Registration number: 02594928

Lendlease Europe Holdings Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 30 June 2022

Lendlease Europe Holdings Limited

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Lendlease Europe Holdings Limited

Company Information

Directors	Neil Martin John Clark Elma Morris
Registered office	5 Merchant Square Level 9 London W2 1BQ
Auditor's	KPMG LLP Statutory Auditor 15 Canada Square London United Kingdom E14 5GL

Lendlease Europe Holdings Limited

Strategic Report for the Year Ended 30 June 2022

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

Principal activity
The principal activity of the Company is to act as a holding company for subsidiaries in the United Kingdom, Europe and Latin America (together the "Group"). The companies within the Group operate across three segments:

• The Investments segment comprises investment and asset management platforms and the Group's real estate investment portfolio.
• The Development segment is predominantly focused on the creation of mixed use precincts that comprise apartments, workplaces and associated leisure and entertainment amenities. The Group also develops outer suburban masterplanned communities.
• The Construction segment provides project management, design and construction services, predominantly in the commercial, residential, mixed use and social infrastructure sectors.

Business review
The Group recorded a loss after tax of (£221.5)m (2021: (£6.8)m loss) and finished the year with a net asset position of £207.7m (2021: £211.0m). This includes a £114m remediation provision booked following retrospective UK Government action and impairment of development property of £59.7m pre-tax.

The provision is a consequence of industry wide action by the UK Government. This action has retrospective effect by extending the period for defects liability from 6 years to 30 years and applying changes to building safety regulations for completed UK residential buildings. The Group has been in discussion with the UK Government on this matter.

The Government required Lendlease to sign a contract committing to remediate affected residential buildings or face significant trading restrictions in the UK property market. The liability primarily relates to buildings developed by Crosby entities, acquired by Lendlease in 2005. The Group signed the UK Government's developer remediation contract in March 2023 and remains in dialogue with the UK Government on this issue.

The Group expects that any cash expenditure relating to this provision will be spread across a period of five years depending on availability of supply chain to remediate across the industry. This estimate is before anticipated recoveries from third parties, including insurances and supply chain.

Development property impairment was made as a result of a business review undertaken in the year following the appointment of the new Global CEO of Lendlease Corporation Limited. As part of this exercise, a small number of projects were identified where a material change in development strategy was under consideration. This has resulted in a material change in development strategy for the Company which has resulted in a development properties impairment of £59.7m pre-tax.

As the UK economy has emerged from the pandemic it now faces the compounding impacts of Brexit and the war in Ukraine on supply chains and prices. These risks continue to be proactively managed by the Group.

These emerging geopolitical issues, lingering community health and social instability of the pandemic continued to impact the business in FY22 with ongoing challenging operating conditions.

Key events in the year include the following:

Investments
In the period Lendlease entered into a JV agreement with Canadian Pension Plan Investment Board (CPPIB) to develop 4 future commercial plots on the IQL South site at Stratford. Lendlease has sold down 50% of its interest in the plots to CPPIB.

Development
In December 2021, RealStar entered into an arrangement with Lendlease for the purchase of the 251 unit BTR apartments on Deptford Plot 4 on a forward funding basis, acquiring 100% interest.

In the Italian business, the first phase of the MIND Village, which sits within the Milano Innovation District was sold to an umbrella fund operated by asset management company REAM SGR.

Construction
During the year Lendlease secured 90 Long Acre (refurbishment of a commercial building) and two internal projects including The Turing Building (commercial building at the International Quarter London) and Deptford Plot 4 (residential building).

Projects Oxford House (sustainable office), St John's Manchester Goods Yard (commercial) and St John's Quarter Globe and Simpson (commercial) reached practical completion in FY22 and work commenced on 90 Long Acre and internal projects Elephant Park (Park & Sayer), The Turing Building and Deptford Plot 4.

The Group is well positioned to achieve improved operating returns in future years and is continuing to focus on its strategic agenda including growing the investment portfolio, conversion of the secured development pipeline to completion and securing new construction works. The Group finished the year with Funds Under Management of £1.1 billion, a development pipeline[1] of £28.7 billion and construction backlog revenue of £0.4 billion.

Principal risks and uncertainties
The Lendlease risk management approach recognises the nature and level of risk that the Group 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.

1. Remaining estimated development end value

	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.

The current situation in Russia/Ukraine has the potential to cause disruption in the transport and supply of materials. We are working with Group Supply Chain and Group Risk on actions and mitigations, as well as with our supply chain to identify any shortages or potential impacts. We continue to engage closely with our supply chain to understand general conditions, short and long term trends and business exposures.

Lendlease Europe Holdings Limited

Strategic Report for the Year Ended 30 June 2022 (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 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).

Employee engagement

The Lendlease Group strives to create an experience that's positive and rewarding for employees. To do this, we listen to our people and shape the cultural attributes we need to create the best places. To support this, the Group 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. The Group measures the effectiveness of our global, regional and team leaders (including the Directors of this Company) through Our People Survey, conducted annually.

Outlook
The Group enters the new financial year with significant operating momentum. While our integrated model enables a high degree of control regarding executing our strategy, we will be influenced by the external environment of higher inflation and interest rates. The Board will closely monitor these, including the potential impacts on our supply chain, broader inflation and implications for our products and services.

We remain true to our strategy, securing and converting projects and establishing new investment partnerships that are expected to contribute to the acceleration in development activity and grow our funds under management.

Approved by the Board on and signed on its behalf by:

....
John Clark
Director
30/03/2023

Lendlease Europe Holdings Limited

Directors' Report for the Year Ended 30 June 2022

The directors present their report and the consolidated financial statements for the year ended 30 June 2022.

Directors
The following persons held office as directors of the Company during the financial year:

Mark Packer (resigned 22 October 2021)

Neil Martin

Thomas Mackellar (resigned 22 October 2021)

Simon Brunning (resigned 4 April 2022)

John Clark (appointed 17 November 2021)

Elma Morris (appointed 24 May 2022)

Results
The Group recorded a loss after tax of (£221.5)m (2021: (£6.8)m loss).

Dividends

During the year, a dividend of £nil (2021: £nil) was paid to the parent company. The directors do not recommend the payment of a final dividend.

Political donations
The Group made no political donations or incurred any political expenditure during the year (2021: £Nil).

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

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

Employee engagement
The Lendlease Group strives to create an experience that's positive and rewarding for employees. To do this, we listen to our people and shape the cultural attributes we need to create the best places. To support this, the Group 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. The Group measures the effectiveness of our global, regional and team leaders (including the Directors of this Company) through Our People Survey, conducted annually.

Value Creation

The Lendlease Group measures success by the positive outcomes we generate over the long term through five focus areas. 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 five focus areas of value creation:

• **Health and Safety** - Lendlease is committed to the safety of our people and those who interact with our assets and sites. Through our Global Minimum Requirements (GMRs) we operate to a consistent standard across all operations. These GMRs extend to physical safety and people's mental health and well being

• **Financial** - We deliver returns to our securityholders and adopt a prudent approach to capital management with a view to maintaining a strong balance sheet throughout market cycles.

• **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 embeddeding a process of continuous improvement based on customer insights and actions identified through market research.

• **Our People** - Lendlease 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.

• **Sustainability** - Lendlease designs, delivers and operates buildings and precincts that respond to the immediate challenge of reducing carbon emissions while creating social value. We aim to meet the increasing expectations of key stakeholders for climate resilient assets that support human health and value natural capital.

Financial risk management

Information about the Group's financial risks, the Group's objectives, policies and processes for measuring and managing financial risk are detailed in note 29 to the financial statements.

Streamlined Energy and Carbon Reporting (SECR)

This statement has been prepared in accordance with our regulatory obligation to report greenhouse gas (GHG) emissions pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 which implement the government's policy on Streamlined Energy and Carbon Reporting. This statement covers measured emissions from all real estate assets and operations held by entities consolidated under Lendlease Europe Holdings Limited. We note that in the prior year's disclosure we reported over an extended 15-month period, 1 April 2020 - 30 June 2021 in order to align our Energy & Carbon statement with the end of our financial reporting period which runs from 1 July to 30 June. In the current year our reporting period covers the 12 months 1 July 2021 - 30 June 2022. Please note that in order to generate a more meaningful comparison ("like with like"), the discussion of the energy and carbon measures within the 'annual progress update' specifically compares the current 12-month period with the prior 12-month period (1 July 2020 - 30 June 2021) unless stated otherwise.

1. <u>Reported Emissions</u>

During the reporting period 1 July 2021 to 30 June 2022, our measured energy and carbon emissions associated with our UK operations is set out in Table 1.

Further details of environmental reporting can be found within Lendlease's FY22 Lendlease ESG Databook, published via Lendlease's website . The Databook provides an aggregated view of environmental, social and governance (ESG) impacts and performance by region and business line for the financial year ending 30 June 2022 with FY18 through FY21 historical data, where available.

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

	2022 1 July 21 - 30 June 22	2021 1 April 20 - 30 June 21* *(15 month extended period)
	UK Total (tCO2)	**UK Total (tCO2)**
Scope 1		
Natural Gas and Fuels	918.00	1,593.89
Scope 2		
Scope 2 (Location-Based)	184.00	1,024.62
Scope 3		
Business travel – rental cars or reimbursed mileage	7.29	62.34

	2022 1 July 21 - 30 June 22	2021 1 April 20 - 30 June 21* *(15 month extended period)
	UK Total (tCO2)	**UK Total (tCO2)**
Scope 1 & 2		
Scope 1 & 2 intensity per sqm2 – Location-Based	0.0055	0.0032

During the year, the total fuel and electricity consumption within UK operations totalled 27,517 MWh. The split between fuel and electricity consumption is displayed below.

Energy consumption (kWh)	2022* 1 July 21 - 30 June 22	2021 1 April 20 - 30 June 21* *(15 month extended period)
Electricity	17,248,282	25,170,934
Fuels[1]	10,268,724	7,339,565

[1] Natural Gas, LPG, Petrol, HVO and Diesel

2. Annual Progress Update

2.1 Group Carbon Target
The Lendlease Group is targeting an industry leading 1.5 degree aligned target which states the ambition of being net zero carbon (Scopes 1 and 2) by 2025 and to be absolute zero carbon (Scope 1, 2 and 3) by 2040, without the use of offsets. These are collectively termed Lendlease's Mission Zero. From 30th September 2021, Lendlease Europe Holdings Limited will be required to prepare a Carbon Reduction Plan when bidding for government works, including compliance with the standards as set out in PPN 06/21. During the current period, for the first time, the construction business bought carbon offsets to net emissions produced during FY22 to zero (559tCO2)

2.2 Scope 1
Driven by Mission Zero, Lendlease Europe Holdings Limited implemented its Alternative Fuels Policy, meaning that from 1st January 2022 Lendlease will no longer accept liquid fossil fuels on any of our construction projects, with the exception of existing projects that are subject to contractual restrictions. As a result, Scope 1 related carbon emissions associated with fossil fuel usage across Lendlease Europe construction sites reduced by 65% compared to last year, despite an increase in construction activity that saw total fuel usage increasing by over 50% .

