Company registration number: 00467006

Lendlease Construction (Europe) Limited

Annual Report and Financial Statements

for the year ended 30 June 2022

Lendlease Construction (Europe) Limited

Contents

Lendlease Construction (Europe) Limited

Strategic Report for the year ended 30 June 2022

The directors of Lendlease Construction (Europe) Limited present their report for the financial year ended 30 June 2022.

Business review

The 2021/22 year has seen the company continue to benefit from a strong pipeline of work resulting in increased profit. During this period, the company began work on site at 90 Long Acre and Deptford, and continued development at our International Quarter London and Elephant Park sites. We also continued construction at several other projects across London, Manchester, Birmingham, and Leicester and reached successful practical completion on several projects across the UK.

The impact of Covid 19 has meant market activity has been slower through the previous two years but we have noticed a significant increase in high quality opportunities coming to the market. We have increased bidding activity to capitalise on these opportunities with several significant wins during the year and a number of projects at the preferred bidder stage. These wins have allowed us to maintain our strong pipeline of profitable, sustainable projects, unlocking benefits for our clients and the company.

The Company's balance sheet remains solid with net assets of £202.6m (2021: £186.4m), a cash on hand balance of balance of £72.1m (2021: £78.2m) and no external debt.

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.

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.

	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.

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 the Companies within the Lendlease Group are provided with regular training and are briefed on their duties under the Companies Act, including their duty under s.172 of the Act.

The European Lendlease entities operate within the broader Lendlease Group headed by Lendlease Group 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 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 the global political and economic risk date 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.

Approved by the Board on 20 October 2022 and signed on its behalf by:

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S Gorski
Director

Directors' Report for the Year Ended 30 June 2022

The directors of Lendlease Construction (Europe) Limited present their report for the financial year ended 30 June 2022.

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:

S Gorski

T Mackellar (resigned 22 October 2021)

N Martin

M Packer (resigned 22 October 2021)

C Pettett

M Letton (resigned 14 December 2021)

R Seeley

D Cadiot

S Kotecha

J Losyk

Results

The Company's profit after tax for the year was £16.2m (2021: £17.7m).

Dividends

The directors do not recommend the payment of a dividend (2021: £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).

The below sets out the Company's key stakeholders and explains how we engage with them

- **Customers** - the Company strives to understand our customers and respond to changes in the market. We aim to design and deliver innovative, customer driven solutions to win the projects we want to win and ultimately deliver the best places. We have embedding a process of continuous improvement based on customer insights and actions identified through market research.
- **Employees** - the Lendlease Group aims to attract, develop and retain diverse talent by building a culture of collaboration and continuous learning, where successes are recognised and people are rewarded. We invest in developing leaders and capabilities to drive our success. We embarked on an enterprise-wide program of communication and employee engagement so that our people can participate in designing more collaborative, consistent and open ways of working.
- **Suppliers** - the Company has strong relationships with its established suppliers. We are focused on maintaining an ethical supply chain and to have supplier relationships with parties who are aligned with our values.
- **Local Authorities** - we aim to have a collaborative relationship when we partner with local authorities.
- **Debt providers** - we have strong, global relationships with a wide range of debt providers.

Streamlined Energy and Carbon Reporting (SECR)

The directors of the "Company" are responsible for disclosing information under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. These disclosures have been presented in the consolidated Lendlease Europe Holdings Limited ("LLEH") financial report in the Group SECR Statement.

Political donations

The Company made no political donations or incurred any political expenditure during the year (2021: £nil).

Research and development

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

Outlook

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

Events after the balance sheet date

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

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 20 October 2022 and signed on its behalf by:

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S Gorski
Director

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 (Europe) Limited

Opinion

We have audited the financial statements of Lendlease Construction (Europe) Limited (the "Company") for the year ended 30 June 2022, 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 2022 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.

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, taking into account possible pressures to meet profit targets, and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, and the risk that management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as contract forecast cost and resulting revenue estimates for contracts, 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

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation.
- Assessing significant accounting estimates for bias

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 members and other management (as required by auditing standards), and discussed with the members 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 (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 members 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.

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.

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

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.

