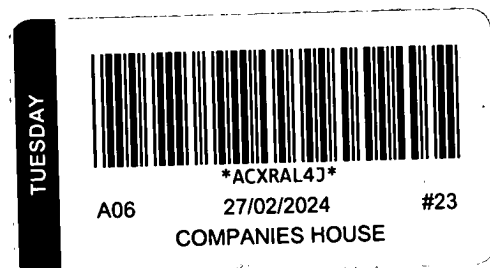


Lendlease Construction Holdings (Europe) Limited

Annual Report and Financial Statements

for the year ended 30 June 2023



Lendlease Construction Holdings (Europe) Limited

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Lendlease Construction Holdings (Europe) Limited

Strategic Report for the year ended 30 June 2023

The directors of Lendlease Construction Holdings (Europe) Limited present their report for the financial year ended 30 June 2023.

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 profit after tax of £2.7m. (2022: £0.1m). As a holding Company for the group, the Company has no trading income. The Company received distributions from subsidiaries of £nil in the current year (2022: £nil).

The Company finished the year with a net asset position of £128.2m (2022: £185.9m). This includes £88.8m (2022: £160.9m) 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. 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 2023 (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 2023 (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 2023 (continued)

Companies Act 2006 - s.172 Statement

s172(1) of the Companies Act requires Directors of a company to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as whole. The Directors are aware of their responsibilities to promote the success for the benefit of its members in accordance with the above and have acted in accordance with these responsibilities during the year. Directors of Lendlease European companies are provided with regular training and are briefed on their duties under the Companies Act, including their duty under s.172 of the Act.

Lendlease European companies operate within the broader Lendlease Group headed by Lendlease Corporation Limited in Australia. The Lendlease Group operates with a high standard of risk governance and management which is implemented within the Europe region. The Lendlease Group's approach to risk management focuses on aligning its Board and management to drive informed and consistent decisions, achieving effective and efficient allocation of capital and resources, providing an understanding of risk limits, providing a context to identify, report and manage risks, and creating a culture of risk awareness and accountability. This framework supports the Directors of the Company in making the right decisions that will promote the success of the Company for the benefits of its members as a whole. Further details of key risks the Lendlease Group may face and the ways we aim to mitigate these can be found in the Group's Annual Report (www.lendlease.com).

Outlook

With the support of the Lendlease Europe Holdings Limited (the consolidated group), the Company is monitoring the impacts of the Russia-Ukraine war which began in February 2022, including the potential longer-term impacts on broader financial markets. The consolidated group does not have a business presence in either country.

Heightened geopolitical tensions are impacting the global economy, creating volatility across the global markets, reflected most notably in higher energy prices and rising inflation. The consolidated group will continue to actively monitor global political and economic risk to support the business and the Board in understanding the potential landscape, ensuring resilience framework is up to exposures and mitigation strategies.

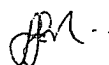
There has been no indication of likely future developments in the business, nor any event or circumstance since the end of the financial year to the date of this report that would significantly affect the Company.

We have identified the following indicators of likely future developments in the business, and events and circumstances since the end of the financial year:

Important non adjusting events after the financial period

On 22 November 2023, the company executed an insurance scheme buy-in in relation to the Lendlease UK Pension Scheme. This transaction involved trading the majority of the scheme's assets for an insurance policy that covers the scheme's obligations. The difference between the value of the liabilities insured and the cost of the insurance policy of £39m (pre-tax) is to be recognised as a loss in Other comprehensive income.

Approved by the Board on 9 February 2024 and signed on its behalf by:



.....
S W Gorski
Director

Lendlease Construction Holdings (Europe) Limited

Directors' Report for the Year Ended 30 June 2023

The directors of Lendlease Construction Holdings (Europe) Limited present their report for the financial year ended 30 June 2023.

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:

N C Martin (resigned 8 August 2023)

C M Pettett

S W Gorski

Results

The Company's profit after tax for the year was £ 2.7m (2022: £0.1m).