This has primarily been achieved by switching traditional diesel for low carbon alternatives, such as Hydrotreated Vegetable Oil (HVO), a renewable diesel derived from used cooking oil, as well as the electrification of plant and machinery where possible. In our most recent reporting period, 77% of our fuel use was renewable, compared to just 7% in the previous year.

In addition to switching to renewable fuels, in partnership with Bramble Energy, Lendlease Europe Holdings Limited have also commenced a series of trials using Hydrogen Fuel to supplement traditional means of power at the Camden Town Hall Refurbishment Project. The hydrogen trials have been focused on powering the sites temporary CCTV security system and powering the sites environmental monitors - dust, vibration and noise.

Within the Investment Management business, the disposal of two retail assets also reduced the gas consumption during FY2022 in comparison to FY2021.

In the run up to 2025, zero carbon audits will be undertaken for assets that have a gas supply to identify electrification opportunities that will allow us to decarbonize those properties. These options will then be built into business plans to ensure works are budgeted and carried out at the most appropriate point in a property's lifecycle.

2.3 Scope 2
A drop in Scope 2 emissions of over 82% compared to the prior reporting period has been achieved. This is, in part, credited to the difference in period lengths and the disposal of our retail assets. However, work has taken place to switch all construction and asset operations onto REGO backed renewable electricity tariffs. In FY 2022, 97% of electricity consumed was via a renewable tariff, with 78% in the UK via 'clean' renewable tariffs, where electricity is only produced from UK wind, solar or tidal energy.

2.4 Scope 3 Upstream
A new methodology to estimate Scope 3 emissions was implemented this year. Scope 3 emissions represents 99% of the total FY2022 carbon footprint. Of that, 96% is estimated to be from the embodied carbon associated with the material that go into new developments. Throughout 2022, a process was undertaken to embed carbon metrics within the commercial appraisals for development projects to better understand the potential carbon liabilities. Going forward this will provide the opportunity to run scenario analysis to better forecast the carbon profile of the development pipeline, assess potential costs and identify where strategic supply chain engagement could be most impactful.

At a project level the Lendlease Whole Life Carbon Brief is used to capture, calculate and present whole life carbon data for development in a consistent manner and identify improvement opportunities. Examples include assessing the use of cross-laminated timber, low carbon steel and increased recycled content in other materials in order to reduce Scope 3 emissions.
Lendlease Europe Holdings Limited was the first property / construction company to sign up to Responsible Steel and Steel Zero advocacy initiatives and continue to support industry initiatives that use the collective purchasing power and influence of organisations to drive market transformation.

2.5 Scope 3 Downstream
Downstream Scope 3 emissions are produced from the energy used by commercial, residential and retail tenants. Where tenants are responsible for purchasing their own utilises, work is undertaken to try to gain an accurate account of the total energy consumed.

In FY 2022, new electricity metering upstream of apartment billing meters were installed at two Build-to-Rent properties at Elephant Park to capture aggregate energy consumption by use class covering residential, retail and landlord. Such an approach provides absolute anonymity to customers but provides a whole building overview of consumption which, in turn, can be used to support efficient management, as well as provide invaluable feedback to the design teams of our future developments.

2.6 Advocacy
Through the initiatives outlined above, Lendlease Europe Holdings Ltd. continue to play its part towards the Lendlease Group Mission Zero targets. The company is a signatory to the Better Buildings Partnership (BBP) Climate Commitment and the World Green Building Council (WGBC) Net Zero Carbon Buildings Commitment. Most notably in the last year, four members of the company's Regional Leadership Team, including the CEO and CFO, participated COP26 events to share learnings and raise awareness of the action that the industry must take to overcome barriers to decarbonisation.

3. Methodology

This statement has been prepared using the 2013 UK Government environmental reporting guidance. We have used UK Government GHG Conversion Factors for Company reporting as published by the Department of Environment, Food and Rural Affairs.

GHG emissions are collected and calculated using our internal FOOTPRINT system. This system is in alignment with the World Resources Institute's Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. The company's organisational boundary is set according to the operational control approach, which includes all construction, development, investment management and direct tenancy operations. Details of operational details and calculation methodologies are published with Lendlease's annual Global Sustainability Framework Environmental Data and Summary of Basis of Preparation Summary, available via Lendlease's website.

For assets where there is operational control, but a financial equity share exists, emissions associated with the percentage equity share of the asset in question is reported. Raw environmental data is collected from sites/operational areas by local teams and inputted into the FOOTPRINT system. This raw data is then converted into emissions (tCO2e) using the UK conversion factors for company reporting of greenhouse gas emissions. On occasions where data cannot be obtained directly through meter readings or invoicing then estimates are made in the interim until this can be provided using historical consumption data and trend analysis. All Scope 1 and 2 carbon emissions data on FOOTPRINT and have undergone limited assurance by an external third party, KPMG, to standard ASAE3000.

The GHG sources that constituted our operational boundary for the year are:

• **Scope 1:**
o Natural Gas combustion
o Diesel and Petrol combustion
o LPG combustion
o HVO (Hydrotreated Vegetable oil) combustion
• **Scope 2:**
o Electricity
• **Scope 3:**
o Purchased Goods & Services
o Fuel & Energy Related Activities
o Upstream Transport & Distribution
o Waste Generated in Operations
o Business Travel
o Downstream Leased Assets

In preparation of our Scope 3 reporting boundary the business has undertaken a review of activities against the Greenhouse Gas Reporting Protocol, Corporate Value Chain (Scope 3) Accounting and Reporting Standard. Details regarding our Scope 3 reporting boundary is shown in Appendix 1 of our FY22 Environmental Data Summary Basis of Preparation.

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 Group'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 Group's auditor is aware of that information.

Reappointment of auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board on and signed on its behalf by:

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John Clark
Director
30/03/2023

5 Merchant Square
Level 9
London
W2 1BQ

Lendlease Europe Holdings Limited

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law the directors have elected to prepare both the Group and the parent Company financial statements in accordance with UK-adopted international accounting standards and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgements and estimates that are reasonable, relevant and reliable;

- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;

- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

- assess the Group and parent 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 Group or the parent 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 parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent 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 Group and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Lendlease Europe Holdings Limited

Opinion
We have audited the financial statements of Lendlease Europe Holdings Limited (the "Group") for the year ended 30 June 2022, which comprise the Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Financial Position, Company Statement of Changes in Equity, and Notes to the Financial Statements, including a summary of significant accounting policies in note 3.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 June 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements 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 Group 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 Group or the Company or to cease their operations, and as they have concluded that the Group and 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 their 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 Group's business model and analysed how those risks might affect the Group and 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 Group or 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 Group or the Company will continue in operation.

Independent Auditor's Report to the Members of Lendlease Europe Holdings 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 such as contract forecast cost and resulting revenue estimates for contracts.

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.
- 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, 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 Group 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.

Secondly, the Group 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 Group's activities. 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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 Europe Holdings Limited (continued)

Directors' responsibilities

As explained more fully in their statement set out on page 15, 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 Group and parent 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 Group or the parent 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 is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Malcolm Footer

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

Date:...30 March 2023..

Lendlease Europe Holdings Limited

Consolidated Statement of Profit or Loss for the Year Ended 30 June 2022

	Note	2022 £ 000	2021 £ 000
Revenue	4	802,183	763,835
Cost of sales		(736,602)	(738,177)
Gross profit		**65,581**	**25,658**
Other expenses and income	5	(4,308)	50,415
Administrative expenses		(203,460)	(74,398)
Impairment		(61,911)	-
Results from operating activities	6	**(204,098)**	**1,675**
Finance income	7	2,497	3,083
Finance costs	7	(38,736)	(38,473)
Net finance cost		**(36,239)**	**(35,390)**
Share of profit of equity accounted investments	15	9,944	13,036
Loss before tax		**(230,393)**	**(20,679)**
Income tax credit	11	8,908	13,920
Loss after tax		**(221,485)**	**(6,759)**
Profit/(loss) attributable to:			
Owners of the Company		(221,485)	(6,761)
Non-controlling interests share of profit or loss		-	2
Total comprehensive loss after tax		**(221,485)**	**(6,759)**

The above results were derived from continuing operations.

The notes to and forming part of these financial statements are set out on pages 29 to 101.

Lendlease Europe Holdings Limited

Consolidated Statement of Comprehensive Income for the Year Ended 30 June 2022

	Note	2022 £ 000	2021 £ 000
Loss for the year		(221,485)	(6,759)
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post employment benefit obligations (net)	23	23,151	4,569
Items that may be reclassified subsequently to profit or loss			
(Loss)/gain on cash flow hedge (net)		691	(62)
Foreign currency translation gains/(losses)		(5,638)	(4,912)
		(4,947)	(4,974)
Total loss for the year		(203,281)	(7,164)
Total comprehensive income attributable to:			
Owners of the company		(203,281)	(7,166)
Non-controlling interests share of profit or loss		-	2
		(203,281)	(7,164)

The notes to and forming part of these financial statements are set out on pages 29 to 101.

Lendlease Europe Holdings Limited

Consolidated Statement of Financial Position as at 30 June 2022

	Note	2022 £ 000	2021 £ 000
Non current assets			
Trade and other receivables	17	123,345	120,049
Inventories	16	236,699	332,551
Equity accounted investments	15	337,477	220,087
Investment properties	14	64,206	63,640
Deferred tax asset	11	108,765	88,943
Property, plant and equipment	12	9,244	7,493
Intangible assets	13	121,240	121,607
Defined benefit plan asset	23	160,900	126,862
Total non current assets		**1,161,876**	**1,081,232**
Current assets			
Inventories	16	321,958	335,500
Trade and other receivables	17	251,110	174,658
Income tax asset		951	9,273
Cash and cash equivalents	18	57,454	69,779
Other financial assets		18	107
Total current assets		**631,491**	**589,317**
Total assets		**1,793,367**	**1,670,549**
Non current liabilities			
Trade and other payables	20	(80,586)	(32,016)
Provisions	26	(104,889)	(23,780)
Borrowings	21	(13,422)	(3,732)
Other financial liabilities		(351)	(842)
Deferred tax liabilities	11	(65,848)	(49,087)
Total non current liabilities		**(265,096)**	**(109,457)**
Current liabilities			
Trade and other payables	20	(1,188,412)	(1,300,000)
Provisions	26	(131,836)	(49,865)
Borrowings	21	(310)	(140)
Other financial liabilities		-	(93)
Total current liabilities		**(1,320,558)**	**(1,350,098)**
Total liabilities		**(1,585,654)**	**(1,459,555)**
Net assets		**207,713**	**210,994**

Lendlease Europe Holdings Limited

Consolidated Statement of Financial Position as at 30 June 2022 (continued)

	Note	2022 £ 000	2021 £ 000
Equity			
Share capital	19	411,532	211,532
Foreign currency translation reserve		(1,018)	4,620
Minority acquisition		(9,615)	(9,615)
Hedging reserve		(243)	(934)
Other reserves		18,432	(4,719)
Retained earnings		(211,377)	10,108
Equity attributable to owners of the Company		**207,711**	**210,992**
External non-controlling interests		2	2
Total equity		**207,713**	**210,994**

The notes to and forming part of these financial statements are set out on pages 29 to 101.

