

Lendlease Construction Holdings (Europe) Limited

Annual Report and Financial Statements

for the year ended 30 June 2018



Lendlease Construction Holdings (Europe) Limited

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Lendlease Construction Holdings (Europe) Limited

Strategic Report for the year ended 30 June 2018

The directors of Lendlease Construction Holdings (Europe) Limited present their report for the financial year ended 30 June 2018.

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 (£0.4)m (2017: loss of (£10.7)m). As a holding Company for the group, the Company has no trading income.

The Company finished the year with a net asset position of £159.9m (2017: £130.6m). This includes £84.7m of Defined Benefit Plan Assets, of which the Company is a sponsor.

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. The objectives of our approach to risk management include:

- Ensuring that there is alignment of the Board and management to drive informed and consistent decision making;
- Effective and efficient allocation of capital and resources;
- Providing a clear understanding of risk limits and where zero tolerance applies;
- Providing context for the identification, reporting and management of risks;
- Creating a workplace culture of risk awareness.

Risk awareness, improvement and governance are key elements of the Lendlease approach.

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 Units and Specialist Functions such as Risk, Internal Audit and the Centre of Excellence.

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.

Lendlease Construction Holdings (Europe) Limited

Strategic Report for the year ended 30 June 2018 (continued)

Explanation		Mitigation
External environment		
Macro Conditions	Lendlease's business activities are impacted by prevailing economic conditions in the regions in which Lendlease operates. The changes in the global political environment and the increased frequency of unpredicted events creates greater uncertainty in the global economic environment.	We have a strong pipeline of long dated integrated projects and a solid base of recurring earnings through our global investments platform. We are focused on further diversifying the business through targeted growth opportunities in our gateway cities where we can achieve our target returns and are able to implement our Global Minimum Requirements (GMRs).
Capital Markets	Property and infrastructure development and investment is capital intensive and dependent on access to both equity and debt capital from third parties. Development and construction activity is dependent on access to forms of credit support for performance.	We manage our capital prudently across debt, equity and third party capital partners and remain focused on maintaining our credit rating.
Political Environment	In each of our operating regions we work with governments as a major customer and stakeholder and as such, our business is susceptible to changes in the political environment.	We have dedicated resources for government relations proactively liaising with all sides of politics to support policies for long term property and infrastructure projects.
Competitive Dynamics	The extent to which we are facing competition in our existing markets and sectors, and the threat of new competition.	We are one of a few companies globally that is offering end to end property and infrastructure solutions with a strong urbanisation delivery capability. We have a strong reputation for delivering our projects safely and we are a trusted partner. Our strong track record and access to capital along with our extensive integrated capabilities are also difficult to replicate.
Climate Change and Resilience	The world is experiencing the impacts of climate change. These impacts are likely to increase in the future and pose an increased risk to the safety of communities as well as having the potential to damage real estate and infrastructure.	We are committed to reducing our contribution to human induced climate change. We continually assess the impact of climate change on our operations and create mitigation plans for our communities and business generally. Our capability in this space is a source of competitive our communities and business generally. Our capability in this space is a source of competitive advantage for our business.
Materials and Supply Chain	We understand that our environmental, social and governance goals and targets extend beyond our direct business operations to our supply chain. We work with suppliers to maintain continuous improvement and compliance with environmental, social and ethical considerations.	The environmental performance of any supplier and the sustainability of products and services is considered in the Group's selection process.
Technology	The emergence of digital business will disrupt current ways of working and offer opportunities for Lendlease to innovate. These opportunities also illustrate areas of cyber risk, and the increasing dependence in technology will only see a rise in this risk in the short term.	Innovation and disruption is a core element of our 'Focus & Grow' Strategy. Growth in this area encourages our people to adopt leading edge technologies to deliver innovative solutions for our customers and also provides avenues to new revenue streams in our target growth areas. Cyber resilience and greater adoption of technology continue to be key focus areas globally.