Dividends

The directors do not recommend the payment of a dividend (2022: £nil).

Business relationships

The Directors of the Company acknowledge the importance of the need to foster the company's business relationships with suppliers, customers and others. The Lendlease Group has five areas through which we focus our endeavours to create long-term value. These underpin our ability as a Group to create economic, safe and sustainable outcomes for our customers, partners, security holders and the community. While we approach our focus areas with an innovative mindset, our decisions are supported by disciplined governance and risk management. Further details can be found within the Group's annual report (www.lendlease.com).

Political donations

The Company made no political donations or incurred any political expenditure during the year (2022: £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 12 to the financial statements.

Research and development

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

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.

The company will continue to perform principal activities as described in Note 1.

Events after the balance sheet date

Non-adjusting events after the financial period

On 22 November 2023, the company executed an insurance scheme buy-in in relation to the Lendlease UK Pension Scheme. This transaction involved trading the majority of the scheme's assets for an insurance policy that covers the scheme's obligations. The difference between the value of the liabilities insured and the cost of the insurance policy of £39m (pre-tax) is to be recognised as a loss in Other comprehensive income.

Lendlease Construction Holdings (Europe) Limited

Directors' Report for the Year Ended 30 June 2023 (continued)

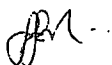
Disclosure of information to the auditor

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 9 February 2024 and signed on its behalf by:



.....
S W Gorski
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 Auditor's 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 2023, which comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and related notes, including the 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 2023 and of its profit 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.

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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the Company will continue in operation.

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

Fraud and breaches of laws and regulations - ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, internal audit and inspection of policy documentation as to the Lendlease Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Lendlease Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements. On this audit we do not believe there is a fraud risk related to revenue recognition because the entity does not generate any revenue.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

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

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law and certain aspects of company legislation recognising the nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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.

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

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.

Auditor's 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 auditor's 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

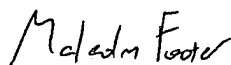
Detecting irregularities, including fraud

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.



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

9 February 2024

Lendlease Construction Holdings (Europe) Limited

Statement of Profit or Loss and Other Comprehensive Income For the year ended 30 June 2023

	Note	2023 £ 000	2022 £ 000
Revenue		-	-
Administrative expenses		951	1,014
Results from operating activities		951	1,014
Finance income	5	6,162	2,408
Finance costs	5	(4,975)	(3,607)
Net finance income/(cost)		1,187	(1,199)
Profit/(loss) before tax		2,138	(185)
Income tax credit	8	602	286
Profit after tax		2,740	101
<i>Items that will not be reclassified to profit or loss:</i>			
Defined benefit plan remeasurements		(60,423)	23,151
Total comprehensive (loss)/income after tax		(57,683)	23,252

The above results were derived from continuing operations.

The notes to and forming part of these financial statements are set out on pages 15 to 33.

Lendlease Construction Holdings (Europe) Limited

Statement of Financial Position as at 30 June 2023

	Note	2023 £ 000	2022 £ 000
Non current assets			
Investments	9	150,896	150,887
Defined benefit plan asset	13	88,844	160,900
Total non current assets		239,740	311,787
Current assets			
Cash and cash equivalents		1,961	3,641
Trade and other receivables		1,620	1
Current tax assets		484	-
Total current assets		4,065	3,642
Total assets		243,805	315,429
Non current liabilities			
Deferred tax liabilities	8	(12,865)	(31,719)
Total non current liabilities		(12,865)	(31,719)
Current liabilities			
Trade and other payables	10	(102,735)	(97,822)
Total current liabilities		(102,735)	(97,822)
Total liabilities		(115,600)	(129,541)
Net assets		128,205	185,888
Equity			
Issued capital	11	9,001	9,001
Retained earnings		190,368	187,628
Other reserves		(71,164)	(10,741)
Total equity		128,205	185,888

The notes to and forming part of these financial statements are set out on pages 15 to 33.

