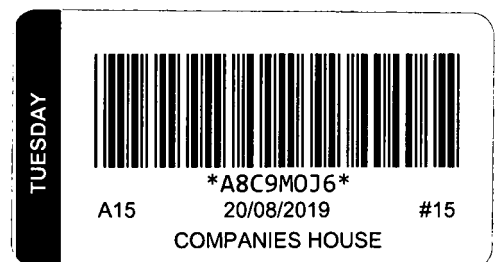


Company registration number: 231889

Lendlease Construction Holdings (Europe) Limited

Annual Report and Financial Statements

for the year ended 30 June 2019



Lendlease Construction Holdings (Europe) Limited

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Lendlease Construction Holdings (Europe) Limited

Strategic Report for the year ended 30 June 2019

The directors of Lendlease Construction Holdings (Europe) Limited present their report for the financial year ended 30 June 2019.

Business review

The principal activity of Lendlease Construction Holdings (Europe) Limited is as the holding Company for a number of companies that make up the construction business of Lendlease in Europe. The results recorded in these financial statements are the unconsolidated results of Lendlease Construction Holdings (Europe) Limited.

The Company recorded a loss after tax of (£2.7)m (2018: loss of (£0.4)m). As a holding Company for the group, the Company has no trading income. The Company did not receive any dividend income in the current or prior year.

The Company finished the year with a net asset position of £135.9m (2018: £159.9m). This includes £76.3m (2018: £84.7m) of Defined Benefit Plan Assets, of which the Company is a sponsor. The decrease in net assets in the year of £24m is largely due to the increase in actuarial losses on the pension scheme liabilities which are greater than the return on scheme assets.

Principal risks and uncertainties

The Lendlease risk management approach recognises the nature and level of risk that the Company is willing to accept to achieve its strategic goals and key performance targets. Our approach to risk management is focused on:

- Aligning Board and management to drive informed and consistent decision making;
- Achieving effective and efficient allocation of capital and resources;
- Providing an understanding of risk limits;
- Providing context for the identification, reporting and management of risks; and
- Creating a culture of risk awareness and accountability.

Risk awareness, governance and improvement underpin the Lendlease approach, which has evolved with the business and external market.

Accountability and responsibility for risk governance and management is held at various levels across the Lendlease business including the Board and Board Committees, Group Leadership, Regional Leadership, Business Operations and Specialist Functions such as Corporate Risk and Insurance, Operational Assurance and Performance, and Internal Audit.

Lendlease Construction Holdings (Europe) Limited

Strategic Report for the year ended 30 June 2019 (continued)

Although many of the risk factors influencing the business are macroeconomic, others are particular to our operations. The section following highlights some of the risks and uncertainties that affect the Lendlease Group as whole, although it is not intended to be an extensive analysis of all such risks that exist.

	Description	Mitigation
Health, Safety and Wellbeing	Failure to provide an environment which promotes health, safety and wellbeing impacting our ability to achieve our corporate and social responsibilities.	We are committed to the health, safety and wellbeing of our people. Through our Global Minimum Requirements (GMRs), which include both physical safety and health and wellbeing, we empower our people to operate in a consistent standard across all our operations.
Disruption	Responsiveness to disruption, including digital disruption as well as other new methods and materials emerging in the investment, development and construction sectors.	With the increasing dependence on technology, our strategic intent aims to turn disruption into an opportunity by creating a culture that fosters innovation and focuses on adopting leading edge technologies, to deliver innovative solutions, and generate a competitive point of difference.
Commercial	Commercial performance fails to meet our corporate objectives.	Our capital deployment guidelines mitigate risk and improve performance. Quarterly business reviews assess business operations against approved strategy to drive consistent, focused and risk assessed investment decisions.
Execution	Failure to execute strategy or projects affects our ability to meet our corporate objectives.	Our risk management approach and use of stage gates across our property and construction operations contributes to the mitigation of execution risk. To inform our investment decisions, we use global internal research to develop a house view of property cycles in every region.
Geopolitical	Global and local events or shifts in government policy occurs in the region in which we operate, adversely impacting our ability to achieve strategic objectives. Failure to adequately understand government's mandate, expectations and performance standards.	We are committed to growing our business in sectors that are supported by positive global trends. We are sensitive to geopolitical shifts and concentration risk and coordinate our approach to government to mitigate against sovereign risk.
Regulatory and Counterparty	Non compliance with regulatory and policy requirements by Lendlease or our clients/suppliers. Client, investor, or supply chain ethics fail to meet Lendlease standards. Failure to adequately select, govern, and drive value from counterparties. Failure to comply with government regulations impacts our ability to access government opportunities.	To further improve our culture of compliance, we focus on aligning business priorities with the necessary compliance and assurance measures. We are focused on maintaining an ethical supply chain to ameliorate the risk of material substitution and modern slavery. We have an appetite for relationships with parties who are aligned with our values.