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

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

Date:..20 October 2022

Lendlease Construction (Europe) Limited

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2022

	Note	2022 £ 000	2021 £ 000
Revenue	4	553,520	554,486
Cost of sales		(509,656)	(513,900)
Gross profit		**43,864**	**40,586**
Administrative expenses		(27,362)	(22,224)
Results from operating activities	5	**16,502**	**18,362**
Finance income	9	2,669	2,392
Finance costs	9	(311)	(762)
Net finance income		**2,358**	**1,630**
Profit before tax		**18,860**	**19,992**
Income tax credit/(expense)	10	(2,648)	(2,324)
Profit after tax		**16,212**	**17,668**
Items that may be reclassified to profit or loss:			
Movements in hedging reserve		5	(22)
Total comprehensive income after tax		**16,217**	**17,646**

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 37.

Lendlease Construction (Europe) Limited

Statement of Financial Position as at 30 June 2022

	Note	2022 £ 000	2021 £ 000
Non current assets			
Trade and other receivables	11	9,374	12,869
Investments	13	245	245
Deferred tax assets	10	10,889	9,585
Property, plant and equipment	14	2,652	2,549
Intangible assets	15	972	1,183
Total non current assets		**24,132**	**26,431**
Current assets			
Cash and cash equivalents	16	72,149	78,200
Trade and other receivables	11	300,104	224,743
Inventories	12	16,102	25,758
Other financial assets		5	-
Total current assets		**388,360**	**328,701**
Total assets		**412,492**	**355,132**
Non current liabilities			
Trade and other payables	17	(214)	(426)
Total non current liabilities		**(214)**	**(426)**
Current liabilities			
Trade and other payables	17	(201,224)	(157,641)
Provisions	18	(5,238)	(7,642)
Other financial liabilities		-	(2)
Current tax payable		(3,218)	(3,040)
Total current liabilities		**(209,680)**	**(168,325)**
Total liabilities		**(209,894)**	**(168,751)**
Net assets		**202,598**	**186,381**
Equity			
Issued capital	20	1	1
Retained earnings		202,594	186,382
Other reserves		3	(2)
Total equity		**202,598**	**186,381**

The notes to and forming part of these financial statements are set out on pages 15 to 37.

These statements were approved by the Board on 20 October 2022 and signed on its behalf by:

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S Gorski
Director

Company Registration Number: 00467006

Lendlease Construction (Europe) Limited

Statement of Changes in Equity for the year ended 30 June 2022

	Share capital £ 000	Hedging reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 July 2021	1	(2)	186,382	186,381
Total comprehensive income				
Profit for the year	-	-	16,212	16,212
Unrealised gain/(loss) on hedges	-	5	-	5
Total comprehensive income	**-**	**5**	**16,212**	**16,217**
At 30 June 2022	**1**	**3**	**202,594**	**202,598**

	Share capital £ 000	Hedging reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 July 2020	1	20	168,714	168,735
Total comprehensive income				
Profit for the year	-	-	17,668	17,668
Unrealised gain/(loss) on hedges	-	(22)	-	(22)
Total comprehensive income	**-**	**(22)**	**17,668**	**17,646**
At 30 June 2021	**1**	**(2)**	**186,382**	**186,381**

The notes to and forming part of these financial statements are set out on pages 15 to 37.

1 General information

Lendlease Construction (Europe) Limited (the "Company") is a private company limited by share capital incorporated and domiciled in United Kingdom. The company registration number is 00467006.

The address of its registered office is:
5 Merchant Square
Level 9
London
W2 1BQ
United Kingdom

The principal activity is as a provider of project solutions in the construction industry.

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.

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

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

2 Basis of preparation (continued)

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 (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 24 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

Impact of New and Revised Accounting
New and Revised Accounting Standards Adopted 1 July 2021

The following accounting standards, interpretations and amendments have been adopted by the Company in the year ended 30 June 22:
Amendments to the following standards:
• Amendments to IFRS 9: Interest Rate Benchmark Reform
• IFRS 16: Leases Covid-19 Related Rent Concessions

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 2022. 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 and Classification of Liabilities as Current or Non-current (effective date 1 January 2023)
• 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)
• 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)
• Annual Improvements to IFRS Standards 2018-2022 (effective date 1 January 2022)

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

2 Basis of preparation (continued)

Going Concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate. The Company finished the year with a net asset position of £203m (2021:£186m) of which £213m relates to a related party receivable owing from Lendlease Europe Holdings Limited. ("LLEH"). The directors consider the related party receivable to be recoverable and no impairment has been recognised. The credit quality of all loans and receivables, including those neither past due nor impaired, is assessed and monitored on an on going basis.