Company Registration Number: 231889

Approved by the Board on 9 February 2024 and signed on its behalf by:



S W Gorski
Director

Lendlease Construction Holdings (Europe) Limited

Statement of Changes in Equity for the year ended 30 June 2023

	Share capital £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 July 2022	9,001	(10,741)	187,628	185,888
Total comprehensive income				
Profit for the year	-	-	2,740	2,740
Defined benefit plan remeasurements	-	(60,423)	-	(60,423)
Total comprehensive income	-	(60,423)	2,740	(57,683)
At 30 June 2023	9,001	(71,164)	190,368	128,205

The balance of Other Reserves consists entirely of remeasurements to the defined benefit plan pension asset.

	Share capital £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 July 2021	1	(33,892)	187,527	153,636
Total comprehensive income				
Profit for the year	-	-	101	101
Defined benefit plan remeasurements	-	23,151	-	23,151
Total comprehensive income	-	23,151	101	23,252
New share capital subscribed	9,000	-	-	9,000
At 30 June 2022	9,001	(10,741)	187,628	185,888

The notes to and forming part of these financial statements are set out on pages 15 to 33.

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2023

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:

5 Merchant Square
Level 9
London
W2 1BQ
United Kingdom

Principal activity

The principal activity is as a holding company and sponsor of the defined benefit plan.

2 Basis of preparation

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("UK-adopted IFRS"), 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 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 that 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.
- IFRS 5: Disclosures required for Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations.

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 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.

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

2 Basis of preparation (continued)

These financial statements are the separate financial statements of Lendlease Construction Holdings (Europe) Limited. The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements as it and its subsidiary undertakings are included by full consolidation in the IFRS compliance consolidated financial statements of the parent, Lendlease Europe Holdings Limited. Refer to note 14 to obtain Lendlease Europe Holdings Limited's financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Summary of significant accounting policies and key accounting estimates

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

Changes in accounting policy

New and Revised Accounting Standards Adopted 1 July 2022

The following accounting standards, interpretations and amendments have been adopted by the Company in the year ended 30 June 23:

Amendments to the following standards:

- IAS 37: Onerous Contracts-Cost of Fulfilling a Contract (effective date 1 January 2022)
- Amendments to References to the Conceptual Framework in IFRS 3 (effective date 1 January 2022)
- IAS 16: Property, Plant and Equipment-Proceeds before Intended Use (effective date 1 January 2022)
- Annual Improvements to IFRS Standards 2018-2022 (effective date 1 January 2022)

These amended standards did not have a material effect on the Company.

New Accounting Standards and Interpretations Not Yet Adopted

The following UK-adopted IFRSs have been issued but have not been applied in these financial statements at 30 June 2023. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 17 Insurance Contracts (effective date 1 January 2023)

Amendments to the following standards:

- IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective date 1 January 2023)
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition for accounting estimates (effective date 1 January 2023)
- IAS 12 Income Taxes - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (effective date 1 January 2023)
- IAS 1 Presentation of Financial Statements and IFRS Practice Statements 2 Making Materiality Judgements (effective date 1 January 2023)
- IFRS 16 - Leases on sale and leaseback (effective date 1 January 2024)
- IAS 1 - Non-current liabilities with covenants (effective date 1 January 2024)
- IAS 7 and IFRS 7 on Supplier finance arrangements (effective date 1 January 2024)

The Directors do not expect the standards above to have a material effect. The Company has chosen not to adopt any of the above standards and interpretations earlier than required

None of the standards, interpretations and amendments which are effective for periods beginning on or after 1 July 2022 are expected to have a material effect on the financial statements.

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

2 Basis of preparation (continued)

Going concern

Notwithstanding net current liabilities of £99,154k as at 30 June 2023, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate.

The directors have considered the cash requirements of the Company for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, that the Company is dependent for its working capital on funds provided to it by Lendlease Europe Holdings Limited "LLEH" the Company's ultimate UK parent entity.