Lendlease Construction Holdings (Europe) Limited

Strategic Report for the year ended 30 June 2019 (continued)

	Description	Mitigation
Corporate Culture	Failure to create and maintain culture which supports Lendlease's core behaviours, principles and values to drive disciplined strategy execution.	Our values drive our approach to business and delivery of long term value. We empower our people to make business decisions that are aligned to our core values and behaviours, principles, and pillars of value. To provide a 'voice of risk', we have separate reporting routes outside those who can influence risk issues through optimism bias.
Cyber/Data Governance/Asset Protection	Failure of cyber resilience and defence systems. Leakage, misappropriation or unauthorised storage of data. Unauthorised control of systems and physical asset infrastructure (i.e. lifts, security, air conditioning).	Physical and data security continue to be key focus areas globally. We invest in preventative technology and education of employees to achieve a sustainable security culture.
Customer	Loss of existing client (including government) relationships, or inability to tailor services to future clients' needs, impacting Lendlease's financial objectives.	Bid leadership training of key employees reinforces understanding of customers' requirements. Recurrent client survey feedback informs our business strategy. A single platform assists in customer data security and aligns customer service across all regions.
Non Scalable Growth	People: inability to attract, retain, and upskill key talent necessary to deliver. Process: lack of scalable processes to support predictable growth.	To deliver the desired level of performance, we continue to invest in growing our core capabilities through active talent management and targeted professional employee development to attract, retain and grow the best people. Our processes are designed to be consistent, scalable and effective.
Corporate and Environmental Sustainability	Failure to comply with regulatory, societal and investor expectations of corporate and environmental sustainability such as climate change and social responsibility.	We are committed to creating the best places and optimising our corporate and environmental sustainability performance (including climate change and social responsibility) through our Sustainability Framework and integrating sustainability considerations into our business strategies.
Business Continuity	Failure to properly plan for and/or appropriately respond to events which may disrupt Lendlease's business.	To achieve organisational resilience, we are committed to operating in a way that supports our business being able to respond to threats and disasters without affecting our core business operations. We continue to invest in learning and development of our people to better prepare them in the event of disruption through training programs and various threat scenario simulations to stress test the plan.

Lendlease Construction Holdings (Europe) Limited

Strategic Report for the year ended 30 June 2019 (continued)

Lendlease continues to monitor potential risks and uncertainties posed from the UK's exit from the EU. In particular, consideration has been given to specific risks relating to the workforce, investors, customers, the security of our supply chain and where possible, mitigating actions are being implemented. We are of the view that the UK, and in particular London, is one of the most resilient economies in the world. While the continuing political uncertainty surrounding Brexit is unsettling, Lendlease believes in the long-term viability of the UK as a place to invest.

Outlook

The Company will continue as a holding company.

There has been no indication of likely future developments in the business, nor any event or circumstance since the end of the financial year to the date of this report that would significantly affect the Company.

Approved by the Board on 15/8/19 and signed on its behalf by:


.....
C M Pettett
Director

Lendlease Construction Holdings (Europe) Limited

Directors' Report for the Year Ended 30 June 2019

The directors of Lendlease Construction Holdings (Europe) Limited present their report for the financial year ended 30 June 2019.

Directors of the company

The following persons held office as directors of the Company during the financial year and up to the date of this report:

A J Bates (resigned 3 June 2019)

P D Leonard

N C Martin

C M Pettett

S W Gorski (appointed 4 June 2019)

Results

The Company's loss after tax for the year was £2.7m (2018: loss of £0.4m).

Dividends

The directors do not recommend the payment of a dividend (2018: £nil).

Political donations

The Company made no political donations or incurred any political expenditure during the year (2018: £nil).

Employment of disabled persons

It is the Group's policy to give full and fair consideration to applications for employment made by disabled persons having regard to their aptitudes and abilities. The Group also uses its best endeavours to provide continuing employment for employees who are disabled whilst the Group employs them and where appropriate, provides facilities for training and retraining and opportunities for career development and promotion.

Employee involvement

The Company has employment policies designed to suit the needs of individuals and comply with certain key principles, to encourage involvement within the Group. Employees are regularly advised of the Group and individual Company's achievements. Furthermore, employees benefit from a bonus scheme that enables them to identify more closely with Lendlease Group's performance and to share common objectives with shareholders.

Financial risk management

Information about the Company's financial risks, the Company's objectives, policies and processes for measuring and managing financial risk are detailed in note to the financial statements.

Research and development

Innovation is part of the Lendlease Group's heritage and is embedded in the approach to business.

Outlook

An indication of likely future developments in the business has been included in the Strategic Report on page 4.

Events after the balance sheet date

There were no material events subsequent to the end of the financial year.

Lendlease Construction Holdings (Europe) Limited

Directors' Report for the Year Ended 30 June 2019 (continued)

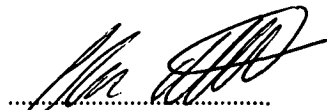
Disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Reappointment of 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.