A letter of support has also been provided from Lendlease International Pty Limited ("LLI") to LLEH stating LLI accepts responsibility of providing and undertakes to provide, sufficient financial assistance to the LLEH, as and when it is required, to enable LLEH to continue its operations and fulfil all its financial obligations. This support covers a period of at least 12 months from the date of approval of these financial statements.

The Directors have considered the liquidity and cash flows of the Company going forward, in particular adverse effects that could arise due to the ongoing economic conditions and they believe that the Company is well placed to manage its future commitments over a period of at least 12 months from the date of the financial statements.

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

Revenue from the provision of services

Construction services include project management, design and construction services predominantly in the infrastructure, defence, mixed use, commercial and residential sectors.

Contracts with customers to provide Construction services can include either one performance obligation or multiple integrated performance obligations within each contract. The Company assesses each of its contracts individually and where there are separate performance obligations identified, the transaction price is allocated based on the relative stand-alone selling prices of the services provided.

The transaction price for each contract may include variable consideration in the form of contract variations or modifications, performance or other incentive fees and contract claims. Variable consideration is only included in the transaction price for a contract to the extent it is highly probable that a significant reversal of that revenue will not occur. The Company assesses the probability of receiving variable consideration using a combination of commercial and market factors, historical experience and independent third party advice. This assessment is reviewed each reporting period or when facts and circumstances change during the reporting period.

3 Accounting policies (continued)

Revenue is recognised over time, typically based on an input method using an estimate of costs incurred to date as a percentage of total estimated costs. These contracts are typically executed on the customer's land so they control the assets as it is being built or the customer benefits from the service as the work is performed. Differences between amounts recognised as revenue and amounts billed to customers are recognised as contract assets or liabilities in the Statement of Financial Position. The measurement of revenue is an area of accounting judgement. Management use judgement to estimate:
i. Progress in satisfying the performance obligations within the contract which includes estimating contract costs expected to be incurred to satisfy performance obligations; and
ii. The probability of the amount to be recognised as variable consideration for approved variations and claims where the final price has not been agreed with the customer.

Revenue is invoiced based on the terms of each individual contract which may include a periodic billing schedule or achievement of specific milestones. Invoices are issued under commercial payment terms which is typically 30 days from when an invoice is issued.

A provision for loss making contracts is recorded for the difference between the expected costs of fulfilling a contract and the expected remaining economic benefits to be received where the forecast remaining costs exceed the forecast remaining benefits.

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account to which they relate.

Employee benefits

Employee benefits are expensed as the related service by the employee is provided and includes both equity and cash based payment transactions. Employee benefits are recognised in the Statement of Profit or Loss net of recoveries.

Incentive plans

For cash bonuses, the Company recognises an accrued liability for the amount expected to be paid. This is based on formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments.

Defined contribution pension obligation

Employees of the Company are entitled to benefits on retirement from the Company's pension scheme. The majority of employees are party to a defined contribution plan and received fixed contributions from the Company. A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and the Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset to the extent that a cash refund or a deduction in future payments is available.

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 Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by IAS 19 'Employee Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme in respect of the accounting period.

Full disclosure of the pension accounting in the Lend Lease UK Pension Scheme is provided in the financial statement of the immediate parent company, Lendlease Construction Holdings (Europe) Limited.

Impairment

The carrying amounts of the Company's assets, subject to impairment tests, are reviewed at each Statement of Financial Position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The calculation of this recoverable amount is dependent on the type of asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Statement of Profit or Loss unless an asset has been previously revalued through reserves.

Impairment losses on assets can be reversed when there is a subsequent increase in the recoverable amount. The increase could be due to a specific event, the indication that impairment may no longer exist or if there is a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Depreciation and amortisation

Depreciation is charged to administrative expenses within the Statement of Profit or Loss on a straight line basis over the estimated useful lives of items of property, plant and equipment, and major components that are accounted for separately. Amortisation is provided on leasehold improvements over the remaining term of the lease. Most plant is depreciated over a period not exceeding 20 years, furniture and fittings over 3 to 15 years, and computer equipment over 5 years. Land is not depreciated.