Approved by the Board on 30/03/2023 and signed on its behalf by:

....

John Clark
Director

Company Registration Number: 02594928

Lendlease Europe Holdings Limited

Company Statement of Financial Position as at 30 June 2022

	Note	2022 £ 000	2021 £ 000
Non current assets			
Investments	15	606,964	663,477
Deferred tax assets	11	11,692	11,572
Total non current assets		**618,656**	**675,049**
Current assets			
Cash and cash equivalents	18	-	17,265
Trade and other receivables	17	925,670	748,315
Other financial assets		14	-
Total current assets		**925,684**	**765,580**
Total assets		**1,544,340**	**1,440,629**
Non current liabilities			
Trade and other payables	20	(1,900)	(1,900)
Non current liabilities		**(1,900)**	**(1,900)**
Current liabilities			
Trade and other payables	20	(1,376,530)	(1,256,363)
Other financial liabilities		-	(91)
Current tax payable		(3,668)	(8,210)
Bank overdraft	18	(17,999)	-
Current liabilities		**(1,398,197)**	**(1,264,664)**
Total liabilities		(1,400,097)	(1,266,564)
Net assets		**144,243**	**174,065**
Equity			
Share capital	19	411,532	211,532
Retained earnings		(267,289)	(37,467)
Total equity		**144,243**	**174,065**

The notes to and forming part of these financial statements are set out on pages 29 to 101.

Approved by the Board on 30/03/2023 and signed on its behalf by:

....

John Clark

Director

Company Registration Number: 02594928

Lendlease Europe Holdings Limited

Consolidated Statement of Changes in Equity for the Year Ended 30 June 2022

	Share capital £ 000	Foreign currency translation reserve £ 000	Minority acquisition £ 000	Hedging reserve £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000	Non-controlling interest £ 000	Total equity £ 000
At 1 July 2021	211,532	4,620	(9,615)	(934)	(4,719)	10,108	210,992	2	210,994
Loss for the year	-	-	-	-	-	(221,485)	(221,485)	-	(221,485)
Effective cash flow hedges	-	-	-	691	-	-	691	-	691
Effects of foreign exchange movements	-	(5,638)	-	-	-	-	(5,638)	-	(5,638)
Defined benefit plans remeasurements	-	-	-	-	23,151	-	23,151	-	23,151
Total comprehensive income	-	(5,638)	-	691	23,151	(221,485)	(203,281)	-	(203,281)
New share capital subscribed	200,000	-	-	-	-	-	200,000	-	200,000
At 30 June 2022	**411,532**	**(1,018)**	**(9,615)**	**(243)**	**18,432**	**(211,377)**	**207,711**	**2**	**207,713**

Lendlease Europe Holdings Limited

Consolidated Statement of Changes in Equity for the Year Ended 30 June 2022 (continued)

	Share capital £ 000	Foreign currency translation reserve £ 000	Minority acquisition £ 000	Hedging reserve £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000	Non-controlling interests £ 000	Total equity £ 000
At 1 July 2020	211,532	9,532	(9,615)	(872)	(9,288)	16,869	218,158	-	218,158
(Loss)/profit for the year	-	-	-	-	-	(6,761)	(6,761)	2	(6,759)
Effective cash flow hedges	-	-	-	(62)	-	-	(62)	-	(62)
Effects of foreign exchange movements	-	(4,912)	-	-	-	-	(4,912)	-	(4,912)
Defined benefit plan remeasurements	-	-	-	-	4,569	-	4,569	-	4,569
Total comprehensive income	-	(4,912)	-	(62)	4,569	(6,761)	(7,166)	2	(7,164)
At 30 June 2021	**211,532**	**4,620**	**(9,615)**	**(934)**	**(4,719)**	**10,108**	**210,992**	**2**	**210,994**

Lendlease Europe Holdings Limited

Consolidated Statement of Cash Flows for the Year Ended 30 June 2022

	Note	2022 £ 000	2021 £ 000
Cash flows from operating activities			
Loss for the year		(221,485)	(6,759)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	6	7,170	9,646
Gain on disposal of subsidiary		4,430	(27,645)
Loss/(profit) on disposal of property plant and equipment		1	(3,251)
Foreign exchange (gain)/loss	6	(3,628)	4,509
Impairment of JVs adjustment		61,911	62
Share of profit/(loss) of equity accounted investments		(9,944)	(13,036)
Gain on bargain purchase		-	(17,304)
Fair value (gain)/loss on investment property		-	(2,170)
Net interest		36,240	35,390
Pension expense		(1,014)	(939)
Income tax expense		(8,909)	(13,920)
		(135,228)	(35,417)
Working capital adjustments			
(Increase)/decrease in trade and other receivables	17	(77,427)	123,572
Decrease in inventories	16	2,391	36,981
(Decrease)/increase in trade and other payables	20	(22,071)	105,313
Increase in provisions	26	238,656	39,808
Cash generated from operations		6,321	270,257
Interest received		483	1,168
Interest paid		(880)	(559)
Income tax paid		3,958	(6,384)
Dividends received		9,107	905
Pension contribution		-	(14,397)
Net cash flow generated from from operating activities		18,989	250,990
Cash flows from investing activities			
Disposal of consolidated entities (net of cash disposed and transaction costs)		22,273	39,525
Acquisition of investments		(44,949)	(101,462)
Acquisition of subsidiary		-	(29,900)
Acquisition of property, plant and equipment		(6,460)	(424)
Acquisition of intangible assets		(195)	(75)
Net loans from/(to) associates and joint ventures		155,658	(136,684)
Net cash flow generated from/(used in) investing activities		126,327	(229,020)

Lendlease Europe Holdings Limited

Consolidated Statement of Cash Flows for the Year Ended 30 June 2022 (continued)

	Note	2022 £ 000	2021 £ 000
Cash flows from financing activities			
Proceeds from other borrowing draw downs		769,151	93,272
Repayment of other borrowing		(924,913)	(155,347)
Repayment of lease liabilities		(1,122)	(5,024)
Net cash flow used in financing activities		(156,884)	(67,099)
Net decrease in cash and cash equivalents		(11,568)	(45,129)
Cash and cash equivalents at 1 July		69,779	120,336
Effect of exchange rate fluctuations on cash held		(757)	(5,428)
Cash and cash equivalents at 30 June		57,454	69,779

The notes to and forming part of these financial statements are set out on pages 29 to 101.

1. In the year, IQL South Holdings Trust, divested 50% of its interest in IQL Office LP for a total consideration of £53.9m, of which £23.6m was received by 30 June 2022. Total net assets over which control was lost totalled £53.8m.

In the prior year, Lendlease Europe Holdings, via Lendlease Renaissance 1 Investment (Europe) Limited, divested 50% of its interest in the Renaissance Fund for a total consideration of £118.2m, of which £31.5m was received by 30 June 2021. Total cash and cash equivalents disposed was £0.2m. Total net assets over which control was lost totalled £89.6m, all of which related to inventories. The remainder of the balance relates to £8m E&C LRIP receipt.

2. In the prior year, a net payment of £29.9m is included in the acquisition of investments (£42.1m for the purchase of London Continental Railway's interest in IQL Investments LLP offset by £12.2m being the value of Lendlease's interest in IQL Investments LLP).

Lendlease Europe Holdings Limited

Company Statement of Changes in Equity for the Year Ended 30 June 2022

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 July 2021	211,532	(37,467)	174,065
Loss for the year	-	(229,822)	(229,822)
Total comprehensive income	-	(229,822)	(229,822)
New share capital subscribed	200,000	-	200,000
At 30 June 2022	**411,532**	**(267,289)**	**144,243**

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 July 2020	211,532	24,072	235,604
Loss for the year	-	(61,539)	(61,539)
Total comprehensive income	-	(61,539)	(61,539)
At 30 June 2021	**211,532**	**(37,467)**	**174,065**

The notes to and forming part of these financial statements are set out on pages 29 to 101.

1 General information

Lendlease Europe Holdings Limited ("the Company") is a private company limited by share capital incorporated and domiciled in United Kingdom. The company registration number is 02594928.

The consolidated financial statements of the Company for the financial year ended 30 June 2022 comprises the Company and its controlled entities (together referred to as "the Group").

The address of the Company's registered office is:
5 Merchant Square
Level 9
London
W2 1BQ
United Kingdom

The principal activities of the Company and its subsidiaries are described in the Strategic report.

2 Basis of preparation

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards ("Adopted IFRSs"). The Company has elected to prepare its parent company financial statements in accordance with FRS 101.
On publishing the parent company financial statements here together with the group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements. The Company's accounting policies are consistent with those described in the Group's consolidated financial statements.
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

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.

The financial statements have been prepared under the historical cost basis. Amounts are presented in pounds sterling, with all values rounded to the nearest thousand pounds unless otherwise indicated.

2 Basis of preparation (continued)

Basis of consolidation
The Group consolidation comprises all subsidiaries controlled by the Company.

Control exists when the Company has the power to direct the relevant activities such as key operating, financial and investing decisions; has exposure or rights to variable returns from its involvement with the investee such as dividends, loans and fees; and has the ability to use its power over the investee to affect the amount of returns. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. Management uses accounting judgement in determining whether the Group controls an entity by applying the above control criteria and reviewing the substance of its relationship with the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies with adjustments made to bring into line any dissimilar accounting policies that may exist. External non controlling interests are allocated their share of total comprehensive income and are presented within equity in the consolidated Statement of Financial Position, separately from the equity of shareholders.

Intragroup balances and transactions, and any unrealised gains or losses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Investments in subsidiaries are carried at their cost of acquisition less impairments in the Company's financial statements.

As a result of being dealt with on a consolidated basis in the Group's accounts, the following partnerships have taken advantage of the exemption in Part 2 Regulation 7 of the Partnerships (Accounts) Regulations 2008:
LRIP LP
LRIP E&C H4 LP
LRIP E&C H5 LP
LRIP 2 LP
LRIP E&C H7 LP
LRIP E&C H11a LP
Preston Tithebarn Partnership
The Timberyard Plot 2 Limited Partnership.

No income statement is presented for the Company as permitted by section 408 of the Companies Act 2006. The Company made a loss before tax for the financial year of (£229.8m) (2021 - loss of (£61.5m).