Approved by the Board on 15/8/19 and signed on its behalf by:



C M Pettett
Director

Lendlease Construction Holdings (Europe) Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditors' Report to the Members of Lendlease Construction Holdings (Europe) Limited

Opinion

We have audited the financial statements of Lendlease Construction Holdings (Europe) Limited (the "Company") for the year ended 30 June 2019, which comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and Notes to the Financial Statements, including a summary of significant accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Independent Auditors' Report to the Members of Lendlease Construction Holdings (Europe) Limited (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities


Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditors' report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

**Independent Auditors' Report to the Members of Lendlease Construction Holdings
(Europe) Limited (continued)**

The purpose of our audit work and to whom we owe our responsibilities

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.



.....
Ian Griffiths
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
United Kingdom
E14 5GL

Date: 15 August 2019

Lendlease Construction Holdings (Europe) Limited

Statement of Profit or Loss and Other Comprehensive Income For the year ended 30 June 2019

	Note	2019 £ 000	2018 £ 000
Administrative expenses		415	1,497
Other operating income		2,544	1,000
Results from operating activities		2,959	2,497
Finance costs	5	(3,478)	(2,803)
Net finance cost		(3,478)	(2,803)
Loss before tax		(519)	(306)
Income tax expense	8	(2,178)	(61)
Loss after tax		(2,697)	(367)
Other comprehensive (expense)/income after tax			
<i>Items that will not be reclassified to profit or loss:</i>			
Defined benefit plan remeasurements		(21,339)	29,716
Total items that will not be reclassified to profit or loss		(21,339)	29,716
Total comprehensive (loss)/income after tax		(24,036)	29,349

The above results were derived from continuing operations.

The notes to and forming part of these financial statements are set out on pages 14 to 34.

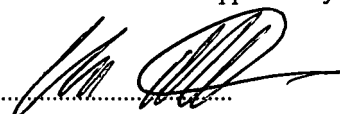
Lendlease Construction Holdings (Europe) Limited

Statement of Financial Position as at 30 June 2019

	Note	30 June 2019 £ 000	30 June 2018 £ 000
Non current assets			
Investments	10	141,899	141,899
Deferred tax assets	8	8,994	4,931
Defined benefit plan asset	13	76,302	84,700
Total non current assets		227,195	231,530
Current assets			
Cash and cash equivalents		123	-
Trade and other receivables	9	3	2
Total current assets		126	2
Total assets		227,321	231,532
Non current liabilities			
Deferred tax liabilities	8	(16,497)	(13,554)
Total non current liabilities		(16,497)	(13,554)
Current liabilities			
Trade and other payables	11	(75,606)	(57,080)
Current tax payable	8	672	(972)
Total current liabilities		(74,934)	(58,052)
Total liabilities		(91,431)	(71,606)
Net assets		135,890	159,926
Equity			
Issued capital	12	1	1
Retained earnings		184,644	187,341
Other reserves		(48,755)	(27,416)
Total equity		135,890	159,926

The notes to and forming part of these financial statements are set out on pages 14 to 34.

These statements were approved by the Board on 15/8/19 and were signed on its behalf by:



C M Pettett

Director

Company Registration Number: 231889

Lendlease Construction Holdings (Europe) Limited

Statement of Changes in Equity for the year ended 30 June 2019

	Share capital £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 July 2017	1	(57,132)	187,708	130,577
Total comprehensive income				
Loss for the year	-	-	(367)	(367)
Defined benefit plan remeasurements	-	29,716	-	29,716
Total comprehensive income	-	29,716	(367)	29,349
At 30 June 2018	1	(27,416)	187,341	159,926

	Share capital £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 July 2018	1	(27,416)	187,341	159,926
Total comprehensive income				
Loss for the year	-	-	(2,697)	(2,697)
Defined benefit plan remeasurements	-	(21,339)	-	(21,339)
Total comprehensive income	-	(21,339)	(2,697)	(24,036)
At 30 June 2019	1	(48,755)	184,644	135,890

The notes to and forming part of these financial statements are set out on pages 14 to 34.

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2019

1 General information

Lendlease Construction Holdings (Europe) Limited (the "Company") is a private company limited by share capital incorporated and domiciled in United Kingdom. The company registration number is 231889.

The address of its registered office is:

20 Triton Street

Regent's Place

London

NW1 3BF

United Kingdom

The principal activity is as a holding company.

2 Basis of preparation

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework*.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101 from Adopted IFRS, the Company has made no measurement and recognition adjustments.

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2019 (continued)

2 Basis of preparation (continued)

In the financial statements, the Company has taken advantage of the following disclosure exemptions available under FRS 101:

- IAS 7: Preparing a cash flow statement and related notes;
- IAS 8: The listing of new or revised standards that have not been adopted (and information about the likely impact);
- IFRS 7: Financial instruments and financial risk disclosures;
- IAS 1: Disclosures in respect of capital management;
- IFRS 13: Fair value measurement disclosures;
- IAS 24: Disclosure of related party transactions entered into between members of the group, providing the any subsidiaries party to the transaction are wholly owned;
- IAS 24: Disclosure of compensation for key management personnel and amounts incurred by an entity for the provision of key management personnel services that are provided by a separate management entity.