Leases

As a lessee, the Company assesses whether a contract is or contains a lease at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether:

• The contract involved the use of an identified asset;

• The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and

• The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

For the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease component as a single lease component.

The Company's primary leasing activities are for office space in the regions and cities in which it operates. There are no material future cash outflows to which the Company is potentially exposed that are not reflected in the measurement of lease liabilities, and there are no material restrictions or covenants imposed by the Company's leases.

3 Accounting policies (continued)

Measurement

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises:
• The initial amount of the lease liability;
• Any lease payments made at or before the commencement date less any lease incentives received;
• Initial direct costs; and
• Restoration cost.

Right-of-Use Assets

Right-of-use assets which meet the definition of property, plant and equipment form part of the property, plant and equipment balance and are measured at cost less accumulated depreciation in accordance with IAS16 Property, Plant and Equipment.
Right-of-use assets which meet the definition of investment property form part of the investment property balance and are measured at fair value in accordance with IFRS 40 Investment Property.

Lease Liabilities

Lease liabilities are initially measured at the present value of the lease payments discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Company's incremental borrowing rate of 4.80% is used. Generally, the Company uses its incremental borrowing rate as the discount rate.
Lease payments included in the measurement of lease liability comprise the following:
• Fixed payments offset by any lease incentives;
• Variable lease payments, for lease liabilities which are tied to a floating index;
• Amounts expected to be payable under a residual value guarantee;
• The exercise price of purchase options (if it is reasonably certain that the option will be exercised); and
• Payments of penalties for terminating leases, if the lease term reflects the lease terminating early.

Lease liabilities are subsequently measured by:

Increasing the carrying amount to reflect interest on the lease liability;
• Reducing the carrying amount to reflect the lease payments made; and
• Remeasuring the carrying amount upon the occurrence of certain events (such as a change in the lease term or lease payments).
• When a lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset and is recorded in the profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Presentation

Items relating to leases are presented as follows:
• Right-of-use assets are recognised in the Statement of Financial Position within the same line item as that within which the corresponding underlying assets would be presented if they were owned by the Company, within either Property, plant and equipment or Investment property;
• Lease liabilities are recognised within Trade and other payables in the Statement of Financial Position and split between current and non-current liabilities;
• Depreciation charge for right-of-use assets is recognised within Other expenses; and
• Interest expense on lease liabilities is recognised within Finance costs.

3 Accounting policies (continued)

Finance income and costs

Finance revenue is recognised as it is earned using the effective interest method, which applies the interest rate that discounts estimated future cash receipts over the expected life of the financial instrument. The discount is then recognised as finance revenue over the remaining life of the financial instrument.

Finance costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of costs incurred in connection with the arrangement of new borrowings facilities. Costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings. Finance costs are expensed immediately as incurred unless they relate to acquisition and development of qualifying assets. Qualifying assets are assets that take more than six months to prepare for their intended use or sale. Finance costs related to qualifying assets are capitalised.

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.

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.

Foreign currency transactions and balances

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

3 Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated in the Statement of Financial Position at cost, less any subsequent accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation. The residual value and useful life applied to an asset are reassessed at least annually.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the Statement of Profit or Loss during the financial year in which they are incurred.

Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3 to 5 years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs directly associated with producing identifiable and unique software products that will generate economic benefits exceeding costs beyond one year are recognised as intangible assets.

Direct costs include software development, employee costs and an appropriate portion of relevant overheads.

Investments

Equity investments in subsidiaries, joint ventures and associates are stated at cost less impairment. Adjustments are made to the carrying value to reflect the net realisable value of the investment where these are lower than cost. Management conducts annual impairment reviews.

Cash and cash equivalents

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

Trade and other receivables

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

Trade and other receivables are carried at amortised cost using the effective interest method, which applies the interest rate that discounts estimated future cash receipts over the term of the 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.

Retentions receivable on construction contracts represent amounts withheld by customers until the satisfaction of conditions specified in the contract are satisfied.

3 Accounting policies (continued)

Inventories

Construction contract assets

The gross amount of work in progress consists of costs attributable to work performed, including recoverable pre contract and project bidding costs and emerging profit after providing for any foreseeable losses. In applying the accounting policies on providing for these losses accounting judgement is required.

Work in progress is presented as part of inventories for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings and recognised losses exceed costs incurred plus recognised profits, then the difference is presented in trade and other payables as a construction contract liability.