Lendlease Construction Holdings (Europe) Limited

Strategic Report for the year ended 30 June 2018 (continued)

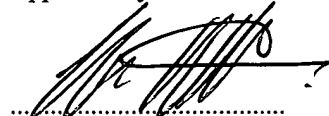
Explanation		Mitigation
Internal environment		
Delivery of Earnings	Our ability to continue to deliver earnings across Development, Construction and Investments.	Our GMRs allow the business to minimise risks of incidents and onsite injuries which in turn has increased productivity onsite. Strategies have been developed to mitigate the risk of settlement defaults within our residential business, and our non residential developments are mostly forward funded. We are diversifying our portfolio to provide for a portion of our operating EBITDA is recurring in nature.
Maintaining Strong Relationships	Customer and stakeholder focus is critical to delivering resilient products efficiently and on cost.	We are building an international framework for consistent customer relationship management to enhance our strong engagement with customers.
Training, Skills and Employment	The skills, experience and capabilities of our people influence our ability to deliver quality projects and to deliver the Group's strategy.	We continue to invest in the learning and development of our people to attract, retain and grow the best people. We provide construction and property industry training through academies and various training programs.
Eliminating Incidents and Injuries	The safety of our people, our supply chain, and the members of the public we interact with is paramount. As we undertake larger, more complex projects we must continue to evolve our approach to managing health and safety.	We empower our people to use informed judgement to manage their health and safety risks using our GMR Framework and have also introduced a Health & Wellbeing Framework to address the risks associated with mental health issues.

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 and signed on its behalf by:



C M Pettett
Director

Lendlease Construction Holdings (Europe) Limited

Directors' Report for the Year Ended 30 June 2018

The directors of Lendlease Construction Holdings (Europe) Limited present their report for the financial year ended 30 June 2018.

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

P D Leonard (appointed 20 February 2018)

N C Martin

C M Pettett (appointed 20 February 2018)

J D Clark (resigned 20 February 2018)

V E Quinlan (resigned 9 May 2018)

G Ray (resigned 28 February 2018)

Results

The Company's loss after tax for the year was £0.4m (2017: loss of £10.7m).

Dividends

The directors do not recommend the payment of a dividend (2017: £nil).

Political donations

The Company made no political donations or incurred any political expenditure during the year (2017: £nil).

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 13 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 3.

Events after the balance sheet date

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

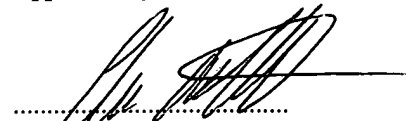
Disclosure of information to the auditor

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 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union (IFRSs as adopted by the EU).

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 apply them consistently;
- make judgements and accounting estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- 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 2018, which comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, 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 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; 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.

Going concern

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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.
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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.

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

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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.

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: 20/8/18

Lendlease Construction Holdings (Europe) Limited

Statement of Profit or Loss and Other Comprehensive Income For the year ended 30 June 2018

	Note	2018 £ 000	2017 £ 000
Administrative expenses		1,497	(8,327)
Other operating income	14	1,000	-
Results from operating activities		2,497	(8,327)
Finance income	5	-	831
Finance costs	5	(2,803)	(744)
Net finance (cost)/income		(2,803)	87
Loss before tax		(306)	(8,240)
Income tax expense	8	(61)	(2,422)
Loss after tax		(367)	(10,662)
Other comprehensive income/(expense) after tax			
<i>Items that will not be reclassified to profit or loss:</i>			
Defined benefit plan remeasurements		29,716	(5,023)
<i>Total items that will not be reclassified subsequently to profit or loss:</i>		29,716	(5,023)
Total comprehensive income/(loss) after tax		29,349	(15,685)

The above results were derived from continuing operations.

The notes to and forming part of these financial statements are set out on pages 12 to 31.