LLEH has indicated its intention to continue to make available financial support for at least twelve months from the signing date of these financial statements, or earlier, to such period when either LLEH or the Company ceases to be part of the group headed by LLEH, to enable the Company to trade, and not to call for settlement of amounts owing to LLEH where to do so would place the Company in an insolvent position. LLEH itself has been provided with a letter of support from Lendlease International Pty Limited which accepts responsibility of providing and undertakes to provide, sufficient financial assistance to LLEH, as and when it is required, to enable LLEH to continue its operations and fulfil all of its financial obligations. This support covers a period of at least 12 months from the date of approval of these financial statements. As with any company placing reliance on other group entities for financial support, the directors of the Company 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.

The Directors have considered the liquidity of the Company going forward, in particular adverse effects due to the ongoing Russian-Ukraine War, higher energy prices and rising inflation and have deemed that due to the support available from Group undertakings, they believe that the Company is well placed to manage its financing and future commitments over a period of at least 12 months from the date of the financial statements.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.'

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

Revenue recognition

Other revenue

Other revenue primarily includes dividends, distributions and miscellaneous items. Dividend and distribution revenue is recognised when the right to receive payment is established, usually on declaration of the dividend or distribution.

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

3 Accounting policies (continued)

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 2023 (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 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.

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

4 Auditor's remuneration

	2023 £ 000	2022 £ 000
Audit of financial statements	<u>(46)</u>	<u>(42)</u>

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

5 Finance income and costs

	2023 £ 000	2022 £ 000
Finance income		
Net interest income on pension assets/liabilities	6,162	2,408
Finance costs		
Interest payable to related parties	<u>(4,975)</u>	<u>(3,607)</u>
Net finance income/(costs)	<u>1,187</u>	<u>(1,199)</u>

6 Staff costs

The Company had no employees throughout the year (2022: nil).

7 Directors' remuneration

The directors of the Company were all directly employed by Lendlease Construction (Europe) Limited however for the below directors their costs were recharged to the following entities:

NC Martin: Lendlease Europe Limited
CM Pettett: Lendlease Construction (Europe) Limited
SW Gorski: 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 2023 (continued)

8 Taxation

Tax credited in the Statement of Profit or Loss

	2023 £ 000	2022 £ 000
Current tax		
Current year	484	(477)
Adjustments in respect of prior years	-	(248)
Total current tax	484	(725)
Deferred tax		
Origination and reversal of temporary differences	118	674
Adjustments in respect of prior years	-	337
Total deferred tax	118	1,011
Total income tax credit	602	286

The credit for the year can be reconciled to the result per the statement of profit or loss as follows:

	2023 £ 000	2022 £ 000
Profit/(loss) before tax	2,138	(185)
Tax on profit/loss at standard UK tax rate of 20.5% (2022: 19%)	(438)	35
Adjustments in respects of prior years	-	89
Effect of group/other relief	1,019	-
Impact of current year rate differential	21	162
Total income tax credit/(charge)	602	286

Budget 2021 announced an increase to the main rate of UK corporation tax from 19% to 25%. This was substantively enacted on 24 May 2021 and was effective from 1 April 2023.

Residential Property Developer Tax (RPDT)

The Residential Property Developer Tax (RPDT), introduced by Finance Act 2022, applies from 1 April 2022 at a rate of 4% to profits arising from residential property developer activities, in excess of an annual £25 million group allowance. The company, as a member of a Group participating in residential property developer activities, anticipates no charge in relation to RPDT for the period ending 30 June 2023 (2022: nil).

Deferred tax

Deferred tax assets and (liabilities) are attributable to the following:

	Asset £ 000	Liability £ 000	Net deferred tax £ 000
2023			
Pension benefit obligations	808	(19,032)	(18,224)
Tax losses	4,457	-	4,457
Loan relationships	902	-	902
	6,167	(19,032)	(12,865)

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

8 Taxation (continued)

	Asset	Liability	Net deferred tax
2022	£ 000	£ 000	£ 000
Pension benefit obligations	1,471	(37,090)	(35,619)
Tax losses	2,998	-	2,998
Loan relationships	902	-	902
	<u>5,371</u>	<u>(37,090)</u>	<u>(31,719)</u>

The deferred tax position associated with the net defined benefit plan is a gross deferred tax position. This has been recognised gross in order to separately identify the deferred tax position arising from changes to the net defined benefit plan that are recognised in the Profit or Loss and changes which are recognised in Other Comprehensive Income.