As the consolidated financial statements of Lendlease Europe Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Disclosures required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

Amounts are presented in pounds sterling, with all values rounded to the nearest thousand pounds unless otherwise indicated.

These financial statements are the separate financial statements of Lendlease Construction Holdings (Europe) Limited. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the IFRS compliant consolidated financial statements of the parent, Lendlease Europe Holdings Limited. Refer to note 14.

Significant accounting policies

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

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2019 (continued)

2 Basis of preparation (continued)

Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate. The Company is dependent for its working capital on funds provided to it by Lendlease Europe Holdings Limited, the Company's ultimate UK parent entity. Lendlease Europe Holdings Limited has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as they are needed by the Company and in particular will not seek repayment of the amounts currently made available. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other Group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements that comply with IFRS requires management to make judgements, estimates and assumptions which can affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. These estimates and underlying assumptions are reviewed on an ongoing basis and revisions are recognised prospectively. Accounting judgements that have the most significant effects on reported amounts and further information about estimated uncertainties are highlighted in the relevant accounting policy in note 3.

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2019 (continued)

3 Accounting policies

Defined benefit pension obligation

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 the amount of pension benefit an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset or liability recognised in the Statement of Financial Position in respect of defined benefit plans is the present value of the defined benefit obligation (i.e. the pension liability) at the balance sheet date, less the fair value of plan assets. The present value of the pension liability is determined by discounting the estimated future cash outflows using interest rates of high quality corporate or government bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related pension liability.

The defined benefit obligation is calculated at least annually by independent actuaries using the projected unit credit method, which in simplistic terms proportions the benefit based on service. Management considers the valuation of defined benefit plans undertaken by the actuaries to be an area of estimation uncertainty as a number of key assumptions must be adopted to determine the valuation.

Actuarial gains and losses will arise when there is a difference between previous estimates and actual experience, or a change in the assumptions in relation to demographic or financial trends. These actuarial gains and losses are recognised in the period they occur, directly in other comprehensive income. They are included in retained earnings in the Statement of Changes in Equity and in the Statement of Financial Position. Actuarial gains and losses will arise where there is a difference between previous estimates and actual experience, or a change to the assumptions in relation to demographic and financial trends.

Past service costs, administrative expenses and net interest of the Scheme are recognised immediately in the Statement of Comprehensive Income in the period.

Finance income and costs

Interest receivable and interest payable is recognised in the Statement of Profit or Loss as it accrues, using the effective interest method.

Taxation

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the Statement of Profit or Loss, 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 for the financial year, using applicable tax rates (and tax laws) at the Statement of Financial Position date, and any adjustment to tax payable in respect of previous financial years. The current tax payable or receivable includes amounts awaiting settlement of group relief with other Lendlease Europe Holdings Limited subsidiary entities.

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2019 (continued)

3 Accounting policies (continued)

Deferred tax is the expected tax payable or receivable in future periods as a result of past transactions or events and is calculated by comparing the accounting balance sheet to the tax balance sheet. Temporary differences are provided for any differences in the carrying amounts of assets and liabilities between the accounting and tax balance sheets. Temporary differences are not provided for on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they are not likely to reverse in the foreseeable future.

Measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using applicable tax rates and laws at the reporting date.

Recognition of deferred tax assets is only to the extent it is probable that future taxable profits will be available so as the related tax asset will be realised. Deferred tax assets may include deductible temporary differences, unused tax losses and unused tax credits.

Management considers the estimation of future taxable profits to be an area of estimation uncertainty as a change in any of the assumptions used in budgeting and forecasting would have an impact on the future profitability of the Company. Forecasts and budgets form the basis of future profitability to support the carrying value of deferred tax assets.

Presentation of deferred tax assets and liabilities can be offset if there is a legally enforceable right to offset current tax liabilities and assets, they relate to income taxes levied by the same tax authority, and they are intended to be settled on a net basis or realised simultaneously.

Investments

Equity investments in subsidiaries, joint ventures and associates 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 annual impairment reviews.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, bank overdrafts and other short term highly liquid investments that are readily convertible to known amounts of cash within three months and which are subject to an insignificant risk of changes in value. Bank overdrafts (if applicable) are shown as a current liability on the Statement of Financial Position.

Trade and other receivables

Trade and other receivables are non derivative financial assets with fixed or determinable payments that are not equity securities. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable.

Trade and other receivables are carried at amortised cost using the effective interest method, which applies the interest rate that discounts estimated future cash receipts over the term of the receivables. Cash flows relating to short term trade and other receivables are not discounted if the effect of discounting is immaterial. The discount, if material, is then recognised as finance income over the remaining term.

The Company assesses provision for impairment of the receivables based on expected loss, if material. The Company considers reasonable and supportable information that is relevant and reliable. This includes both quantitative and qualitative information and analysis, based on the Company's historical impairment experience, credit assessment of customers and any relevant forward-looking information. The amount of provision is recognised in the Statement of Profit or Loss.