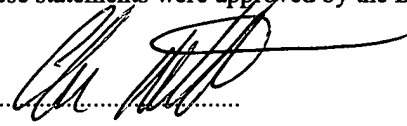
Lendlease Construction Holdings (Europe) Limited

Statement of Financial Position as at 30 June 2018

	Note	2018 £ 000	2017 £ 000
Non current assets			
Investments	10	141,899	141,998
Deferred tax assets	8	4,931	13,395
Defined benefit plan asset	14	84,700	37,100
Total non current assets		231,530	192,493
Current assets			
Trade and other receivables	9	2	32,949
Total current assets		2	32,949
Total assets		231,532	225,442
Non current liabilities			
Deferred tax liabilities	8	(13,554)	(13,414)
Total non current liabilities		(13,554)	(13,414)
Current liabilities			
Trade and other payables	11	(57,080)	(80,812)
Current tax payable		(972)	(639)
Total current liabilities		(58,052)	(81,451)
Total liabilities		(71,606)	(94,865)
Net assets		159,926	130,577
Equity			
Issued capital	12	1	1
Retained earnings		187,341	187,708
Other reserves		(27,416)	(57,132)
Total equity		159,926	130,577

The notes to and forming part of these financial statements are set out on pages 12 to 31.

These statements were approved by the Board on and were signed on its behalf by:

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C M Pettett

Director

Company Registration Number: 231889

Lendlease Construction Holdings (Europe) Limited

Statement of Changes in Equity for the year ended 30 June 2018

	Share capital £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 July 2016	1	(52,075)	198,336	146,262
Total comprehensive income				
Loss for the year	-	-	(10,662)	(10,662)
Defined benefit plan remeasurements	-	(5,023)	-	(5,023)
Total comprehensive income	-	(5,023)	(10,662)	(15,685)
Transfer to retained earnings	-	(34)	34	-
At 30 June 2017	1	(57,132)	187,708	130,577

	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

The notes to and forming part of these financial statements are set out on pages 12 to 31.

Lendlease Construction Holdings (Europe) Limited

Statement of Cash Flows for the Year Ended 30 June 2018

	Note	2018 £ 000	2017 £ 000
Cash flows from operating activities			
Loss for the year		(367)	(10,662)
<i>Adjustments for:</i>			
Impairment of investment		-	8,800
Foreign exchange loss/(gain)		1	(43)
Finance income	5	-	(831)
Finance costs	5	2,803	744
Income tax expense	8	61	2,422
		2,498	430
<i>Working capital adjustments:</i>			
Decrease/(increase) in trade and other receivables	9	32,947	(33,811)
(Decrease)/increase in trade and other payables	11	(23,542)	72,657
Decrease in retirement benefit obligation net of actuarial changes	14	(9,100)	(44,887)
Interest received		-	831
Interest paid		(2,803)	(744)
Income taxes group relieved		-	1,457
Net cash flow generated/(used in) operating activities		-	(4,067)
Cash flows from financing activities			
Proceeds from loan from related party		-	3,888
Net cash flows from financing activities		-	3,888
Net decrease in cash and cash equivalents		-	(179)
Cash and cash equivalents at beginning of year		-	179
Cash and cash equivalents at end of year		-	-

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2018

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 are general purpose financial statements which have been prepared in accordance with International Financial Reporting Standards and interpretations as adopted by the EU ("adopted IFRS").

The financial statements have been prepared in accordance with adopted IFRSs and under the historical cost basis except for the following assets and liabilities, which are stated at their fair value: derivative financial instruments, fair value through profit or loss investments, investment properties, and liabilities for cash settled share based compensation plans.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

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 16.

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 2018 (continued)

2 Basis of preparation (continued)

Changes in accounting policy

New standards, interpretations and amendments effective

The following standards have been applied for the first time from 1 July 2017:

IFRS 9 Financial Instruments

IFRS 9 addresses the classification, measurement and derecognition of financial assets, financial liabilities and hedging. The changes from the implementation have been deemed immaterial and have not had a material effect on the Company's accounting policies for financial assets, liabilities and hedging.