Deferred tax movement during the year:

	At 1 July 2022	Recognised in income	Recognised in other comprehensive income	At 30 June 2023
	£ 000	£ 000	£ 000	£ 000
Pension benefit obligations	(35,619)	(1,124)	18,519	(18,224)
Tax losses	2,998	1,241	218	4,457
Loan relationships	902	-	-	902
	<u>(31,719)</u>	<u>118</u>	<u>18,737</u>	<u>(12,865)</u>

Deferred tax movement during the prior year:

	At 1 July 2021	Recognised in income	Recognised in other comprehensive income	At 30 June 2022
	£ 000	£ 000	£ 000	£ 000
Pension benefit obligations	(26,185)	(228)	(9,206)	(35,619)
Tax losses	17	337	2,645	2,998
Loan relationships	-	902	-	902
	<u>(26,168)</u>	<u>1,011</u>	<u>(6,561)</u>	<u>(31,719)</u>

Budget 2021 announced an increase to the main rate of UK corporation tax from 19% to 25%. This was substantively enacted on 24th May 2021 and was effective from 1 April 2023. This change to the rate of UK corporation tax has been incorporated into the valuation of deferred tax balances recognised in the statement of financial position.

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

9 Investments

	2023 £ 000	2022 £ 000
Subsidiaries	150,896	150,887
Total investments	150,896	150,887
Reconciliation of subsidiaries		
	2023 £ 000	2022 £ 000
Carrying amount at the beginning of year	150,887	141,899
Additions	9	8,988
Carrying amount at end of year	150,896	150,887
Subsidiaries cost	159,696	159,687
Accumulated impairment	(8,800)	(8,800)
Carrying amount at end of year	150,896	150,887

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

9 Investments (continued)

Details of the subsidiaries as at 30 June 2023 are as follows:

Name of subsidiary	Principal activity	Country of Incorporation	Note	Ownership and voting right %	
				2023	2022
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%
Lend Lease (BR) Constracoos Ltda	Project solutions	Brazil	4	100%	100%
Bovis Lend Lease General Construction Limited Liability Co	Project solutions	Greece	5	99%	99%
Bovis Lend Lease SAS	Project solutions	France	6	100%	100%
Bovis Lend Lease SP Zoo	Project solutions	Poland	7	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%

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

9 Investments (continued)

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%

* indicates direct investment of Lendlease Construction Holdings (Europe) Limited

Notes - registered addresses:

1. 5 Merchant Square, level 9, Paddington, London W2 1BQ
2. 33 Bothwell Street, Glasgow, Lanarkshire G26NL
3. Jachthavenweg 109 H, Amsterdam, 1081 KM
4. Alameda Lorena, 70 - Jardim Paulista - Sao Paulo/SP.CEP 01424-000
5. Patroklou 1 & Paradisou, 151 25 Marousi, Athens, Greece
6. Parc Saint Christophe, 2 avenue de l'Enreprise, Batiment Galilee, 95 863
7. UI Postepu 12. 02-676, Warszawa

Joint ventures

Details of the joint ventures as at 30 June 2023 are as follows:

Name of Joint-ventures	Principal activity	Country of Incorporation	Note	Ownership and voting right %	
				2023	2022
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%
St Swithins Developments Limited	Project solutions	United Kingdom	4	50%	50%
H1 Developments Limited	Project solutions	United Kingdom	4	50%	50%
B6 Developments Limited	Project solutions	United Kingdom	4	50%	50%

Notes - registered addresses:

1. 5 Merchant Square, Level 9, Paddington, London W2 1BQ
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 2023 (continued)

10 Trade and other payables

	30 June 2023 £ 000	30 June 2022 £ 000
Current		
Amounts due to related parties	(102,735)	(97,822)
Current trade and other payables	(102,735)	(97,822)

11 Issued capital

Allotted, called up and fully paid shares

	2023		2022	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	9,001	9,001	9,001	9,001

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.