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2019 (continued)

3 Accounting policies (continued)

Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade and other payables are settled in the normal course of business. Trade and other payables are carried at amortised cost using the effective interest method, which applies the interest rate that discounts estimated future cash outflows over the term of the trade and other payables. Cash flows relating to short term trade and other payables are not discounted if the effect of discounting is immaterial. The discount, if material, is then recognised as a finance cost over the remaining term.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

4 Auditors' remuneration

	2019 £ 000	2018 £ 000
Audit of financial statements	<u>16</u>	<u>17</u>

The auditors' remuneration has been borne by a fellow group undertaking.

5 Finance income and costs

	2019 £ 000	2018 £ 000
Finance costs		
Interest payable to related parties	<u>(3,478)</u>	<u>(2,803)</u>

6 Employees

The Company did not employ any staff during the year (2018: nil).

7 Directors' remuneration

The Directors of the Company were all directly employed by Lendlease Construction (Europe) Limited.

Any qualifying services in respect of the Company are considered to be incidental and part of the directors' overall management services for the above entity. The Directors' remuneration for the current year and prior year is included in the financial statements of the above entity.

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2019 (continued)

8 Taxation

Tax charged in the Statement of Profit or Loss

	2019 £ 000	2018 £ 000
Current tax		
Current year	672	-
Adjustments for prior years	400	(239)
Total current tax	1,072	(239)
Deferred tax		
Origination and reversal of temporary differences	(2,942)	(1,392)
Change in tax rate	-	1,557
Adjustments for prior years	(308)	13
Total deferred tax	(3,250)	178
Total income tax charge	(2,178)	(61)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2018 - higher than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Loss before tax	(519)	(306)
Income tax using the domestic corporation tax rate 19% (2018: 19%)	99	58
Exempt income	581	340
Non allowable expenses	(7)	(49)
Tax temporary differences not recognised in the period	92	(226)
Deferred tax relating to changes in tax rates	-	1,557
Decrease from changes in pension fund prepayment	(2,943)	(1,741)
Total income tax credit	(2,178)	(61)

The effective rate of taxation will vary as a result of any dividends paid by shareholdings, overseas tax rates, prior year tax claims and the utilisation of tax losses brought forward. A reduction in the corporate tax rate to 17% (effective from 1 April 2020) was substantively enacted on 15 September 2016. This will reduce the Company's future current tax charge accordingly. The Company's profits for the accounting period are taxed at a statutory rate of 19% (2018: 19%).

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2019 (continued)

8 Taxation (continued)

Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Asset £ 000	Liability £ 000	Net deferred tax £ 000
2019			
Net defined benefit plans	8,983	(16,497)	(7,514)
Unused tax losses recognised	11	-	11
	<u>8,994</u>	<u>(16,497)</u>	<u>(7,503)</u>
2018			
Net defined benefit plans	4,612	(13,554)	(8,942)
Unused tax losses recognised	319	-	319
	<u>4,931</u>	<u>(13,554)</u>	<u>(8,623)</u>

Deferred tax movement during the year:

	At 1 July 2018 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 30 June 2019 £ 000
Net defined benefit plans	(8,942)	(2,943)	4,371	(7,514)
Unused tax losses recognised	319	(308)	-	11
Net tax assets/(liabilities)	<u>(8,623)</u>	<u>(3,251)</u>	<u>4,371</u>	<u>(7,503)</u>

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2019 (continued)

8 Taxation (continued)

Deferred tax movement during the prior year:

	At 1 July 2017 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 30 June 2018 £ 000
Net defined benefit plans	(19)	(140)	(8,783)	(8,942)
Unused tax losses recognised	-	319	-	319
Net tax assets/(liabilities)	(19)	179	(8,783)	(8,623)

9 Trade and other receivables

	Note	30 June 2019 £ 000	30 June 2018 £ 000
Current			
Other receivables		3	2
Total current		3	2

There is no impairment recognised on any receivables and no receivables past due.

10 Investments

	2019 £ 000	2018 £ 000
Subsidiaries	141,899	141,899
Total investments	141,899	141,899

Reconciliation of subsidiaries

	2019 £ 000	2018 £ 000
Carrying amount at the beginning of year	141,899	141,998
Disposals	-	(99)
Carrying amount at end of year	141,899	141,899
Subsidiaries cost	150,699	150,699
Accumulated impairment	(8,800)	(8,800)
Carrying amount at end of year	141,899	141,899

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2019 (continued)

10 Investments (continued)

Details of the subsidiaries as at 30 June 2019 are as follows:

Name of subsidiary	Principal activity	Country of incorporation	Note	Ownership and voting rights %	
				2019	2018
Lendlease Construction (Europe) Limited	Project solutions	United Kingdom	1	100%	100%
Lendlease Construction (Scotland) Limited	Project solutions	United Kingdom	2	100%	100%
Lendlease Construction (Lelliot) Limited	Project solutions	United Kingdom	1	100%	100%
Lendlease Overseas Holdings Limited	Holding company	United Kingdom	1	100%	100%
Lehrer McGovern International Limited	Project solutions	United Kingdom	1	100%	100%
Lendlease CEMEA Investments Limited	PFI holding company	United Kingdom	1	100%	100%
Lendlease Consulting (Europe) Limited	Project solutions	United Kingdom	1	100%	100%
Lendlease Infrastructure Holdings (Europe) Limited	PFI holding company	United Kingdom	1	100%	100%
Lendlease UK Pension Trustee Limited	Pension Trustee	United Kingdom	1	100%	100%
Lendlease Pharmaceutical (EMEA) Limited	Project solutions	United Kingdom	1	100%	100%
Bovis Lend Lease Overseas Holdings BV	Holding company	Netherlands	3	100%	100%

