>17,661</u>	<u>10,878</u>	<u>(10,920)</u>	<u>(6,321)</u>	<u>6,741</u>	<u>4,557</u>

Movement in deferred tax during the year

	1 July 2014	Recognised in income	Recognised in equity	Disposals	30 June 2015
	£000	£000	£000	£000	£000
Employee benefits	4,557	(4,599)	6,783	-	6,741
Total	<u>4,557</u>	<u>(4,599)</u>	<u>6,783</u>	<u>-</u>	<u>6,741</u>

Movement in deferred tax during the prior year

	1 July 2013	Recognised in income	Recognised in equity	Disposals	30 June 2014
	£000	£000	£000	£000	£000
Property, plant and equipment	6	-	-	(6)	-
Employee benefits	2,047	(1,307)	3,817	-	4,557
Total	<u>2,053</u>	<u>(1,307)</u>	<u>3,817</u>	<u>(6)</u>	<u>4,557</u>

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

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 June 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2015	2014
	£000	£000
Revenue losses	<u>1,397</u>	<u>-</u>

Notes to the financial statements (continued)

14 Current trade and other payables

	2015	2014
	£000	£000
Provision for sale costs	5,934	-
Amounts due to related parties (note 21)	-	38,712
	<u>5,934</u>	<u>38,712</u>

15 Called up share capital

	2015		2014	
	000's	£000	000's	£000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>55,219</u>	<u>55,219</u>

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.

During the year the Company undertook a capital reduction in accordance with the Companies Act 2006. This enabled the Company to pay a dividend of £48.0m to Lend Lease Europe Holdings Limited, its immediate parent.

16 Reserves

	Share premium account £000	Revaluation reserve £000	Other comprehensive income £000	Retained earnings £000
As at 1 July 2014	104,781	34	(40,932)	48,062
Profit/(loss) for the year	-	-	-	(2,106)
Other comprehensive income/(loss)	-	-	(29,717)	-
Capital reduction	(104,781)	-	-	159,999
In-specie distribution	-	-	-	(48,000)
At 30 June 2015	<u>-</u>	<u>34</u>	<u>(70,649)</u>	<u>157,955</u>

17 Cash flows from operating activities

	2015	2014
	£000	£000
Cash flows from operating activities		
Net loss after tax	(2,106)	(7,998)
<i>Adjustments for:</i>		
Tax charge/(credit)	4,599	(252)
Finance cost	94	230
Finance income	(1,225)	(130)
Dividend income	(4,750)	(20,000)
Impairment of Investments	20,773	22,000
Gain on sale of Property, plant & equipment	-	(127)
Gain on sale of subsidiary	(25,502)	-
	<u>(8,117)</u>	<u>(6,277)</u>
Changes in working capital:		
Net increase in amounts due from related parties (working capital)	6,438	-
Decrease/(increase) in pension obligations	-	(590)
Increase in accruals and other liabilities	-	6,865
Cash from operations	<u>(1,679)</u>	<u>(2)</u>

Notes to the financial statements *(continued)*

18 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.

19 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 20). 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 £142,000 (2014: £208,000).

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)

19 Financing arrangements and financial instruments (continued)

The following are the contractual cash flow maturities of financial liabilities as at 30 June 2015:

30 June 2015:	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	5,934	5,934	-	5,934	-	-	-
Trade and other payables – non current	33,700	33,700	-	-	33,700	-	-
Total	39,634	39,634	-	5,934	33,700	-	-
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	-	-

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.

20 Pension scheme

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.

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.

Notes to the financial statements (continued)

20 Pension scheme (continued)

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 2014 and showed a funding deficit of £105.1 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 2020. The next funding valuation will be completed as at 31 March 2017. The estimated contributions for year ended 30 June 2016 are £8.1 million.

Following the sale of the Company's interest in Lend Lease Facilities Management Limited, the Company made additional pension contributions in the year of £16.8 million.

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 15	30 June 14	30 June 13	30 June 12	30 June 11
	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.
Pension increases	2.5	2.4	2.5	2.3	2.5
Inflation assumption	3.2	3.4	3.5	3.1	3.6
Discount rate applied to scheme liabilities	3.5	4.2	4.5	4.8	5.4
Expected rate of return	5.5	5.5	5.8	5.8	6.4
Life expectancy for pensioners at the age of 63:	Years	Years	Years	Years	Years
Male	25.4	25.4	25.3	25.6	24.3
Female	27.0	26.8	26.8	27.0	26.2

The assumption 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 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 30 June 2015.