Amendment to IAS 12 on recognition of deferred tax assets for unrealised losses

The amendment clarifies that, when an entity assess whether taxable profits will be available against which it can utilise a deductible temporary difference, it considers whether tax law restricts the sources of taxable profits against which it can make deductions on the reversal of that deductible temporary difference.

It also clarifies that the estimate of probable future taxable profit can include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

There was no material financial impact on the Company following the adoption of this amendment.

Disclosure initiative: Amendments to IAS 7 Statement of Cash Flows

The amendment introduces additional disclosure requirements regarding changes in liabilities arising from financing activities. There was no material financial impact on the Company following adoption of this amendment.

New standards, interpretations and amendments not yet effective

The following newly issued but not yet effective standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the Company financial statements in future:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a new five step model for recognising revenue earned from a contract with a customer and will replace IAS 11 Construction Contracts and IAS 18 Revenue. As Lendlease Construction Holdings (Europe) Limited has no revenue recognised under this standard, there is no material impact.

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.

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

2 Basis of preparation (continued)

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.

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 in other comprehensive income, in which case it is recognised directly in other comprehensive income.

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 2018 (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 impairment reviews six monthly.

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 and are shown as a reduction to the cash balance in the Statement of Cash Flows.

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 receivable. 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 receivable 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 2018 (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

	2018 £ 000	2017 £ 000
Audit of financial statements	<u>17</u>	<u>15</u>

The remuneration of the auditor has been borne by a fellow group undertaking.

5 Finance income and costs

	2018 £ 000	2017 £ 000
Finance income		
Interest receivable from related parties	<u>-</u>	<u>831</u>
Total finance income	<u>-</u>	<u>831</u>
Finance costs		
Interest on bank overdrafts and borrowings	<u>-</u>	<u>(3)</u>
Interest payable to related parties	<u>(2,803)</u>	<u>(741)</u>
Total finance costs	<u>(2,803)</u>	<u>(744)</u>
Net finance (costs)/income	<u>(2,803)</u>	<u>87</u>

6 Employees

The Company did not employ any staff during the year (2017: nil).

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

7 Directors' remuneration

The directors of the Company are employees of the following entities:

A J Bates: Lendlease Construction (Europe) Limited
P D Leonard: Lendlease Construction (Europe) Limited
N C Martin: Lendlease Construction (Europe) Limited
C M Pettett: Lendlease Construction (Europe) Limited
J D Clark: Lendlease Construction (Europe) Limited
V Quinlan: Lendlease Europe Limited
G Ray: 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 within the above entities. Their remuneration for the current year and prior year was paid by and included in the financial statements of the above entities.

8 Taxation

Tax charged in the income statement

	2018 £ 000	2017 £ 000
Current tax		
Current year	-	(857)
Adjustments for prior years	(239)	(7)
Total current tax	(239)	(864)
Deferred tax		
Origination and reversal of temporary differences	(1,392)	(1,620)
Change in tax rate	1,557	62
Adjustments for prior years	13	-
Total deferred tax	178	(1,558)
Total income tax charge	(61)	(2,422)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2017 - higher than the standard rate of corporation tax in the UK) of 19% (2017 - 19.75%).

The differences are reconciled below:

	2018 £ 000	2017 £ 000
Loss before tax	(306)	(8,240)
Income tax using the domestic corporation tax rate 19% (2017: 19.75%)	58	1,627
Adjustments for prior year tax claim	(226)	(7)
Exempt income	340	-
Non allowable expenses	(49)	(1,738)
Deferred tax relating to changes in tax rates	1,557	62
Changes in pension fund prepayment	(1,741)	(1,620)
Deemed income for tax purposes	-	(746)
Total income tax charge	(61)	(2,422)

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

8 Taxation (continued)

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% (2017: 19.75%).

Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Asset £ 000	Liability £ 000	Net deferred tax £ 000
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>
2017			
Net defined benefit plans	13,395	(13,414)	(19)
Unused tax losses recognised	-	-	-
	<u>13,395</u>	<u>(13,414)</u>	<u>(19)</u>

Deferred tax movement during the 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)	<u>(19)</u>	<u>178</u>	<u>(8,783)</u>	<u>(8,623)</u>

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

8 Taxation (continued)

Deferred tax movement during the prior year:

	At 1 July 2016 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 30 June 2017 £ 000
Net defined benefit plans	361	(1,558)	1,178	(19)
Unused tax losses recognised	-	-	-	-
Net tax assets/(liabilities)	361	(1,558)	1,178	(19)

9 Trade and other receivables

	Note	2018 £ 000	2017 £ 000
Current			
Amounts owing from related parties	15	-	32,951
Other receivables		2	(2)
Total current		2	32,949

The company's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in note 13 "Financial risk management".

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

10 Investments

	2018 £ 000	2017 £ 000
Subsidiaries	141,899	141,998
Total investments	141,899	141,998

Reconciliation of subsidiaries

	2018 £ 000	2017 £ 000
Carrying amount at the beginning of year	141,998	150,798
Disposals	(99)	-
Impairment	-	(8,800)
Carrying amount at end of year	141,899	141,998
Subsidiaries cost	150,699	150,798
Accumulated impairment	(8,800)	(8,800)
Carrying amount at end of year	141,899	141,998

Details of the subsidiaries as at 30 June 2018 are as follows:

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

10 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation	Note	Ownership and voting rights %	
				2018	2017
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 S.r.l	Project solutions	Italy	4	100%	100%
Lend Lease (BR) Constracoos Ltda	Project solutions	Brazil	5	100%	100%
BCM Gerenciamento e Construcoos 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 Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

10 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation	Note	Ownership and voting rights %	
				2018	2017
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%
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 2018 are as follows:

Name of associate	Principal activity	Country of incorporation	Note	Ownership and voting rights %	
				2018	2017
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 2018 (continued)

10 Investments (continued)

Joint ventures

Details of the joint ventures as at 30 June 2018 are as follows:

Name of Joint-ventures	Principal activity	Country of Incorporation	Note	Ownership and voting right %	
				2018	2017
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 2018 (continued)

11 Trade and other payables

	Note	2018 £ 000	2017 £ 000
Current			
Trade payables		(1)	-
Amounts due to related parties	15	(57,034)	(78,877)
Accrued expenses		-	(1,887)
Other payables		(45)	(48)
Current trade and other payables		(57,080)	(80,812)

The Company's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in note 13 "Financial risk management and impairment of financial assets".

The fair value of the trade and other payables classified as financial instruments are disclosed in the financial instruments note.

The Company's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in note 13 "Financial risk management".

12 Issued capital

Allotted, called up and fully paid shares

	2018	2017
	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.

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

13 Financial risk management

The Company's activities expose it to a variety of financial risks. The Lendlease Asset and Liability Committee oversees the management of the Group's Treasury risks, within the parameters of a Board approved Treasury Policy, and maintains a Group-wide framework for financial risk management and reviews issues of material risk exposure within the scope of the Treasury Policy. A summary of key risks identified, exposures and management of exposures is detailed below.

Liquidity risk

Liquidity risk is the risk of having insufficient funds to settle financial liabilities as and when they fall due. This includes having insufficient levels of committed credit facilities.

The exposure is managed by maintaining sufficient levels of cash and committed credit facilities to meet financial commitments and working capital requirements, managing to funding portfolio benchmarks as outlined by the Treasury Policy, and timely review and renewal of credit facilities. The Company has a loan facility with Lendlease Europe Holdings Limited to meet short term financing needs.