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2019 (continued)

10 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation	Note	Ownership and voting rights %	
				2019	2018
Lendlease S.r.l	Project solutions	Italy	4	100%	100%
Lend Lease (BR) Constracoes Ltda	Project solutions	Brazil	5	100%	100%
BCM Gerenciamento e Construcoes Ltda	Project solutions	Brazil	5	100%	100%
Bovis Lend Lease General Construction Limited Liability Co	Project solutions	Greece	6	99%	99%
Bovis Lend Lease SAS	Project solutions	France	7	100%	100%
Bovis Lend Lease SP Zoo	Project solutions	Poland	8	99%	99%
The Fifty Foundation	Charity	United Kingdom	1	100%	100%
BLFB Limited	Dormant	United Kingdom	1	100%	100%
Lendlease Construction Management Services (One) Limited	Project solutions	United Kingdom	1	100%	100%
Lendlease Construction North Western Limited	Project solutions	United Kingdom	1	100%	100%
Lendlease Infrastructure (Europe) Limited	PFI holding company	United Kingdom	1	100%	100%
Birmingham Schools PSP LEP Limited	PFI holding company	United Kingdom	1	100%	100%
EP3 Holdings Limited	PFI holding company	United Kingdom	1	100%	100%
EP3 Limited	Property management	United Kingdom	1	100%	100%
Debut Services Limited	Project solutions	United Kingdom	1	85%	85%

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2019 (continued)

10 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation	Note	Ownership and voting rights %	
				2019	2018
Debut Services (Contracts) Ltd	Dormant	United Kingdom	1	90.9%	90.9%
Waste 2 Resources Project Lancashire LLP	Project solutions	United Kingdom	1	100%	100%

Notes - registered addresses:

1. 20 Triton Street, Regent's Place, London, NW1 3BF
2. 33 Bothwell Street, Glasgow, Lanarkshire G26NL
3. Jachthavenweg 109 H, Amsterdam, 1081 KM
4. Via della Moscova 3, Milan, CAP 20121
5. Alameda Lorena, 70 - Jardim Paulista - Sao Paulo/SP.CEP 01424-000
6. Patroklou 1 & Paradisou, 151 25 Marousi, Athens, Greece
7. Parc Saint Christophe, 2 avenue de l'Enreprise, Batiment Galilee, 95 863
8. UI Postepu 12. 02-676, Warszawa

Associates

Details of the associates as at 30 June 2019 are as follows:

Name of associate	Principal activity	Country of incorporation	Note	Ownership and voting rights %	
				2019	2018
Catalyst Healthcare (UK) Limited	Dormant	United Kingdom	1	33.3%	33.3%
Catalyst Healthcare Limited	Dormant	United Kingdom	1	33.3%	33.3%

Notes - registered addresses:

1. 20 Triton Street, Regent's Place, London, NW1 3BF

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2019 (continued)

10 Investments (continued)

Joint ventures

Details of the joint ventures as at 30 June 2019 are as follows:

Name of Joint-ventures	Principal activity	Country of Incorporation	Note	Ownership and voting right %	
				2019	2018
Global Renewables Lancashire Holdings Limited	PPP Investor	United Kingdom	1	50%	50%
Global Renewables Lancashire Holdings Number Two Limited	PPP Investor	United Kingdom	1	50%	50%
Global Renewables Lancashire Limited	PPP Investor	United Kingdom	1	50%	50%
Birmingham LEP Company Limited	PPP Investor	United Kingdom	2	50%	50%
Debut Services (South West) Limited	Project solutions	United Kingdom	1	50%	50%
Elwick Place Construction Limited	Project solutions	United Kingdom	3	50%	50%
BLS Blackfriars Limited	Project solutions	United Kingdom	4	50%	50%
St Swithins Developments Limited	Project solutions	United Kingdom	4	50%	50%
H1 Developments Limited	Project solutions	United Kingdom	4	50%	50%
Coleman Street Developments Limited	Project solutions	United Kingdom	4	50%	50%
B6 Developments Limited	Project solutions	United Kingdom	4	50%	50%

Notes - registered addresses:

1. 20 Triton Street, Regent's Place, London, NW1 3BF
2. 3rd Floor, 3-5 Charlotte Street, Manchester, England, M14HB
3. 2nd Floor, 100 New Oxford Street, London WC1A 1HB
4. 55 Station Road, Beaconsfield, Buckinghamshire, HP91QL

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2019 (continued)

11 Trade and other payables

	30 June 2019 £ 000	30 June 2018 £ 000
Current		
Trade payables	(1)	(1)
Amounts due to related parties	(75,559)	(57,034)
Other payables	(46)	(45)
Current trade and other payables	(75,606)	(57,080)

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2019 (continued)

12 Issued capital

Allotted, called up and fully paid shares

	30 June 2019		30 June 2018	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

Rights, preferences and restrictions

Ordinary shares have the following rights, preferences and restrictions:

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.