Trade and other payables

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.

Construction contract liabilities

Construction contracts where the total progress billings issued to customers (together with foreseeable losses if applicable) on a project exceed the costs incurred to date plus recognised profit on the contract are recognised as a liability.

Retentions

Retentions are amounts payable for the purpose of security and for the provision of defects in accordance with contract terms. Release of retention amounts are in accordance with contractual terms.

Provisions

Provisions are recognised in the Statement of Financial Position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. Management considers the determination of the likelihood and magnitude of an outflow of resources an area of estimation uncertainty.

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 Revenue

The analysis of the Company's revenue for the year from continuing operations is as follows:

	2022 £ 000	2021 £ 000
Sale of development properties	-	(1,190)
Provision of services	553,449	555,676
Other revenue	71	-
Total revenue	**553,520**	**554,486**

5 Results from operating activities

Results from operating activities includes the following items:

	2022 £ 000	2021 £ 000
Depreciation expense	(30)	(51)
Amortisation expense	(307)	(378)
Foreign exchange (losses)/gains	(4)	2
Depreciation on right of use assets	(3,159)	(2,867)

6 Auditor's remuneration

	2022 £ 000	2021 £ 000
Audit of financial statements	(121)	(102)

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2022 £ 000	2021 £ 000
Wages and salaries	(108,633)	(107,692)
Social security costs	(10,444)	(11,043)
Other pension costs	(6,576)	(6,888)
Total staff costs	(125,653)	(125,623)

In 2022, Lendlease Construction (Europe) Limited was the employing entity for all employees within the Lendlease Europe Holdings Group in the UK. Payroll costs of £65,090k (2021: £60,799k), were recharged to other legal entities within the Lendlease Europe Holdings Group.'

7 Staff costs (continued)

The average number of persons employed by the Company (including directors) during the year was as follows:

	2022 No.	2021 No.
Number of employees	1,097	1,211

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2022 £ 000	2021 £ 000
Remuneration	(1,072)	(736)
Pension and other post-employment benefit costs	(70)	(56)
Share-based payment expenses	(49)	(78)
Total directors' remuneration	**(1,191)**	**(870)**

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2022 No.	2021 No.
Accruing benefits under money purchase pension scheme	2	3

In respect of the highest paid director:

	2022 £ 000	2021 £ 000
Remuneration	(375)	(294)
Pension and other post-employment benefit costs	(45)	(39)
Share-based payment expenses	(24)	(27)

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:

N Martin: Lendlease Europe Limited
T Mackellar: Lendlease Europe Limited
M Packer: Lendlease Europe Limited
V Quinlan: Lendlease Investment Management Holdings (Europe) Limited
R Seeley: Lendlease Development (Europe) Limited
P Leonard: Lendlease Development (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 entity.

9 Finance income and costs

	2022 £ 000	2021 £ 000
Finance income		
Bank interest received	8	-
Interest receivable from related parties	2,656	2,379
Other finance income	5	13
Total finance income	2,669	2,392
Finance costs		
Interest expense in relation to lease liabilities	(210)	(182)
Other finance costs	(101)	(580)
Total finance costs	**(311)**	**(762)**
Net finance income	2,358	1,630

10 Income tax and deferred tax

Tax (expensed) in the Statement of Profit or Loss

	2022 £ 000	2021 £ 000
Current tax		
Current year	(3,219)	(3,465)
Adjustments in respect of prior years	(733)	379
Total current tax	**(3,952)**	**(3,086)**
Deferred tax		
Origination and reversal of temporary differences	544	108
Change in tax rate	733	1,723
Adjustments in respect of prior years	27	(1,069)
Total deferred tax	**1,304**	**762**
Total income tax expense	**(2,648)**	**(2,324)**

10 Income tax and deferred tax (continued)

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

	2022 £ 000	2021 £ 000
Profit before tax	18,860	19,992
Tax on profit/loss at standard UK tax rate of 19% (2021: 19%)	(3,583)	(3,798)
Adjustments in respect of prior years	(706)	(690)
Exempt income	667	416
Non allowable expenses	(6)	(1)
Increase from effect of exercise employee share options	194	-
Impact of current year rate differential	53	-
Change in tax rate	733	1,749
Total income tax expense	**(2,648)**	**(2,324)**

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 will be effective from 1 April 2023.