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.

2 Basis of preparation (continued)

Change in accounting policy
The Company has adopted the following IFRSs in these financial statements:

Amendments to IFRS 9: Interest Rate Benchmark Reform has been adopted from 1 July 2021. The Phase 2 has been applied retrospectively, however, in accordance with the exceptions permitted in the Phase 2 amendments, the Company has elected not to restate comparatives for the prior periods to reflect the application of these amendments. Since the Company has no transactions for which the benchmark rate had been replaced with an alternative benchmark as at 30 June 2021, there is no impact on the opening equity balances as a result of retrospective application.

Under Phase 2 of the amendments, the Company has taken a practical expedient that enables them to update the accounting for its cash flow hedge. This expedient can be applied as the change in contractual cash flows is necessary as a direct consequence of the reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

The Company has engaged in a cash flow hedge to hedge of the interest rate risk arising from paying interest at variable interest rates. The Interest rate risk (time-period related) arises from highly probable interest rate payments forecast to be paid in accordance with the facility agreement. These interest payments are made on a quarterly basis. The risk that is being hedged is the variability in interest payments on the borrowings due to changes in the SONIA Rate. Interest is charged quarterly under the borrowing agreement at a rate of SONIA + CAS + 0.90% and has been fixed via the use of the interest rate swap at a rate of 5.5%.

The Group Treasury Policy sets that the maturity profile of the hedge needs to align to the maturity profile of the exposure being hedge. The company notes that this is matched as hedge ratio is set at 1:1, i.e. the notional of the hedging instrument cannot be greater than 100% of the notional debt value therefore this hedging instrument follows this requirement. The facility was amended from 1st January 2022 to include a mechanism to switch the base rate from LIBOR to SONIA due to the phasing out of LIBOR at the end of 2021 therefore has fully transitioned to amendments to IFRS 9 as at 30 June 2022.

2 Basis of preparation (continued)

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

Notwithstanding a loss after tax of (£221.5m) as at 30 June 2022, 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 Group and parent Company for a period of at least 12 months from the date of approval of these financial statements.

The Directors have considered the liquidity of the Group and parent Company going forward including taking into account reasonably possible downsides and including the impact of items disclosed in Note 32 of these financial statements and have deemed that based on the forecasts available and indications of intent from the parent company, as evidenced by the letter of support, they believe that the Group and parent 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.

Lendlease International Pty Limited 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 Lendlease International Pty Limited or the Company ceases to be part of the group headed by Lendlease Corporation Limited, to enable the Company to trade, and not to call for settlement of amounts owing to Lendlease Corporation Group where to do so would place the Company in an insolvent position. 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.

Consequently, the directors are confident that the Group and parent 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, in particular provisions and contingent liabilities, 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
Provision of services

Construction services include project management, design and construction services predominantly in the infrastructure, defence, mixed use, commercial and residential sectors. Development services include development fees earned on development of inner city mixed use developments, retirement, retail, commercial assets and social and economic infrastructure.

Contracts with customers to provide Construction or Development services can include either one performance obligation or multiple integrated performance obligations within each contract. The Group 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 Group 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.

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.

3 Accounting policies (continued)

Provision of investment services

Investment services include funds management, asset management, leasing and origination services.

Each contract with a customer to provide investment services is one performance obligation with revenue recognised over time as services are rendered. Typically, our performance obligation is to manage a client's capital and/or property for a specified period of time and is delivered as a series of daily performance obligations over time.

The transaction price for each contract may include variable consideration in the form of performance fees. 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 Group assesses probability of receiving variable consideration using a combination of commercial and market factors, and historical experience. Revenue is invoiced either monthly or quarterly based on the terms of each individual contract. Invoices are issued under commercial payment terms which is typically 30 days from when an invoice is issued.

Revenue is invoiced either monthly or quarterly based on the terms of each individual contract. Invoices are issued under commercial payment terms which is typically 30 days from when an invoice is issued.

Revenue from the sale of development properties

The Group develops and sells residential land lots and built form products, including residential apartments, commercial and retail buildings. Sale of residential land lots and apartments typically contain one component and are recognised at a point in time with each contract treated as a single performance obligation to transfer control of an asset to a customer. Residential land lots and apartments are recognised on settlement with the customer.

The sale of retail, commercial and mixed use assets may include land, construction, development management and investment service components. Where there are multiple components within one contract, the transaction price is allocated based on the stand-alone selling prices of each component, typically using the residual approach, and revenue is recognised based on the policies noted above. Sales of commercial and retail buildings are recognised when the customer obtains control of the asset based on the specific terms and conditions of the sales contract.

The Group discounts deferred proceeds to reflect the time value of money where the period between the transfer of control of a development property and receipt of payment from the customer exceeds one year. Deferred proceeds from customers are recognised in trade and other receivables where the right to receive payment is unconditional. Deposits received in advance from customers are recognised as a contract liability until the performance obligation has been met.

The measurement and recognition of revenue from the sale of development properties is an area of accounting judgement as it requires management to exercise judgement in valuing the individual components of a development property sale, given the due consideration to cost inputs, market conditions and commercial factors.

Proceeds from the sale of residential land lots and apartments are received upon settlement, which will typically occur between 6-12 weeks following practical completion on the asset. Proceeds from the sale of retail, commercial and mixed use assets are received in accordance with the specific terms of each contract.

3 Accounting policies (continued)

Rental revenue

Rental revenue, including lease incentives granted, is recognised in the Statement of Profit or Loss on a straight line basis over the term of the lease.

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.

Net gains and losses on sale/transfer of investments, including consolidated entities and equity accounted investments, are recognised when an unconditional contract is in place.

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 Group recognises an accrued liability for the amount expected to be paid.

Share based compensation

The Group participates in equity settled share based compensation plans. Shares are issued in the Company's ultimate parent, Lendlease Corporation Limited (LLC), and are treated as cash settled in the Company's accounts. The fair value of the equity received in exchange for the grant is recognised as an expense and a corresponding related party liability due to LLC is recorded. The total amount to be expensed over the vesting period is determined by reference to the fair value of the securities granted.

The fair value is primarily determined using a Monte-Carlo simulation model. Management considers the fair value assigned to be an area of estimation uncertainty as it requires judgements on LLC's security price and whether vesting conditions will be satisfied.

At each Statement of Financial Position date, the entity revises its estimates of the entitlement due. It recognises the impact of revision of original estimates, if any, in the Statement of Profit or Loss and a corresponding adjustment to related party payables. Changes in the entitlement for equity settled share based payment plans are not recognised if they fail to vest due to market conditions not being met.

3 Accounting policies (continued)

Defined contribution pension obligation

Employees of the Group are entitled to benefits on retirement from the Group's pension scheme. The majority of employees are party to a defined contribution plan and receive fixed contributions from the Group. A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and the Group 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.

Defined benefit pension obligation

The Group participates in a group pension scheme providing benefits based on final pensionable pay. The plans are generally funded through payments to insurance companies or trustee-administered funds as determined by periodic actuarial calculations. 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 losses/(gains) will arise where there is a difference between previous estimates and actual experience, or a change to assumptions in relation to demographic and financial trends. These actuarial losses/(gains) are recognised in the period they occur, directly in other comprehensive income as remeasurements. They are included in retained earnings in the Statement of Changes in Equity and in the Statement of Financial Position.

Past service costs, administrative expenses and net interest of the Scheme are recognised immediately in the Statement of Profit or Loss.

3 Accounting policies (continued)

Impairment

The carrying amounts of the Group'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 (other than goodwill) 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 on owned assets is charged to the Statement of Profit or Loss on a straight line basis over the estimated useful lives of items of property, plant and equipment. 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 three to 15 years, motor vehicles over four to eight years and computer equipment over three years.

Right-of-use assets are depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Leases

As a lessee, the Group 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 Group assesses whether:

- The contract involved the use of an identified asset;
- The Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group 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 Group has elected not to separate non-lease components and account for the lease and non-lease component as a single lease component.

The Group'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 Group is potentially exposed that are not reflected in the measurement of lease liabilities, and there are no material restrictions or covenants imposed by the Group's leases.

3 Accounting policies (continued)

Measurement

The Group 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 Group's incremental borrowing rate is used. Generally, the Group 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 Group, 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-uses 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 income 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.

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 goodwill, 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 Group. 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.

3 Accounting policies (continued)

Foreign currency transactions and balances
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial report is presented in British pounds, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into British pounds using the exchange rate on the date of the transactions. Assets and liabilities denominated in foreign currencies are translated to British pounds at balance date. Foreign exchange gains or losses resulting are recognised in the Statement of Profit or Loss for monetary assets and liabilities such as receivables and payables, except for qualifying cash flow hedges that are recognised in other comprehensive income.

Group Entities
The results and Statement of Financial Position of all Group entities that are not presented in British Pounds (none of which are hyperinflationary economy) are translated as follows:

- Revenue and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of transaction rate, in which case revenue and expenses are translated at the date of the transactions);
- Assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at balance date; and
- All resulting exchange differences are recognised in other comprehensive income, in the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment
Property, plant and equipment is 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 Group 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.

3 Accounting policies (continued)

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Company.

The Company measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. Any contingent consideration payable is recognised at fair value at the acquisition date. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as 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. Computer software development costs recognised as assets are amortised over their estimated useful lives (3 to 5 years).

Goodwill on acquisition of subsidiaries is included in intangible assets as goodwill. Goodwill on acquisition of associates is included in the carrying value of investments in associates.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is not amortised. Gains and losses on the disposals of an entity include the carrying amount of goodwill relating to the entity sold.

For the purposes of impairment testing, goodwill is allocated to cash generating units (CGUs) (or groups of CGUs), that are expected to benefit from the business combination in which the goodwill arose. CGUs are an identifiable group of assets that generate cash associated with the goodwill. Management consider this is an area of estimation uncertainty as these calculations involve an estimation of the recoverable amount of the CGU to which the goodwill is allocated. The Construction CGU uses the value in use basis, which requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the recoverable amount.

3 Accounting policies (continued)

Investment property

Investment properties on initial recognition are measured at cost, including transaction costs and subsequently stated at fair value. The fair value for all properties, except those under construction, is based on periodic, but at least triennial, valuations by qualified external independent valuers. It is the policy of the Group to review the fair value of each property every 6 months.

Fair value is based on current prices in an active market for similar properties in the same location and condition. If this information is not available, the Group uses alternative calculation methods such as discounted cash flow projections, recent prices on less active markets or capitalised income projections. Capitalised income projections are based on perpetuity of net operating income and deferred management fees using a capitalisation rate derived from market evidence. Any gain or loss arising from a change in fair value is recognised in the Statement of Profit or Loss.