13 Pension and other schemes

Defined benefit pension schemes

Lendlease UK 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 comprised 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 Lendlease 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 closed to future accrual on 31 August 2008 and the index-linked section closed to future accrual on 31 January 2012.

There is no contractual agreement or stated policy for charging the net defined benefit cost for the group wide pension scheme to individual group entities. Contributions in respect of defined benefit schemes are calculated as a percentage, agreed based on actuarial advice, of the pensionable salaries of employees. The cost of providing pensions is charged to the profit and loss account over the periods benefiting from the services of employees. Amounts used to close out the defined plan, including the revalued amounts of the plan assets and obligations (liability), prior to settlement date would be reflected in reserves within equity. Any difference in these amounts and the amounts on settlement date result in a gain/loss recorded in the Statement of Profit or Loss.

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2019 (continued)

13 Pension and other schemes (continued)

There were no Scheme amendments affecting defined benefits payable, curtailments or settlements during the year. In June 2017, the Contributions Reservoir Trust was established, in which beneficial interest in a limited partnership was transferred. Under IAS 19 this constitutes a Plan Asset and therefore the pension asset in these financial statements includes the value of the Trust (included in contributions by the employer in note 18(d)).

Lendlease Construction Holdings Limited pays deficit funding contributions plus 4% of members basic salaries to cover the Scheme's expected administration costs and benefits payable on death in service. Contributions of £11.3M are expected to be paid to the defined benefit plan in 2020. This includes an annual deficit recovery payment of £8.5M following the triennial valuation for 31 March 2017 where deficit repair contributions have been agreed for the period to March 2024. Distributions received by the Contributions Reservoir Trust will be used to pay amounts in lieu of the annual deficit recovery payments to the extent there are sufficient funds available. The surplus has been recognised as an asset in the financial statements as the entity has an unconditional right to refund on the plan wind-up, following full settlement of plan liabilities.

Risks

Asset volatility

The liabilities are calculated using a discount rate set with the reference to corporate bond yields; if the assets under perform this yield, this will create a deficit.

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

Life expectancy risk

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 mortality assumptions are based on standard mortality tables which allow for expected future mortality improvements. As at 30 June 2019 the weighted average duration of the defined benefit obligation was 19 years (2018: 19 years).

Statement of Financial Position Amounts

The amounts recognised in the Statement of Financial Position are determined as follows:

	30 June 2019 £ 000	30 June 2018 £ 000
Fair value of plan assets	740,830	687,900
Defined benefit obligations	(664,528)	(603,200)
Net defined benefit asset	76,302	84,700

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2019 (continued)

13 Pension and other schemes (continued)

Reconciliation of Defined Benefit Obligations

Changes in the present value of defined benefit obligations are as follows:

	30 June 2019 £ 000	30 June 2018 £ 000
Defined benefit obligations at beginning of financial year	(603,200)	(645,900)
<i>Included in Income Statement:</i>		
Interest cost	(16,508)	(16,700)
<i>Remeasurements included in Other Comprehensive Income:</i>		
Actuarial gains and losses arising from changes in demographic assumptions	(3,646)	18,100
Actuarial gains and losses arising from changes in financial assumptions	(63,870)	23,000
Actuarial gains and losses arising from experience adjustments	(3,734)	(13,700)
<i>Other:</i>		
Benefits paid	26,430	32,000
Defined benefit obligation at end of financial year	(664,528)	(603,200)

The weighted average duration of the defined benefit obligations was 19 years (2018: 19 years).

Reconciliation of the Fair Value of Plan Assets

Changes in the fair value of plan assets are as follows:

	30 June 2019 £ 000	30 June 2018 £ 000
Fair value of plan assets at beginning of financial year	687,900	683,000
<i>Included in Income Statement:</i>		
Interest income	19,052	17,700
Administrative expenses paid	(2,000)	(2,300)
<i>Remeasurements Included in Other Comprehensive Income:</i>		
Return on plan assets, excluding amounts included in interest income/(expense)	45,540	11,100
<i>Other:</i>		
Employer contributions	16,768	10,400
Benefits paid	(26,430)	(32,000)
Fair value of plan assets at end of financial year	740,830	687,900

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2019 (continued)

13 Pension and other schemes (continued)

Amounts Recognised in the Income Statement

	30 June 2019 £ 000	30 June 2018 £ 000
Administration costs	2,000	2,300
Interest income on scheme assets	(19,052)	(17,700)
Net interest costs	16,508	16,700
Net defined benefit plan expense	(544)	1,300

In the current year £2.0m (2018: £2.3m) of pension administration costs were borne by Lendlease Construction (Europe) Limited.