12 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.

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.

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

12 Financial risk management (continued)

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.

Capital risk management

The Group assesses its capital management model as part of the broader Lendlease Group Board's strategic plan. When investing capital, the Group's objective is to deliver strong shareholder returns in line with the Lendlease Corporation capital management goals.

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.

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.

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

13 Pension and other schemes (continued)

Lendlease Construction Holdings Limited pays 4% of members basic salaries to cover the Scheme's expected administration costs and benefits payable on death in service. Contributions of £2.6M are expected to be paid to the defined benefit plan in 2024. Following the latest triennial valuation for 31 March 2020 the company is no longer required to make deficit repair contributions as the scheme is now in an actuarial surplus. Distributions received by the Contributions Reservoir Trust will be used to pay amounts to the scheme 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.

The next full actuarial valuation for funding purposes will be completed for 31 March 2023 and is expected to be completed by June 2024.

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 2023 the weighted average duration of the defined benefit obligation is 14 years (2022: 16 years).

Statement of Financial Position Amounts

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

	2023 £ 000	2022 £ 000
Fair value of plan assets	531,040	675,094
Defined benefit obligations	(442,196)	(514,194)
Net defined benefit asset	88,844	160,900

Over the year, the obligations and assets have reduced significantly. The key drivers for the reduction in both the obligations and assets has been the increase in interest rates, which resulted in higher discount rates to reduce the liabilities and a reduction in the scheme's fixed interest assets.

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

13 Pension and other schemes (continued)

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

	30 June 2023 £ 000	30 June 2022 £ 000
Defined benefit obligations at beginning of financial year	(514,194)	(690,874)
<i>Included in Income Statement:</i>		
Interest cost	(19,134)	(12,948)
<i>Remeasurements included in Other Comprehensive Income:</i>		
Actuarial gains and (losses) arising from changes in demographic assumptions	12,316	(7,902)
Actuarial gains and (losses) arising from changes in financial assumptions	94,465	186,714
Actuarial gains and (losses) arising from experience adjustments	(37,205)	(8,044)
<i>Other:</i>		
Benefits paid	21,556	18,860
Defined benefit obligation at end of financial year	(442,196)	(514,194)

Reconciliation of the Fair Value of Plan Assets

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

	30 June 2023 £ 000	30 June 2022 £ 000
Fair value of plan assets at beginning of financial year	675,094	817,736
<i>Included in Income Statement:</i>		
Interest income	25,296	15,356
Administrative expenses paid	(1,667)	(1,497)
<i>Remeasurements Included in Other Comprehensive Income:</i>		
Return on plan assets, excluding amounts included in interest income/(expense)	(148,736)	(140,152)
<i>Other:</i>		
Employer contributions	2,609	2,511
Benefits paid	(21,556)	(18,860)
Fair value of plan assets at end of financial year	531,040	675,094

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

13 Pension and other schemes (continued)

	30 June 2023 £ 000	30 June 2022 £ 000
Administration costs	1,667	1,497
Interest income on scheme assets	(25,296)	(15,356)
Net interest costs	<u>19,134</u>	<u>12,948</u>
Net defined benefit plan income	<u>(4,495)</u>	<u>(911)</u>

In the current year £1.7m (2022: £1.5m) of pension administration costs were borne by Lendlease Construction (Europe) Limited.