Management considers the calculation of the fair value to be an area of estimation uncertainty. While this represents the best estimation of fair value at the reporting date, actual sale prices achieved (should the investment properties be sold) may be higher or lower than the most recent valuation. This is particularly relevant in periods of market illiquidity or uncertainty.

Rental revenue received from investment properties is accounted for as described in the Revenue recognition policy. Expenses capitalised to properties may include the cost of acquisition, additions, refurbishments, redevelopments, borrowing costs and certain fees incurred.

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.

Investments in associates and joint ventures

Investments in associates and joint ventures are accounted for using the equity method. The share of profit or loss recognised under the equity method is the Group's share of the investment's profit or loss based on the ownership interest held. Associates (including partnerships) are entities in which the Group, as a result of its voting rights, has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

For associates, this is from the date that significant influence commences until the date that significant influence ceases. For joint ventures, this is from the date joint control commences until the date joint control ceases.

Investments in associates and joint venture entities are carried at the lower of the equity accounted carrying amount and the recoverable amount. When the Group's share of losses exceeds the carrying amount of the equity accounted investment (including assets that form part of the net investment in the associate or joint venture entity), the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate or joint venture. Dividends from associates and joint ventures represent a return on the Group's investment and as such are applied as a reduction to the carrying value of the investment. Unrealised gains arising from transactions with equity accounted investments are eliminated against the investment in the associate or joint venture to the extent of the Group's interest in the associate or joint venture. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Other movements in associates' and joint ventures' reserves are recognised directly in the Group's consolidated reserves.

3 Accounting policies (continued)

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 Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

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

The Group assesses provision for impairment of the receivables based on irrecoverable amounts and expected credit losses, if material. The Group considers reasonable and supportable information that is relevant and reliable. This includes both quantitative and qualitative information and analysis, based on the Group'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 deposits held by the Group until the satisfaction of conditions specified in the contract are rectified.

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.

Development properties

Property acquired for development and sale in the ordinary course of business is carried at the lower of cost and net realisable value. The cost of development properties includes expenditure incurred in acquiring the property, preparing it for sale and borrowing costs incurred. The net realisable value is the estimated selling price, less the estimated costs of completion and selling expenses. Management considers the estimation of both selling prices and costs of completion to be an area of estimation uncertainty, as these estimations take into consideration market conditions affecting each property and the underlying strategy for selling the property.

The recoverable amount of each property is assessed at each Statement of Financial Position date and accounting judgement is required to assess whether a provision is raised where cost (including costs to complete) exceeds net realisable value.

Inventories are expensed as a cost of sales in the Statement of Profit or Loss. Management uses accounting judgement in determining:

- The apportionment of cost of sales through either land area or sales revenue;
- The amount of cost of sales, which includes costs incurred to date and final forecast costs; and
- The nature of the expenditure, which may include acquisition costs, development costs, borrowing costs and those costs incurred in preparing the property for sale.

3 Accounting policies (continued)

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 Group. 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.

Unearned income

Primarily relates to unearned income and deposits received in advance on presold apartments. These amounts will be recognised as income in line with the 'Sale of development properties' accounting policy in Note 3.

Provisions

Provisions are recognised in the Statement of Financial Position when the Group 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.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest rate method. Under the amortised cost method the difference between the amount initially recognised and the redemption value is recorded in the Statement of Profit or Loss over the period of the borrowing on an effective interest basis.

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.

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 Accounting policies (continued)

Derivatives and hedging
The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. Derivative financial instruments are recognised initially at fair value on the date a derivative contract is entered into and subsequently remeasured at fair value. Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair value of the derivative financial instruments and the hedged item.

The Group primarily uses forward foreign exchange contracts as cash flow hedges for highly probable sale, purchase and dividend transactions. The Group also uses forward foreign exchange contracts to hedge cross border intercompany loans and transactions which mainly net off in the Statement of Profit or Loss. Interest rate swaps are used to manage the Group's exposure to interest rates arising from borrowings. These are treated as cash flow hedges.

4 Revenue

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

	2022 £ 000	2021 £ 000
Revenue from provision of services:		
Project Revenue	577	-
Construction	579,665	538,195
Development	130,260	79,402
Investment management	5,836	2,154
Total revenue from provision of services	**716,338**	**619,751**
Revenue from the sale of development properties	73,924	138,934
Rental income from investment property	2,390	1,678
Other revenue	9,531	3,472
Total revenue	**802,183**	**763,835**

5 Other expenses and income

The analysis of the Group's other expenses and income for the year is as follows:

	2022 £ 000	2021 £ 000
Gain/(loss) from disposal of investments	(4,430)	27,645
Gain on step-acquisition	-	17,304
Fair value gains on investment property	-	2,170
Gain on disposal of right of use asset	-	3,251
Other	122	45
	(4,308)	50,415

During the period, the Group disposed of it's 50% interest in IQL Office LP, recording a loss on sale of £4.4 million. The prior year gain relates to the Group disposing of a 50% interest in Lendlease Renaissance I Fund, recording a net gain on sale of £27.9 million.

In prior year, the gain on step-acquisition relates to acquisition of 100% interest in IQL South Plots. Please refer to Note 25 Business Combinations for further detail.

In prior year, gain on right of use asset relates to the termination of head office lease at Regent's Place London. Fair value gains relate to the fair value uplift on Elephant Park retail assets.

6 Results from operating activities

Results from operating activities includes the following items:

	2022 £ 000	2021 £ 000
Depreciation expense	(2,629)	(4,847)
Amortisation expense	(796)	(491)
Impairment expense	(61,911)	-
Foreign exchange gains/(losses)	1,815	(118)
Operating lease expense	2,153	(1,002)
Depreciation on right of use assets	(3,746)	(4,308)

Impairment expense relates to £59.7m inventory impairment in Lendlease Deptford Limited following a change in development strategy and £2.2m provision for shareholder loans in Residential (CG) Limited.

7 Finance income and costs

	2022 £ 000	2021 £ 000
Finance income		
Bank interest received	324	332
Other finance income	2,173	2,751
Total finance income	2,497	3,083
Finance costs		
Interest on bank overdrafts and borrowings	(880)	(559)
Borrowing costs included in cost of qualifying asset	4,692	4,232
Interest expense in relation to lease liabilities	-	(221)
Interest payable to related parties	(39,211)	(41,339)
Other finance costs	(3,337)	(586)
Total finance costs	(38,736)	(38,473)
Net finance costs	(36,239)	(35,390)

The weighted average interest rate used to determine the amount of interest finance costs was 4.07% for the 6 months to 31 December 2021 and 4.17% for the 6 months to 30 June 2022 (2020: 4.55% for the 6 months December 2020 and 4.21% for the 6 months to 30 June 2021), which is the effective interest rate.

8 Employees

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

	2022 £ 000	2021 £ 000
Wages and salaries	(112,465)	(109,749)
Social security costs	(10,444)	(11,043)
Pension costs	(6,576)	(6,888)
Total staff costs	**(129,485)**	**(127,680)**

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

	2022 No.	2021 No.
Construction	599	634
Investment management	37	30
Development	364	382
Central functions	195	252
Average number of employees	**1,195**	**1,298**

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2022 £ 000	2021 £ 000
Remuneration	(1,388)	(1,655)
Contributions paid to defined contribution schemes	(47)	(35)
Share options	(178)	-
	(1,613)	**(1,690)**

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

	2022 No.	2021 No.
Accruing benefits under defined contribution schemes	4	3

In respect of the highest paid director:

	2022 £ 000	2021 £ 000
Remuneration	(844)	(855)
Share options	(51)	-
	(895)	**(855)**

9 Directors' remuneration (continued)

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

Simon Brunning: Lendlease Europe Limited
Mark Packer: Lendlease Europe Limited
Neil Martin: Lendlease Europe Limited
Thomas Mackellar: Lendlease Europe Limited
John Clark: Lendlease Europe Limited
Elma Morris: Lendlease 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 entities. The directors' remuneration for the current year and prior year is included in the financial statements of the above entities.

10 Auditor's remuneration

	2022 £ 000	2021 £ 000
Audit of Company financial statements	(21)	(19)
Audit of subsidiaries	(908)	(931)
Non audit services	(48)	(31)
	(977)	(981)

11 Taxation

Tax credited in the Statement of Profit or Loss

	2022 £ 000	2021 £ 000
Current tax		
UK corporation tax	(14)	(1,486)
Foreign tax	(803)	(22)
Adjustments in respect of prior years		
- UK corporation tax	(33)	(17,948)
- Foreign tax	17	-
Total current tax	**(833)**	**(19,456)**
Deferred tax		
Origination and reversal of temporary differences	14,183	17,082
Adjustments in respect of prior years	(6,840)	2,393
Effect of changes in tax rates	2,398	13,901
Total deferred tax	**9,741**	**33,376**

11 Taxation (continued)

	2022 £ 000	2021 £ 000
Total income tax credit	**8,908**	**13,920**

The credit for the year can be reconciled to the result per the Statement of Profit or Loss as follows:

	2022 £ 000	2021 £ 000
Loss before tax	(230,393)	(20,679)
Tax on loss at standard UK tax rate of 19.00% (2021: 19.00%)	43,774	3,929
Impact of higher tax rates on overseas earnings	460	-
Adjustments in respect of prior years	14,167	(5,472)
Exempt income	10,649	3,597
Non allowable expenses	(40,574)	(2,395)
Tax temporary differences not récognised in the period	(23,606)	4,485
Effect of changes in tax rates	2,398	13,901
Current year tax rate differential	2,062	1,412
Other	(422)	(5,538)
Total income tax credit/(charge)	**8,908**	**13,919**

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.

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 anticipates no charge in relation to RPDT for the period ending 30 June 2022.