Amounts Recognised in the Statement of Comprehensive Income

	30 June 2019 £ 000	30 June 2018 £ 000
Actuarial gains and losses arising from changes in demographic assumptions	(3,646)	18,100
Actuarial gains and losses arising from changes in financial assumptions	(63,870)	23,000
Actuarial gains and losses arising from experience adjustments	(3,734)	(13,700)
Return on plan assets, excluding amounts included in interest income/(expense)	45,540	11,100
Amounts recognised in other comprehensive income	(25,710)	38,500

Categories of Plan Assets

Plan assets are as follows:

	30 June 2019 £ 000	30 June 2018 £ 000
Corporate bonds	232,110	213,900
Real estate investment funds	70,564	67,300
Multi-strategy funds	203,535	201,200
Liability driven investments	184,378	170,600
Other	20,102	2,800
The Contributions Reservoir Trust	30,141	32,100
Total fair value of plan assets	740,830	687,900

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2019 (continued)

13 Pension and other schemes (continued)

Fair Value of Plan Assets

The fair value of plan assets, which are subject to estimation uncertainty, are set out below:

		2019 £ 000		
	Total	Level 1	Level 2	Level 3
Equity instruments	232,110	-	232,110	-
Multi strategy funds	203,535	-	203,535	-
Infrastructure	70,564	-	25,547	45,017
Liability driven investments	184,378	-	184,378	-
Real estate investment funds	30,141	-	30,141	-
Other	20,102	10,763	9,339	-
Fair value of plan assets	740,830	10,763	685,050	45,017

		2018 £ 000		
	Total	Level 1	Level 2	Level 3
Equity instruments	213,900	-	213,900	-
Multi strategy funds	201,200	-	201,200	-
Infrastructure	67,300	-	37,700	29,600
Liability driven investments	170,600	5,200	165,400	-
Real estate investment funds	32,100	-	32,100	-
Other	2,800	2,800	-	-
Fair value of plan assets	687,900	8,000	650,300	29,600

The plan assets can be categorised as:

- Level 1 - where the fair value is determined using an unadjusted quoted price for an identical asset
- Level 2 - where the fair value is derived either directly or indirectly from observable inputs
- Level 3 - where the fair value is determined using unobservable inputs

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

	30 June 2019 % p.a.	30 June 2018 % p.a.
Pension increases	2.70	2.70
Inflation assumptions	3.40	3.30
Discount rate	2.30	2.80

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2019 (continued)

13 Pension and other schemes (continued)

Future mortality (years)

	30 June 2019 Years	30 June 2018 Years
Life expectancy for pensioners at age 63:		
Male	24.90	24.80
Female	<u>26.40</u>	<u>26.30</u>

Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below:

	2019		2018	
	+ 0.1% £ 000	- 0.1% £ 000	+ 0.1% £ 000	- 0.1% £ 000
Adjustment to discount rate				
Increase/(decrease) in defined benefit surplus	<u>11,284</u>	<u>(11,093)</u>	<u>10,900</u>	<u>(11,100)</u>

	2019		2018	
	+ 0.1% £ 000	- 0.1% £ 000	+ 0.1% £ 000	- 0.1% £ 000
Adjustment to rate of inflation and pension payments				
Increase/(decrease) in defined benefit surplus	<u>(9,004)</u>	<u>7,068</u>	<u>(9,000)</u>	<u>6,800</u>

	2019		2018	
	+ 1 Year £ 000	- 1 Year £ 000	+ 1 Year £ 000	- 1 Year £ 000
Adjustment to life expectancy				
Increase/(decrease) in defined benefit surplus	<u>(22,263)</u>	<u>22,635</u>	<u>(22,100)</u>	<u>22,000</u>

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation, as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Non pensioner benefits are linked to RPI in the period up to retirement. Once in payment, pension increases are linked to RPI but with a zero per cent floor and different caps applying to different periods of pensionable service. The inflation sensitivity reflects a change in RPI inflation and the associated increases in payment.

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 75% growth assets and 25% matching assets.

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2019 (continued)

14 Parent and ultimate parent undertaking

The Company's immediate parent is Lendlease Europe Holdings Limited.

The ultimate parent is Lendlease Corporation Limited.

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is Lendlease Corporation Limited, incorporated in Australia.

The address of Lendlease Corporation Limited is:

Level 14 Tower Three
International Towers Sydney
Exchange Place
300 Barangaroo Avenue
Barangaroo NSW 2000

The consolidated financial statements of that group may be obtained from www.lendlease.com.

The parent of the smallest group in which these financial statements are consolidated is Lendlease Europe Holdings Limited, incorporated in England and Wales.

The address of Lendlease Europe Holdings Limited is:

20 Triton Street
Regent's Place
London NW1 3BF

The consolidated financial statements of that group may be obtained from:

The Registrar of Companies
Companies House
Crown Way
Maindy, Cardiff.

15 Subsequent events

There has been no event or circumstance since the balance sheet date that would significantly affect the Company.