Amounts Recognised in the Statement of Comprehensive Income

	30 June 2023 £ 000	30 June 2022 £ 000
Actuarial gains and (losses) arising from changes in demographic assumptions	12,316	(7,902)
Actuarial gains and (losses) arising from changes in financial assumptions	94,465	186,714
Actuarial gains and (losses) arising from experience adjustments	(37,205)	(8,044)
Return on plan assets, excluding amounts included in interest income/(expense)	<u>(148,736)</u>	<u>(140,152)</u>
Amounts recognised in other comprehensive income	<u>(79,160)</u>	<u>30,616</u>

Categories of Plan Assets

Plan assets are as follows:

	30 June 2023 £ 000	30 June 2022 £ 000
Global equities	-	142
Infrastructure funds	-	60,892
Multi-strategy funds ¹	5,575	245,537
Liability driven investments	505,155	346,524
Cash and cash equivalents	7,594	9,460
The Contributions Reservoir Trust	<u>12,716</u>	<u>12,539</u>
Total fair value of plan assets	<u>531,040</u>	<u>675,094</u>

¹Multi-strategy fund in 2022 included credit and hedge fund.

All assets are classified as not quoted in an active market.

The Scheme's investments have been de-risked over the year to protect the funding position. This has resulted in disposals of the majority of the Scheme's holdings in the infrastructure and multi-strategy funds with the proceeds invested in Insight's QIAI Fund to better match the liabilities. Current holdings of the LDI portfolio (contains LDI and Synthetic Credit) of £502.0m, with cash/liquidity funds of £3.1m.

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

13 Pension and other schemes (continued)

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.

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 2023 % p.a.	30 June 2022 % p.a.
Discount rate	5.15	3.80
RPI inflation	3.55	3.45
CPI inflation	3.05	2.95
RPI pension increases (5% cap)	3.25	3.25
RPI pension increases (3% cap)	2.50	2.50
RPI pension increases (2.5% cap)	2.15	2.20
CPI pension increases (3% cap)	<u>2.30</u>	<u>2.30</u>

Future mortality (years)

	30 June 2023 Years	30 June 2022 Years
Life expectancy for pensioners at age 63:		
Male	25.50	25.30
Female	<u>26.80</u>	<u>26.80</u>

The mortality assumptions used to assess the defined benefit obligation for the scheme are based on tables issued by the Continuous Mortality Investigation Bureau and the latest analysis carried out for the valuation of the Scheme in 2020. At 30 June 2023, the mortality assumptions were based on the SAPS S3 All-lives/Middle tables with best estimate scaling factors, future improvements in line with the CMI 2019 model, long-term improvement trend rate of 1.50% per annum, an initial adjustment parameter of 0.5% p.a. The company intends to review the possible effect of Covid-19 on the Scheme's membership alongside analysis expected to be carried out for the valuation of the Scheme at 31 March 2023.

Sensitivity analysis

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

	2023		2022	
	+ 0.1% £ 000	- 0.1% £ 000	+ 0.1% £ 000	- 0.1% £ 000
Adjustment to discount rate				
Increase/(decrease) in defined benefit surplus	<u>(5,971)</u>	<u>6,066</u>	<u>(7,869)</u>	<u>7,998</u>
	2023		2022	
	+ 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>3,833</u>	<u>(3,798)</u>	<u>6,468</u>	<u>(6,388)</u>

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

13 Pension and other schemes (continued)

	2023		2022	
	+ 1 Year £ 000	- 1 Year £ 000	+ 1 Year £ 000	- 1 Year £ 000
Adjustment to life expectancy				
Increase/(decrease) in defined benefit surplus	14,150	11,674	12,607	(11,942)

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 30% credit and 70% LDI.

Lendlease Construction Holdings (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2023 (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:

5 Merchant Square
Level 9
Paddington
London W2 1BQ

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

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

15 Subsequent events

On 22 November 2023, the company executed an insurance scheme buy-in in relation to the Lendlease UK Pension Scheme. This transaction involved trading the majority of the scheme's assets for an insurance policy that covers the scheme's obligations. The difference between the value of the liabilities insured and the cost of the insurance policy of £39m (pre-tax) is to be recognised as a loss in Other comprehensive income.