Notes to the financial statements (continued)

20 Pension scheme (continued)

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

	30 June 15 £000	30 June 14 £000
Fair value of plan assets	459,900	450,300
Admin expenses	(1,800)	(1,900)
Net interest	19,100	20,000
Benefit paid	(14,400)	(15,500)
Return on plan assets	37,000	(3,500)
Gross employer contributions	27,100	10,500
Fair value of plan assets at end of financial year	<u>526,900</u>	<u>459,900</u>

During the year, the Company paid £24.5m of the gross employer contributions. The remainder was paid by Lend Lease Construction (EMEA) Limited.

c) Expense recognised in the income statement

	30 June 15 £000	30 June 14 £000
Current service cost	1,800	1,900
Interest cost on benefit obligation	19,900	20,300
Expected return on plan assets	(19,100)	(20,000)
Net defined benefit plan expense	<u>2,600</u>	<u>2,200</u>

In the 2015 year, £2.6m of pension costs were borne by Lend Lease Construction (EMEA) Limited.

In the 2014 year £2.8m of pension costs were borne by Lend Lease Construction (EMEA) Limited with the remaining income of £0.6m being recognised by Lend Lease Construction Holdings, resulting in a net expense of £2.2m.

d) Actual return on plan assets

	30 June 15 £000	30 June 14 £000
Interest income on scheme assets	19,100	20,000
Remeasurement gain/(loss) on scheme assets	37,000	(3,500)
Actual return on assets	<u>56,100</u>	<u>16,500</u>

Notes to the financial statements (continued)

20 Pension scheme (continued)

e) Categories of plan assets

	% held at 30 June 15	% held at 30 June 14
Equity instruments	37	38
Corporate bonds	13	14
Multi strategy funds	16	17
Liability driven instruments (including Government bonds)	29	30
Other	5	1
	<u>100</u>	<u>100</u>

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 15			30 June 14		
	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	196,000	70,700	7.5	174,800	66,000
Corporate Bonds	3.5	70,800	70,800	3.5	65,300	65,300
Multi-strategy funds	6.5	86,100	75,100	6.5	80,100	70,800
Liability driven investments	3.3	152,000	152,000	3.3	136,700	136,700
Other	1.0	22,000	-	1.0	3,000	-
Total	<u>5.7</u>	<u>526,900</u>	<u>368,600</u>	<u>5.7</u>	<u>459,900</u>	<u>338,800</u>

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.

f) History of experience gains and losses

	30 June 15	30 June 14	30 June 13	30 June 12	30 June 11
	£000	£000	£000	£000	£000
Plan assets	526,900	459,900	450,300	397,800	381,300
Defined benefit obligation	(560,600)	(481,600)	(459,200)	(423,300)	(385,500)
Deficit	<u>(33,700)</u>	<u>(21,700)</u>	<u>(8,900)</u>	<u>(25,500)</u>	<u>(4,200)</u>
Experience adjustment arising on plan	37,000	(3,500)	41,900	(3,400)	26,100
Experience adjustment arising on plan	<u>(16,100)</u>	<u>200</u>	<u>1,100</u>	<u>(1,800)</u>	<u>(2,700)</u>

Notes to the financial statements (continued)

20 Pension scheme (continued)

g) Sensitivity Analysis

The sensitivity of the defined benefit obligation to the key assumptions at 30 June 2015 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	(10,010)	10,344	12,902

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.

21 Related party transactions

a) Finance income

	2015 £000	2014 £000
Other group companies	<u>959</u>	<u>117</u>

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

	2015 £000	2014 £000
Payable to subsidiary	<u>94</u>	<u>224</u>

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 plus margin.

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

	2015 £000	2014 £000
Amounts due from parent and other group undertakings (Note 12)	16,998	75,772
Amounts due to subsidiary and other group undertakings (Note 14)	-	38,712

Amounts due from parent and other group undertakings include £1.9m of working capital which has no fixed repayment terms and is non-interest bearing.

Amounts due from subsidiary and other group undertakings have no fixed repayment terms. As part of the group's funding arrangements, receivable of £14.1m (2014: payable of £13.9m) of amounts due to subsidiary and group undertakings bears interest based on 3 month UK LIBOR plus margin. The remaining balance is non-interest bearing.

d) Key management/directors compensation

Refer to note 4.

Notes to the financial statements *(continued)*

22 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/Australia.

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.

23 Subsequent events

There has been no event or circumstance since the end of the year to the date of this report that would significantly affect the Company.