Residential Property Developer Tax (RPDT)
The new 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 2022.

Deferred tax

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

2022	**Asset £ 000**
Unused tax losses recognised	3,466
Revaluation of cash flow hedges	-
Share-based payment	457
Property, plant and equipment	6,965
	10,889

2021	**Asset £ 000**
Unused tax losses recognised	2,705
Revaluation of cash flow hedges	-
Share-based payment	-
Property, plant and equipment	6,880
	9,585

10 Income tax and deferred tax (continued)

Deferred tax movement during the year:

	At 1 July 2021 £ 000	Recognised in income £ 000	Recognised in equity £ 000	At 30 June 2022 £ 000
Unused tax losses recognised	2,705	761	-	3,466
Revaluation of cash flow hedges	-	-		
Share-based payment	-	457	-	457
Property, plant and equipment	6,880	86	-	6,965
Net tax assets/(liabilities)	9,585	1,304		10,889

Deferred tax movement during the prior year:

	At 1 July 2020 £ 000	Recognised in income £ 000	Recognised in equity £ 000	At 30 June 2021 £ 000
Unused tax losses recognised	3,678	(972)	-	2,705
Revaluation of cash flow hedges	(5)	-	5	-
Share-based payment	-	-	-	-
Property, plant and equipment	5,148	1,732	-	6,880
Net tax assets/(liabilities)	8,821	759	5	9,585

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 will be effective from 1 April 2023. This future 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.

Deferred tax assets are recognised to the extent that, based on business plans, the realisation of the related tax benefit is probable. There are £1,610,000 of unused capital losses (2021 - £1,610,000) for which no deferred tax asset is recognised in the statement of financial position.

11 Trade and other receivables

	30 June 2022 £ 000	30 June 2021 £ 000
Current		
Trade receivables	39,395	14,162
Less: impairment	(210)	(210)
Net trade receivables	39,185	13,952
Amounts owing from related parties	236,194	189,415
Retentions	15,571	15,849
Prepayments	4,494	1,823
Other receivables	4,660	3,704
Total current	**300,104**	**224,743**
Non current		
Retentions	9,271	12,868
Other receivables	103	1
Total non current	**9,374**	**12,869**

11 Trade and other receivables (continued)

	30 June 2022 £ 000	30 June 2021 £ 000
Total trade and other receivables	**309,478**	**237,612**

Trade receivables disclosed above include amounts that are past due at the end of the reporting period for which an allowance for impairment has not been recognised because there has not been a significant change in credit quality and the amounts are still considered to be recoverable. 'Past due' is defined under accounting standards to mean any amount outstanding for one or more days after the contractual due date.

Age of trade receivables that are past due but not impaired

	30 June 2022 £ 000	30 June 2021 £ 000
0 - 90 days	5,593	2,410
More than 90 days	1,265	802
Total trade receivables past due but not impaired	**6,858**	**3,212**

Age of impaired trade receivables

	30 June 2022 £ 000	30 June 2021 £ 000
More than 90 days	210	210
Total impaired trade receivables	**210**	**210**

The credit quality of all loans and receivables, including those neither past due nor impaired, is assessed and monitored on an ongoing basis. To determine the impairment provision for the financial year, the Company considers how economic and market conditions will affect the creditworthiness of certain entities. The impairment provision relates to specific loans and receivables that have been identified as being impaired, including related party loans.

Provision for impairment

	30 June 2022 £ 000	30 June 2021 £ 000
Carrying amount at beginning of financial year	(210)	(260)
Bad and doubtful debt impairment loss net of provisions written back	-	50
Carrying amount at end of year	(210)	(210)

12 Inventories

	30 June 2022 £ 000	30 June 2021 £ 000
Current		
Construction contract assets	16,102	25,758
Total current inventories	**16,102**	**25,758**

13 Investments

	2022 £ 000	2021 £ 000
Subsidiaries	1	1
Associates	244	244
Total investments	**245**	**245**

Reconciliation of subsidiaries

	2022 £ 000	2021 £ 000
Carrying amount at the beginning of year	1	1
Carrying amount at end of year	**1**	**1**
Subsidiaries cost	3	3
Accumulated impairment	(2)	(2)
Carrying amount at end of year	**1**	**1**