11 Taxation (continued)

Deferred tax

Group

Deferred tax assets and liabilities

2022	Asset £ 000	Liability £ 000	Net deferred tax £ 000
Property, plant and equipment	13,310	(12,652)	658
Provisions	3,883	(9)	3,874
Net defined benefit plans	1,471	(37,090)	(35,619)
Unused tax losses recognised	72,418	(45)	72,373
Deferred income	-	(7,003)	(7,003)
Other items	1,914	(1,978)	(64)
Loans and borrowings	13,965	-	13,965
Inventories	1,805	(7,071)	(5,266)
	108,766	(65,848)	42,918

2021	Asset £ 000	Liability £ 000	Net deferred tax £ 000
Property, plant and equipment	10,140	(8,560)	1,580
Provisions	1,311	(2)	1,309
Net defined benefit plans	2,103	(28,296)	(26,193)
Unused tax losses recognised	59,762	(395)	59,367
Deferred income	-	(4,917)	(4,917)
Other items	229	-	229
Loans and borrowings	14,133	(997)	13,137
Inventories	1,264	(5,919)	(4,655)
	88,942	(49,086)	39,856

11 Taxation (continued)

Deferred tax movement during the year:

	At 1 July 2021 £ 000	Recognised in income £ 000	Recognised in equity/other £ 000	At 30 June 2022 £ 000
Property, plant and equipment	1,580	(926)	4	658
Provisions	1,309	2,500	65	3,874
Net defined benefit plans	(26,193)	(228)	(9,198)	(35,619)
Unused tax losses recognised	59,367	10,357	2,649	72,373
Deferred income	(4,917)	(2,007)	(79)	(7,003)
Other items	229	(173)	(120)	(64)
Loans and borrowings	13,136	829	-	13,965
Inventories	(4,655)	(611)	-	(5,266)
Net tax assets/(liabilities)	39,856	9,741	(6,679)	42,918

Deferred tax movement during the prior year:

	At 1 July 2020 £ 000	Recognised in income £ 000	Recognised in equity/other £ 000	At 30 June 2021 £ 000
Property, plant and equipment	8,935	(7,349)	(6)	1,580
Provisions	558	751	-	1,309
Net defined benefit plans	(11,202)	22,451	(37,442)	(26,193)
Unused tax losses recognised	34,098	25,400	(131)	59,367
Deferred income	-	(4,917)	-	(4,917)
Other items	2,273	(2,053)	9	229
Loans and borrowings	13,034	103	-	13,137
Inventories	(3,645)	(1,010)	-	(4,655)
Net tax assets/(liabilities)	44,051	33,375	(37,570)	39,856

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. 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.

There are £116,016,487 of unused tax losses (2021: £115,556,726) and £10,511,211 of loan relationships (2021: £Nil) for which no deferred tax asset is recognised in the statement of financial position.

11 Taxation (continued)

Company

Deferred tax assets and liabilities

2022	**Asset £ 000**
Unused tax losses recognised	11,489
Other items	204
	11,692

2021	**Asset £ 000**
Unused tax losses recognised	11,572
Other items	-
	11,572

Deferred tax movement during the year:

	At 1 July 2021 £ 000	**Recognised in income £ 000**	**At 30 June 2022 £ 000**
Unused tax losses recognised	11,572	(84)	11,489
Other items	-	204	204
Net tax assets/(liabilities)	11,572	120	11,692

Deferred tax movement during the prior year:

	At 1 July 2020 £ 000	**Recognised in income £ 000**	**At 30 June 2021 £ 000**
Unused tax losses recognised	9,726	1,846	11,572
Other items	-	-	-
Net tax assets/(liabilities)	9,726	1,846	11,572

12 Property, plant and equipment

Group

	Leasehold improvements £ 000	Right of Use Asset £ 000	Other property, plant and equipment £ 000	Total £ 000
Cost or valuation				
At 1 July 2020	16,346	27,492	12,763	56,601
Additions	2,241	1,614	387	4,242
Disposals	(586)	(18,684)	(682)	(19,952)
Foreign exchange movements	(18)	(192)	(139)	(349)
At 30 June 2021	**17,983**	**10,230**	**12,329**	**40,542**
At 1 July 2021	17,983	10,230	12,329	40,542
Additions	11	5,318	1,131	6,460
Disposals	-	-	(2)	(2)
Transfers	-	1,617	-	1,617
Foreign exchange movements	6	33	70	109
At 30 June 2022	**18,000**	**17,198**	**13,528**	**48,726**
Depreciation				
At 1 July 2020	(11,608)	(16,544)	(10,491)	(38,643)
Charge for year	(3,660)	(4,308)	(1,187)	(9,155)
Disposals	530	13,208	703	14,441
Foreign exchange movements	27	168	113	308
At 30 June 2021	**(14,711)**	**(7,476)**	**(10,862)**	**(33,049)**
At 1 July 2021	(14,711)	(7,476)	(10,862)	(33,049)
Charge for the year	(1,674)	(3,746)	(955)	(6,375)
Foreign exchange movements	(7)	(28)	(23)	(58)
At 30 June 2022	**(16,392)**	**(11,250)**	**(11,840)**	**(39,482)**
Carrying amount				
At 30 June 2022	**1,608**	**5,948**	**1,688**	**9,244**
At 30 June 2021	**3,272**	**2,754**	**1,467**	**7,493**

13 Intangible assets

Group

	Goodwill £ 000	Other intangible assets £ 000	Total £ 000
Cost or valuation			
At 1 July 2020	244,484	11,545	256,029
Additions	-	722	722
Disposals	-	(3,347)	(3,347)
Foreign exchange movements	(2,579)	(32)	(2,611)
At 30 June 2021	241,905	8,888	250,793
At 1 July 2021	241,905	8,888	250,793
Additions	-	207	207
Foreign exchange movements	275	4	279
At 30 June 2022	242,180	9,099	251,279
Amortisation			
At 1 July 2020	(124,139)	(8,014)	(132,153)
Amortisation charge	-	(491)	(491)
Amortisation eliminated on disposals	-	3,255	3,255
Foreign exchange movements	280	31	311
Transfers	-	(108)	(108)
At 30 June 2021	(123,859)	(5,327)	(129,186)
At 1 July 2021	(123,859)	(5,327)	(129,186)
Amortisation charge	-	(796)	(796)
Foreign exchange movements	(30)	(27)	(57)
At 30 June 2022	(123,889)	(6,150)	(130,039)
Carrying amount			
At 30 June 2022	118,291	2,949	121,240
At 30 June 2021	118,046	3,561	121,607

Other intangible assets includes £1.1 million of software (2021: £1.4 million) and £1.8 million of expenditure incurred in order to develop/establish a new residential Build-to-Rent Asset Management and Property Management operating model (2021: £2.1 million of expenditure incurred). Amortisation commenced from delivery of the first Build-to-Rent Asset. As the asset was still under development in the prior period, amortisation was not charged. No indication of impairment as at the reporting date.

13 *Intangible assets (continued)*

Impairment tests and key assumptions used - Construction
The Group's goodwill is allocated to Construction. The recoverable amount of the Construction CGU is determined based on value in use (VIU) calculations. For the Construction CGU, the assumptions used for determining the recoverable amount are based on past experience and expectations for the future, utilising both internal and external sources of data and relevant industry trends.

No impairment arose as a result of the review of goodwill for the Construction CGU for the year ended 30 June 2022 (2021: £nil). Based on information available and market conditions at 30 June 2022, a reasonably foreseeable change in the assumptions made in this assessment would not result in impairment of Construction goodwill. The following describes the key assumptions on which management has based its cash flow projections when determining VIU relating to the Construction CGU.

Cash flows
The VIU calculations use pre tax cash flow projections based on actual operating results, and financial forecasts covering a five year period which have been approved by management. These forecasts are based on management estimates to determine income, expenses, capital expenditure and cash flows for the CGU.

Growth rate
The terminal value growth rate used to extrapolate the cash flows beyond the five year period is 3.0% (2021: 3.0%). The growth rate reflects the forecast long term average growth rate for the CGU and the countries in which they operate.

Discount rate
The discount rate applied to the cash flow projections is 7.3% (2021: 7.2%). The Group's weighted average cost of capital is used as a starting point for determining the discount rate, with appropriate adjustments for the risk profile relating to the CGU and the countries in which they operate. The discount rates used are pre-tax.

14 Investment properties

Group

	2022 £ 000	2021 £ 000
At 1 July	63,640	43,965
Additions	-	17,505
Fair value adjustments	566	2,170
At 30 June	64,206	63,640

15 Investments

Reconciliation of joint ventures

	2022 £ 000	2021 £ 000
Carrying amount at beginning of year	220,087	166,778
Additions	115,278	101,099
Disposals	-	364
Foreign exchange	1,275	(2,275)
Share of profit	9,944	13,036
Distributions	(9,107)	(58,915)
Carrying amount at end of year	**337,477**	**220,087**
Joint ventures cost	338,463	221,073
Accumulated impairment	(986)	(986)
Carrying amount at end of year	**337,477**	**220,087**

Included within additions is the Group's retained 50% interest in IQL Office LP. In the year IQL South Holdings Trust divested 50% of its interest in IQL Office LP for a total consideration of £53.9 million. Other current year additions include equity injections into IQL Office LP, LRIP 2 LP, Lendlease Renaissance 1, MSG 1 LP, Victoria Drive and Finanza E Progetti S. P.A for £6.5 million, £14 million, £22.9 million, £14.8 million, £2.3 million and £0.9 million respectively.

Prior year additions include equity injections into LRIP LP, LRIP 2 LP, Lendlease Renaissance 1, MSG 1 LP and Finanza E Progetti S.P.A for £51.2 million, £15.6 million, £16.8 million, £14.6 million and £0.5 million respectively. Disposals relate to IQL North Limited (£0.3m) and IQL Investments LLP (-£0.6m).

15 Investments (continued)

Group subsidiaries

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

Name of subsidiary	Principal activity	Country of incorporation	Note	Ownership and voting rights % 2022	2021
Beaufort Western Properties Limited	Dormant company	UK	1	100%	100%
Be Onsite	Jobs and training	UK	1	100%	100%
Birmingham Schools PSP LEP Limited	PFI holding company	UK	1	100%	100%
BLFB Limited	Dormant company	UK	1	100%	100%
Bovis Lend Lease General Construction Limited Liab Co	Project solutions	Greece	2	100%	100%
Bovis Lend Lease Overseas Holdings BV	Holding company	Netherlands	3	100%	100%
Bovis Lend Lease SAS	Project solutions	France	4	100%	100%
Bovis Lend Lease SP Zoo	Project solutions	Poland	5	100%	100%
Cedarwood Square Residents Management Company Limited	Dormant company	UK	1	100%	100%
Chelmsford Meadows (General Partner) Limited	Dormant company	UK	1	75%	75%
Debut Services (Contracts) Limited	Dormant company	UK	1	91%	91%
Debut Services Limited	Development of building projects	UK	1	85%	85%
Elephant Park Estate Management Company Limited	Dormant company	UK	1	100%	100%
EP3 Holdings Limited	Dormant company	UK	1	100%	100%
EP3 Limited	Property management	UK	1	100%	100%
H4 Residents Management Company Limited	Dormant company	UK	1	100%	100%
H5 Residents Management Company Limited	Dormant company	UK	1	100%	100%