Maturity analysis

	Within 1 year £ 000	Total £ 000
2018		
Trade and other payables	(57,080)	(57,080)
	Within 1 year £ 000	Total £ 000
2017		
Trade and other payables	(80,812)	(80,812)

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flow associated with the instrument will fluctuate due to changes in the market interest rates. The Company's exposure to interest rate risk includes financial assets (mainly cash at bank), financial liabilities (mainly borrowings and financing arrangements) and movements in intra-group lending rates. The exposure is managed using physical financial instruments, derivative financial instruments (mainly interest rate swaps) and managing to hedging limits in respect of recourse funding as outlined in the Treasury Policy.

Interest rate risk sensitivity analysis

At 30 June 2018, it is estimated that an increase of one percentage point in interest rates would have decreased the Company's profit before tax by approximately £0.4m (2017: increase £0.1m).

Credit risk

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

The risk includes the recoverability of loans and receivables, other financial assets and cash deposits. Credit risk exposure is managed by having policies in place to ensure that customers and suppliers are appropriately credit assessed. The Treasury Policy sets out credit limits for each counterparty based on minimum investment-grade ratings.

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

13 Financial risk management (continued)

Capital risk management

The Company assesses its capital management model as part of the broader Lendlease 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 Lendlease Corporation capital management goals.

The Company actively manages the working capital on a daily basis and operates a strict regime of contract billings and debtor payment cycles to maximise liquidity.

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

14 Pension and other schemes

Defined benefit pension schemes

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.

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 £16.8M are expected to be paid to the defined benefit plan in 2019. This includes the annual deficit recovery payment of £8.3M as well as a one-off contribution of £6.0m to be paid by Lendlease Construction (Europe) Limited 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.

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

14 Pension and other schemes (continued)

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 2018 the weighted average duration of the defined benefit obligation was 19 years (2017: 19 years).

Statement of Financial Position Amounts

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

	2018 £ 000	2017 £ 000
Fair value of plan assets	687,900	683,000
Defined benefit obligations	(603,200)	(645,900)
Net defined benefit asset	84,700	37,100

Reconciliation of Defined Benefit Obligations

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

	2018 £ 000	2017 £ 000
Defined benefit obligations at beginning of financial year	(645,900)	(593,400)
<i>Included in Income Statement:</i>		
Interest cost	(16,700)	(16,400)
<i>Remeasurements included in Other Comprehensive Income:</i>		
Actuarial gains and losses arising from changes in demographic assumptions	18,100	-
Actuarial gains and losses arising from changes in financial assumptions	23,000	(65,600)
Actuarial gains and losses arising from experience adjustments	(13,700)	4,300
<i>Other:</i>		
Benefits paid	32,000	25,200
Defined benefit obligation at end of financial year	(603,200)	(645,900)

The weighted average duration of the defined benefit obligations was 19 years (2017: 19 years).

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

14 Pension and other schemes (continued)

Reconciliation of the Fair Value of Plan Assets

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

	2018 £ 000	2017 £ 000
Fair value of plan assets at beginning of financial year	683,000	591,500
<i>Included in Income Statement:</i>		
Interest income	17,700	16,400
Administrative expenses paid	(2,300)	(2,100)
<i>Remeasurements Included in Other Comprehensive Income:</i>		
Return on plan assets, excluding amounts included in interest income/(expense)	11,100	55,100
<i>Other:</i>		
Employer contributions	10,400	47,300
Benefits paid	(32,000)	(25,200)
Fair value of plan assets at end of financial year	687,900	683,000

Amounts Recognised in the Income Statement

	2018 £ 000	2017 £ 000
Administration costs	2,300	2,100
Interest income on scheme assets	(17,700)	(16,400)
Interest cost on benefit obligation	16,700	16,400
Net defined benefit plan expense	1,300	2,100

In the current year £2.3m (2017: £2.1m) of pension administration costs were borne by Lendlease Construction (Europe) Limited.