Reconciliation of associates and Joint Ventures

	2022 £ 000	2021 £ 000
Carrying amount at beginning of year	244	163
Additions	-	81
Carrying amount at end of year	**244**	**244**
Associates cost	244	244
Carrying amount at end of year	**244**	**244**

13 Investments (continued)

Details of the subsidiaries as at 30 June 2022 are as follows:

Legal entity	Principal activity	Registered office and country of incorporation	Ownership interest % 2022	2021
Lendlease Construction (North Western) Limited	Dormant	20 Triton Street, London NW1 3BF United Kingdom	100%	100%
Lendlease Construction Management Services (One) Limited	Dormant	20 Triton Street, London NW1 3BF United Kingdom	100%	100%
BLFB Limited	Dormant	20 Triton Street, London NW1 3BF United Kingdom	100%	100%

Joint Ventures & Associates

Details of the joint ventures as at 30 June 2022 are as follows:

Legal entity	Principal activity	Registered office and country of incorporation	Ownership interest % 2022	2021
Debut Services Limited	Project Solutions	20 Triton Street, London NW1 3BF United Kingdom	85%	85%
Debut Services (South West) Limited	Project solutions	20 Triton Street, London NW1 3BF United Kingdom	50%	50%
Debut Services (Contracts) Limited	Dormant	20 Triton Street, London NW1 3BF United Kingdom	90.9%	90.9%
BLS Blackfriars Limited	Dormant	55 Station Road, Buckingham Shire HP9 1QL United Kingdom	50%	50%
St Swithins Development Limited	Dormant	55 Station Road, Buckingham Shire HP9 1QL United Kingdom	50%	50%
H1 Developments Limited	Project Solutions	55 Station Road, Buckingham Shire HP9 1QL United Kingdom	50%	50%
Coleman Street Developments Limited	Dormant	55 Station Road, Buckingham Shire HP9 1QL United Kingdom	50%	50%
B6 Developments Limited	Project solutions	55 Station Road, Buckingham Shire HP9 1QL United Kingdom	50%	50%
Waste 2 Resources Project Lancashire LLP	Project solutions	20 Triton Street, London NW1 3BF United Kingdom	50%	50%

13 Investments (continued)

Joint operations

Elwick Place Construction Limited

The Company has a material joint operation, Elwick Place Construction Limited, in which it holds a 50% share in the ownership (2021: 50%). The activities undertaken by this operation are Project Solutions.

Debut Services Limited & Debut Services (contracts) Limited

Lendlease Construction (Europe) Limited has a joint arrangement with Babcock Support Service Limited in Debut Services Limited & Debut Services (Contracts) Limited, in which it holds a 85% share in the ownership. This arrangement has been classified as a joint venture as there is joint control with Babcock Support Service Limited. The primary activity undertaken by this operating is building defence housing.

14 Property, plant and equipment

	2022 £ 000	2021 £ 000
Land and buildings	45	58
Plant and equipment	31	48
Right of use asset	2,576	2,443
Property, plant and equipment	**2,652**	**2,549**

Reconciliation of land and buildings

	2022 £ 000	2021 £ 000
Carrying amount at beginning of year	58	92
Depreciation	(13)	(34)
Carrying amount at end of year	**45**	**58**
Freehold land and buildings cost	923	923
Accumulated depreciation	(878)	(865)
Carrying amount at end of year	**45**	**58**

14 Property, plant and equipment (continued)

Reconciliation of plant and equipment

	2022 £ 000	2021 £ 000
Carrying amount at beginning of year	48	63
Depreciation	(17)	(15)
Carrying amount at end of year	**31**	**48**
Plant and equipment cost	2,772	2,772
Accumulated depreciation	(2,741)	(2,724)
Carrying amount at end of year	**31**	**48**

Reconciliation of right of use asset

	2022 £ 000	2021 £ 000
Carrying amount at beginning of year	2,443	3,696
Additions	3,292	1,614
Disposals	(1,618)	-
Depreciation	(3,159)	(2,867)
Depreciation eliminated on disposal	1,618	-
Carrying amount at end of year	**2,576**	**2,443**
Right of use asset cost	8,092	6,418
Accumulated depreciation	(5,516)	(3,975)
Carrying amount at end of year	**2,576**	**2,443**