15 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation	Note	Ownership and voting rights % 2022	2021
H7 Residents Management Company Limited	Dormant company	UK	1	100%	100%
H11 Residents Management Company Limited	Dormant company	UK	1	100%	100%
Halefield Securities Limited	Dormant company	UK	1	100%	100%
Haringey Development Vehicle LLP	Dissolved	UK	1	0%	100%
HDV Dev LLP	Dissolved	UK	1	0%	100%
HDV Inv LP	Dissolved	UK	1	0%	100%
HDV Nominee Co 1 Ltd	Dissolved	UK	1	0%	100%
HDV Nominee Co 2 Ltd	Dissolved	UK	1	0%	100%
HDV Nominee Co 3 Ltd	Dissolved	UK	1	0%	100%
InTown S.r.l.	Property Development	Italy	7	100%	100%
IQL Investments LLP	Property development	UK	1	100%	100%
IQL South Holdings Limited	Property development	UK	1	100%	100%
IQL South Holdings Trust (Jersey)	Property development	UK	1	100%	100%
IQL Residential (GP) Limited	Dormant company	UK	1	100%	100%
IQL Residential LP	Property development	UK	1	100%	100%
IQL S1S11 (GP) Limited	Dormant company	UK	1	100%	100%
IQL S1S11 Holdco Limited	Property development	UK	1	100%	100%
IQL S1S11 LP	Property development	UK	1	100%	100%
IQL S1S11 Trust (Jersey)	Property development	UK	1	100%	100%
IQL S10 Holdings (GP) Limited	Dormant company	UK	1	100%	100%
IQL S10 Holdings LP	Property development	UK	1	100%	100%
Larchwood Residents Management Company Limited	Dormant company	UK	1	100%	100%

15 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation	Note	Ownership and voting rights % 2022	2021
Lehrer McGovern International Limited	Dormant company	UK	1	100%	100%
Lendlease Bluewater Limited	Investment management	UK	1	100%	100%
Lendlease CEMEA Investments Limited	PFI holding company	UK	1	100%	100%
Lendlease Chelmsford Meadows Limited	Development of building projects	UK	1	100%	100%
Lendlease Construction (Europe) Limited*	Project solutions	UK	1	100%	100%
Lendlease Construction Holdings (Europe) Limited	Holding company	UK	1	100%	100%
Lendlease Construction (Lelliot) Limited	Dormant company	UK	1	100%	100%
Lendlease Construction Management Services (One)	Project solutions	UK	1	100%	100%
Lendlease Construction North Western Limited	Project solutions	UK	1	100%	100%
Lendlease Construction (Scotland) Limited	Project solutions	UK	6	100%	100%
Lendlease Consulting (Europe) Limited	Project solutions	UK	1	100%	100%
Lendlease Deptford Limited*	Development of building projects	UK	1	100%	100%
Lendlease Development (Europe) Limited	Project management	UK	1	100%	100%
Lendlease Development Holdings (Europe) Limited*	Property development	UK	1	100%	100%
Lendlease Development Partner (Europe) Limited	Property development	UK	1	100%	100%
Lendlease (E&C) Estates and Property Management Company Limited	Dormant company	UK	1	100%	100%
Lendlease E&C Legacy Limited	Dormant company	UK	1	100%	100%

15 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation	Note	Ownership and voting rights % 2022	2021
Lendlease (E&C) Overriding Lease Company Limited	Dormant company	UK	1	100%	100%
Lendlease (Elephant & Castle) Limited	Development of building projects	UK	1	100%	100%
Lendlease (Elephant & Castle) Retail Limited	Real estate agencies	UK	1	100%	100%
Lendlease Europe GP Limited	Property investment and development	UK	1	100%	100%
Lendlease Europe Limited*	Head office entity	UK	1	100%	100%
Lendlease Europe Retail Investments Limited	Investment management	UK	1	100%	100%
Lendlease Euston Development LLP	Property development	UK	1	100%	100%
Lendlease Euston Holdings LLP	Property development	UK	1	100%	100%
Lendlease HDV Holdings LLP	Property development	UK	1	100%	100%
Lendlease HDV Nominee Limited	Property development	UK	1	100%	100%
Lendlease Healthcare Trustee Limited*	Healthcare trustee	UK	1	100%	100%
Lendlease (High Road West) Limited*	Property development	UK	1	100%	100%
Lendlease Infrastructure (Europe) Limited	PFI holding company	UK	1	100%	100%
Lendlease Infrastructure Holdings (Europe) Limited	PFI holding company	UK	1	100%	100%
Lendlease Infrastructure Investment (Europe) Limited	Holding company	UK	1	100%	100%
Lendlease Infrastructure Investment Holdings Limited*	Holding company	UK	1	100%	100%
Lendlease Infrastructure (Italy) S.r.l.*	Development of building projects	Italy	7	100%	100%

15 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation	Note	Ownership and voting rights % 2022	2021
Lendlease Investment Management Holdings (Europe) Limited *	Investment management	UK	1	100%	100%
Lendlease IQL Investments Limited	Property development	UK	1	100%	100%
Lendlease Italy SGR S.p.A	Investment management	Italy	7	100%	100%
Lendlease MSG Investment (Europe) Limited	Investment management	UK	1	100%	100%
Lendlease MSG Investment (Europe) Trust	Investment management	UK	9	100%	100%
Lendlease MSG North S.r.l.*	Property development	Italy	7	100%	100%
Lendlease MSG South SRL*	Property development	Italy	7	100%	100%
Lendlease Norwich Limited	Property investment and development	UK	1	100%	100%
Lendlease Overseas Holdings Limited	Holding company	UK	1	100%	100%
Lendlease Performance Retail Limited	Dormant company	UK	1	100%	100%
Lendlease PFI/PPP Infrastructure Fund Investor Limited	Dormant company	UK	1	100%	100%
Lendlease Preston Tithebarn Limited	Development of building projects	UK	1	100%	100%
Lendlease Preston Tithebarn No.2 Limited	Development of building projects	UK	1	100%	100%
Lendlease Real Estate Investments (Europe) Limited*	Fund operator	UK	1	100%	100%
Lendlease Real Estate Investment Services Limited*	Investment management	UK	1	100%	100%
Lendlease Residential Asset Management Services (Europe) Ltd*	Investment management	UK	1	100%	100%

15 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation	Note	Ownership and voting rights % 2022	2021
Lendlease Residential (BH) Limited	Development of building projects	UK	1	100%	100%
Lendlease Residential (CG) Limited	Development of building projects	UK	1	100%	100%
Lendlease Residential Construction Limited	Dormant company	UK	1	100%	100%
Lendlease Residential Director Limited	Dormant company	UK	8	100%	100%
Lendlease Residential Group (Europe) Limited*	Investment company	UK	1	100%	100%
Lendlease Residential Investment (Europe) Trust*	Investment management	UK	9	100%	100%
Lendlease Residential Investment Holdings (Europe) Limited	Investment management	UK	1	100%	100%
Lendlease Residential Investment 2 (Europe) Trust*	Investment management	UK	9	100%	100%
Lendlease Residential (Lancashire) Limited	Dormant company	UK	1	100%	100%
Lendlease Residential Limited	Dormant company	UK	1	100%	100%
Lendlease Residential Nominees Limited	Dormant company	UK	1	100%	100%
Lendlease Residential (North West) Limited	Dormant company	UK	1	100%	100%
Lendlease Residential Property Management Services (Europe) Limited*	Investment management	UK	1	100%	100%
Lendlease Residential (Special Projects) Limited	Dormant company	UK	1	100%	100%
Lendlease Residential Twenty Five Limited	Dormant company	UK	1	100%	100%
Lendlease Residential (Yorkshire) Limited	Dormant company	UK	1	100%	100%
Lendlease SCBD Limited	Development of building projects	UK	1	100%	100%

15 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation	Note	Ownership and voting rights % 2022	2021
Lendlease Services (Italy) S.r.l.*	Property development	Italy	7	100%	100%
Lendlease Silvertown Limited	Property development	UK	1	100%	100%
Lendlease Smithfield Development LLP	Property development	UK	1	100%	100%
Lendlease Smithfield Holdings LLP	Property development	UK	1	100%	100%
Lendlease Stratford GP Limited	Development of building projects	UK	1	100%	100%
Lendlease Stratford Limited Partnership	Investment company	UK	1	100%	100%
Lendlease Thamesmead Development LLP	Dormant company	UK	1	100%	100%
Lendlease Thamesmead Holdings LLP	Dormant company	UK	1	100%	100%
Lendlease UK Pension Trustee Limited	Dormant company	UK	1	100%	100%
Lendlease US Investments Limited*	Investment company	UK	1	100%	100%
Lend Lease (BR) Construcoes Limiteda	Project solutions	Brazil	10	100%	100%
Lend Lease Pharmaceutical (EMEA) Limited	Project solutions	UK	1	100%	100%
Lend Lease S.r.l*	Project solutions	Italy	7	100%	100%
LRIP E&C H4 GP Limited*	Investment management	UK	1	70%	70%
LRIP E&C H4 Nominee 1 Limited	Investment management	UK	1	70%	70%
LRIP E&C H4 Nominee 2 Limited	Investment management	UK	1	70%	70%
LRIP E&C H5 GP Limited*	Investment management	UK	1	70%	70%
LRIP E&C H5 Nominee 1 Limited	Investment management	UK	1	70%	70%
LRIP E&C H5 Nominee 2 Limited	Investment management	UK	1	70%	70%

15 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation	Note	Ownership and voting rights % 2022	2021
LRIP E&C H7 GP Limited*	Investment management	UK	1	70%	70%
LRIP E&C H7 Nominee 1 Limited	Investment management	UK	1	70%	70%
LRIP E&C H7 Nominee 2 Limited	Investment management	UK	1	70%	70%
LRIP E&C H11A GP Limited*	Investment management	UK	1	70%	70%
LRIP E&C H11A Nominee 1 Limited	Investment management	UK	1	70%	70%
LRIP E&C H11A Nominee 2 Limited	Investment management	UK	1	70%	70%
LRIP GP Limited*	Investment management	UK	1	70%	70%
LRIP 2 GP Limited*	Investment management	UK	1	70%	70%
LTYD Homes Limited	Investment management	UK	1	100%	100%
Opus Collection Management Company Limited	Dormant company	UK	1	100%	100%
Potato Wharf 3 and 4 Residents Management Company Limited	Dormant company	UK	1	100%	100%
Preston Tithebarn General Partner Limited	Development of building projects	UK	1	100%	100%
Preston Tithebarn Partnership	Development of building projects	UK	1	100%	100%
Preston Tithebarn Unit Trust	Development of building projects	UK	11	100%	100%
Rentco 247 Limited	Letting of real estate	UK	1	100%	100%
South Gardens Residents Management Company Limited	Dormant company	UK	1	100%	100%
St Clements Valley Developments Limited	Property investment and development	UK	1	100%	100%
The Clarence Dock Company Limited	Dormant company	UK	1	100%	100%
The Timberyard Estate Management Company Limited	Dormant company	UK	1	100%	100%

15 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation	Note	Ownership and voting rights % 2022	2021
The Timberyard Plot 2 GP Limited	Development of building projects	UK	1	100%	100%
The Timberyard Plot 2 Limited	Development of building projects	UK	1	100%	100%
The Timberyard Plot 2 Limited Partnership	Development of building projects	UK	1	100%	100%
The Timberyard Plot 2 Nominee No. 1 Limited	Dormant company	UK	1	100%	100%
The Timberyard Plot 2 Nominee No. 2 Limited	Dormant company	UK	1	100%	100%
The Timberyard Plots 1&3 GP Limited	Dormant company	UK	1	100%	100%
The Timberyard Plots 1&3 Limited Partnership	Dormant company	UK	1	100%	100%
The Timberyard Plots 1&3 LP Limited	Dormant company	UK	1	100%	100%
The Timberyard Plots 1&3 Nominee No 1 Limited	Dormant company	UK	1	100%	100%
The Timberyard Plots 1&3 Nominee No 2 Limited	Dormant company	UK	1	100%	100%
Trafalgar Place Estate Management Company Limited	Dormant company	UK	1	100%	100%
Trafalgar Place Residents Management Company Limited	Dormant company	UK	1	100%	100%
Waste 2 Resources Project Lancashire LLP	Project solutions	UK	1	100%	100%
West Grove Residents Management Company Limited	Dormant company	UK	1	100%	100%

* indicates direct investment of Lendlease Europe Holdings Limited

During the year, Haringey Development Vehicle LLP, HDV Dev LLP, HDV Nominee Co 1 Ltd, HDV Nominee Co 2 Ltd and HDV Nominee Co 3 Ltd were dissolved by resolution of the directors.