Amounts Recognised in the Statement of Comprehensive Income

	2018 £ 000	2017 £ 000
Actuarial gains and losses arising from changes in demographic assumptions	18,100	-
Actuarial gains and losses arising from changes in financial assumptions	23,000	(65,600)
Actuarial gains and losses arising from experience adjustments	(13,700)	4,300
Return on plan assets, excluding amounts included in interest income/(expense)	11,100	55,100
Amounts recognised in other comprehensive income	38,500	(6,200)

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

14 Pension and other schemes (continued)

Categories of Plan Assets

Plan assets are as follows:

	2018 £ 000	2017 £ 000
UK Equities	-	50,000
Global Equities	213,900	161,700
Infrastructure	67,300	65,100
Multi-strategy funds	201,200	197,400
Liability driven investments	170,600	164,300
Other	2,800	7,500
The Contributions Reservoir Trust	32,100	37,000
Total fair value of plan assets	687,900	683,000

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.

Fair Value of Plan Assets

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

	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

	2017 £ 000			
	Total	Level 1	Level 2	Level 3
Equity instruments	211,700	-	211,700	-
Multi strategy funds	197,400	-	197,400	-
Infrastructure	65,100	-	65,100	-
Liability driven investments	164,300	13,300	151,000	-
Real estate investment funds	37,000	-	37,000	-
Other	7,500	7,500	-	-
Fair value of plan assets	683,000	20,800	662,200	-

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

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

14 Pension and other schemes (continued)

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:

	2018 % p.a.	2017 % p.a.
Pension increases	2.70	2.70
Inflation assumptions	3.30	3.35
Discount rate	2.80	2.65

Future mortality (years)

	2018 Years	2017 Years
Life expectancy for pensioners at age 63:		
Male	24.80	25.40
Female	26.30	27.20

Sensitivity analysis

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

	2018		2017	
	+ 0.1% £ 000	- 0.1% £ 000	+ 0.1% £ 000	- 0.1% £ 000
Adjustment to discount rate				
Increase/(decrease) in defined benefit surplus	10,900	(11,100)	12,700	(13,000)

	2018		2017	
	+ 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	(9,000)	6,800	(10,400)	8,000

	2018		2017	
	+ 1 Year £ 000	- 1 Year £ 000	+ 1 Year £ 000	- 1 Year £ 000
Adjustment to life expectancy				
Increase/(decrease) in defined benefit surplus	(22,100)	22,000	(19,900)	19,900

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 2018 (continued)

15 Related party transactions

15.1 Summary of transactions with related parties

Summary of transactions with parent entities

Lendlease Europe Holdings Limited is the immediate parent of Lendlease Construction Holdings Limited. Transactions that occurred during the year with Lendlease Europe Holdings Limited included a loan advance from the parent entity to fund working capital. Interest was incurred on this balance at a rate of 6.42%. (2017: LIBOR + 2.45%).

Summary of transactions with other related parties

Other related parties are entities controlled by Lendlease Corporation Limited that are neither the parent nor subsidiaries of the Company. Transactions with other related parties include management charges, loans and interest.

During the year, the Company received the following income and incurred the following costs with related parties:

	2018 £ 000	2017 £ 000
Finance income:		
Subsidiaries	-	831
Finance costs:		
Parent entities	2,803	-
Other related parties	-	741
Total finance costs	2,803	741

15.2 Related party receivables

	2018 £ 000	2017 £ 000
Subsidiaries	-	32,949
Total related parties receivables	-	32,949

15.3 Related party payables

	2018 £ 000	2017 £ 000
Parent entities	57,034	37,000
Other related parties	-	41,877
Total related party payables	57,034	78,877

16 Parent and ultimate parent undertaking

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

The ultimate parent is Lendlease Corporation Limited.

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2018 (continued)

16 Parent and ultimate parent undertaking (continued)

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.

17 Subsequent events

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