15 Intangible assets

Reconciliation of other intangibles

	2022 £ 000	2021 £ 000
Carrying amount at beginning of year	1,183	1,561
Additions	96	-
Disposals	-	(3,254)
Amortisation	(307)	(378)
Amortisation eliminated on disposals	-	3,254
Carrying amount at end of year	**972**	**1,183**
Other intangibles cost	1,943	1,847
Accumulated amortisation	(971)	(664)
Carrying amount at end of year	**972**	**1,183**

16 Cash and cash equivalents

	30 June 2022 £ 000	30 June 2021 £ 000
Cash at bank	72,149	78,200
Cash and equivalents	**72,149**	**78,200**

17 Trade and other payables

	30 June 2022 £ 000	30 June 2021 £ 000
Current		
Trade payables	(12,803)	(11,408)
Amounts due to related parties	(31,650)	(6,953)
Construction contract liabilities	(20,347)	(13,308)
Retentions	(28,690)	(26,685)
Accrued expenses	(92,906)	(78,588)
Other payables	(12,420)	(18,742)
Lease liabilities	(2,408)	(1,957)
Current trade and other payables	**(201,224)**	**(157,641)**
Non current		
Other payables	-	28
Lease liabilities NC	(214)	(454)
Total trade and other payables	**(201,438)**	**(158,067)**

18 Provisions

	Loss provisions £ 000	Other £ 000	Total £ 000
Balance at 1 July 2021	(100)	(7,542)	(7,642)
Provisions made during the year	-	(5,139)	(5,139)
Provisions used during the year	1	7,542	7,543
Balance at 30 June 2022	(99)	(5,139)	(5,238)
Current liabilities	(99)	(5,139)	(5,238)

The loss provision is recognised for construction projects where it is probable that the total contract costs will exceed total contract revenue.

The other provision relates to construction remediation costs on legacy projects.

19 Contingencies

There are outstanding claims and exposures that arise in the normal course of business. There is significant uncertainty as to whether a future liability will arise in respect to these items. The amount of liability, if any, that may arise, cannot be measured reliably at this time. The directors are of the opinion that all known liabilities have been brought to account and that adequate provision has been made for any anticipated losses.

20 Issued capital

Allotted, called up and fully paid shares

	2022		2021	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	1	1	1	1

Rights, preferences and restrictions

Ordinary shares have the following rights, preferences and restrictions:
The holders of ordinary shares have the right to receive declared dividends from the Company and are entitled to one vote per share at meetings of the Company.

21 Leases

Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

	2022 £ 000	2021 £ 000
Less than one year	2,408	1,957
2 years	214	454
Total lease liabilities (undiscounted)	2,622	2,411

Total cash outflows related to leases

Total cash outflows related to leases are presented in the table below:

	30 June 2022 £ 000	30 June 2021 £ 000
Payment		
Right of use assets	2,439	3,112

22 Pension and other schemes

Defined benefit pension scheme

The Company participates in a group wide pension scheme (The Lend Lease UK Pension Scheme) providing benefits based on final pensionable pay, with the sponsor being Lendlease Construction Holdings (Europe) Limited.

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.

As required by IAS 19 'Employee benefits', the amount charged to the Statement of Profit or Loss and Other Comprehensive Income represents the contributions payable to the scheme in respect of the accounting period.

Further detailed information in respect of the Lend Lease UK Pension Scheme can be found in the financial statements of Lendlease Construction Holdings (Europe) Limited.

For the year ended 30 June 2022 the total Company contributions paid to the Defined Benefit Section of the Lend Lease UK Pension Scheme were £2.6m (2021: £2.7m).

23 Related party transactions

23.1 Summary of transactions with related parties

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:

	2022 £ 000	2021 £ 000
Sale of goods and services:		
Joint ventures	(809)	1,973
Total sale of goods and services	(809)	1,973
Purchase of goods and services:		
Joint ventures	(848)	(599)
Total purchase of goods and services	(848)	(599)

23 Related party transactions (continued)

23.2 Related party receivables

	2022 £ 000	2021 £ 000
Joint ventures	11	144
Total related parties receivables	11	144

23.3 Related party payables

	2022 £ 000	2021 £ 000
Total related party payables	-	-

24 Parent and ultimate parent undertaking

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

The ultimate parent is Lendlease Corporation Limited. The most senior parent entity producing publicly available financial statements 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 United Kingdom.

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.

25 Subsequent events

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