15 Investments (continued)

Group joint ventures

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

Name of joint venture	Principal activity	Country of incorporation	Note	Ownership and voting rights % 2022	2021
Artworks Elephant LLP	Property development	UK	14	0%	50%
B6 Developments Limited	Project solutions	UK	15	50%	50%
Birmingham LEP Company Limited	Project solutions	UK	16	80%	80%
Cambium Residents Management Company Limited	Dormant company	UK	1	50%	50%
Debut Services (South West) Limited	Project solutions	UK	1	85%	50%
Elwick Place Construction Limited	Dormant company	UK	17	50%	50%
Finanza E Progetti S.P.A.	Property investment and development	Italy	18	50%	50%
Glasshouse Gardens Residents' Management Company Limited	Dormant company	UK	1	50%	50%
Greenwich Peninsula N0204 Block B GP Holdings Limited	Property management	UK	20	50%	50%
H1 Developments Limited	Project solutions	UK	15	50%	50%
Hungate (York) Regeneration Limited	Property development	UK	21	50%	50%
Hungate (York) Retail Limited	Dormant company	UK	21	50%	50%
IQL Commercial Estate Management Company Limited	Estate management	UK	1	50%	50%
IQL Estate Management Company Limited	Estate management	UK	1	50%	50%
Lendlease MSG 1	Funds management	Italy	7	50%	50%
Lendlease MSG 1 (Europe) GP Limited	Funds management	UK	9	50%	50%

15 Investments (continued)

Lendlease MSG 1 (Europe) Investment Partnership LP	Funds management	UK	9	50%	50%
Lendlease Renaissance 1	Funds management	Italy	7	50%	50%
LRIP E&C H4 LP	Investment management	UK	1	20%	20%
LRIP E&C H4 Trust	Investment management	UK	9	20%	20%
LRIP E&C H5 LP	Investment management	UK	1	20%	20%
LRIP E&C H5 Trust	Investment management	UK	9	20%	20%
LRIP E&C H7 LP	Investment management	UK	1	50%	50%
LRIP E&C H7 Trust	Investment management	UK	9	50%	50%
LRIP E&C H11A LP	Investment management	UK	1	50%	50%
LRIP E&C H11A Trust	Investment management	UK	9	50%	50%
LRIP LP	Investment management	UK	1	20%	20%
LRIP 2 LP	Investment management	UK	1	50%	50%
LRIP Residential Investment Holdings Limited	Investment management	UK	1	20%	20%
LRIP Residential Investment Holdings 2 Limited	Investment management	UK	1	50%	50%
Ospedal Grando Impact Investing S.r.l.	Fund management	Italy	7	50%	50%
Ospedal Grando SpA	Construction and management services	Italy	18	43%	43%
SCBD No. 1 Limited	Property development	UK	1	50%	50%
SCBD Pavilion Ltd	Property development	UK	1	50%	50%
SCBD Residential Limited	Property development	UK	1	50%	50%
Starlend Developments Ltd	Property development	UK	23	50%	50%
Starlend UK CPL Ltd	Property development	UK	1	50%	50%
Starlend UK Holdco Ltd	Property development	UK	23	50%	50%
Starlend UK Nominee Co Ltd	Property development	UK	23	50%	50%
Stratford City Business District Limited	Property development	UK	1	50%	50%
St Swithins Developments Limited	Project solutions	UK	15	50%	50%
The Silvertown Partnership LLP	Property development	UK	1	50%	50%

15 Investments (continued)

Victoria Drive Wandsworth LLP	Property development	UK	1	50%	50%
Thamesmead Waterfront LLP	Registered office address			50%	50%
IQL Office LP	Property development		1	50%	100%
IQL Office (GP) Limited	Property development	UK		50%	100%
IQL S4 Trust (Jersey)	Property Development	UK		50%	100%
IQL S2 Trust (Jersey)	Property development	UK		50%	100%
IQL S3 Trust (Jersey)	Property development	UK		50%	100%
IQL S4 Limited	Property development	UK		50%	100%
IQL S2 Limited	Property development	UK		50%	100%
IQL S10 Trust (Jersey)	Property development	UK		50%	100%
IQL S10 Limited	Property development	UK		50%	100%

In December 2021, the Group disposed of 50% of its interest in IQL Office LP, forming a joint venture with CPP Investments to deliver four commercial buildings at International Quarter London. This included the disposal of 50% of the following 10 entities: IQL Office (GP) Limited, IQL Office LP, IQL S2 Trust, IQL S3 Trust, IQL S4 Trust, IQL S10 Trust, IQL S2 Limited, IQL S3 Limited, IQL S4 Limited and IQL S10 Limited

Notes - registered addresses:

1. 5 Merchant Square, Paddington, London, W2 1BQ
2. Patroklou 1 & Paradisou, 151 25 Marousi, Greece
3. Gebouw Zuiderhof, Jachthavenweg 109H, 1081 KM Amsterdam, The Netherlands
4. Avenue De L Enterprise Parc Saint Christophe Batiment, Galilee 2 95863, Cergy Pontoise, Cedex
5. Ul Postępu 12, 02-676, Warszawa, Polska
6. 33 Bothwell Street, Glasgow, Lanarkshire, G2 6NL
7. Via Della Moscova 3, 20121 Milan, Italy
8. Eversheds House, 70 Great Bridgewater Street, Manchester, M1 5ES
9. Third Floor, Liberation House, Castle Street, St Helier, Jersey, JE1 1BL
10. Alameda Lorena, 70 - Jardim Paulista - São Paulo/SP, CEP 01424-000
11. 12 Castle Steet, St. Helier, Jersey, JE2 3RT
12. Whittington Hall, Whittington Road, Worcester, United Kingdom, WR5 2ZX
13. 40 Queen Anne Street, London, W1G 9EL
14. Lynton House, 7-12 Tavistock Square, London, WC1H 9BQ
15. 55 Station Road, Beaconsfield, Buckinghamshire, HP9 1QL
16. C/O Albany Spc Services Ltd 3rd Floor, 3-5 Charlotte Street, Manchester, England, M1 4HB
17. 2nd Floor, 100 New Oxford Street, London, London, United Kingdom, WC1A 1HB
18. Padova, Via Francesco Rismondo 2/E - CAP 430531
19. Piazzale spedali civili, 1 - 25123 Brescia, (BS) Italy
20. 43-45 Portman Square, London, W1H 6LY
21. Millshaw, Leeds, West Yorkshire, United Kingdom, LS11 8EG
22. Milano, Via Romualdo Bonfadini 148 - CAP 20138
23. 2nd Floor One Eagle Place, St. James's, London, United Kingdom, SW1Y 6AF
24. Fleet House 59-61 Clerkenwell Road, London, EC1M 5LA

15 Investments (continued)

Summarised financial information for the material joint ventures

Please find below summarised financial information for each of the group joint ventures that are material to the group:

Lendlease MSG 1 (Europe) Investment Partnership LP	2022 £000	2021 £000
Current assets	110	31
Non-current assets	117,851	56,338
Current liabilities	(105)	(33)

The following amounts have been included in the amounts above:

Cash and cash equivalents	110	31
Profit / loss for the year	(2,132)	6,268

Reconciliation to the carrying amount of the interest recognised:

Net assets of joint venture	117,856	56,336
Proportion of the ownership interest (%)	50	50
Adjustments	-	7,385
Carrying amount	58,928	35,553

LRIP LP	2022 £000	2021 £000
Current assets	12,661	2,262
Non-current assets	444,330	451,766
Current liabilities	(4,684)	(853)

The following amounts have been included in the amounts above:

Cash and cash equivalents	4,751	2,261
Profit / loss from continuing operations	23,255	(3,197)

LRIP LP	**2022**	**2021**
	£000	**£000**
The profit / loss for the year includes the following amounts:		
Tax expense	-	(6)
Reconciliation to the carrying amount of the interest recognised:		
Net assets of joint venture	452,307	453,175
Proportion of the ownership interest (%)	20	20
Adjustments	8,035	4,682
Carrying amount	98,496	95,317

LRIP 2 LP	**2022**	**2021**
	£000	**£000**
Current assets	1,511	305
Non-current assets	124,169	55,304
Current liabilities	(36,570)	(12,590)
Non-current liabilities	-	(8,239)
Profit / loss from continuing operations	(444)	(257)
Reconciliation to the carrying amount of the interest recognised:		
Net assets of joint venture	89,110	34,780
Proportion of the ownership interest (%)	50	50
Adjustments	-	11,155
Carrying amount	44,555	28,545

Victoria Drive Wandsworth LLP	**2022**	**2021**
	£000	**£000**
Current assets	28,275	53,398
Current liabilities	(22,314)	(56,781)
Non-current liabilities	-	(9,297)

Victoria Drive Wandsworth LLP	**2022 £000**	**2021 £000**
The following amounts have been included in the amounts above:		
Cash and cash equivalents	605	4,050
Revenue	21,961	10,521
Profit / loss from continuing operations	(5,751)	(4,784)
The profit / loss for the year includes the following amounts:		
Interest expense	(4,595)	(4,693)
Reconciliation to the carrying amount of the interest recognised:		
Net assets of joint venture	5,961	(12,680)
Proportion of the ownership interest (%)	50	50
Adjustments	-	14,620
Carrying amount	2,981	8,280

IQL Office LP	**2022 £000**	**2021 £000**
Current assets	965	-
Non-current assets	124,434	-
Current liabilities	(4,412)	-
Non-current liabilities	(520)	-
The following amounts have been included in the amounts above:		
Cash and cash equivalents	449	-
Profit / loss from continuing operations	(391)	-
Reconciliation to the carrying amount of the interest recognised:		
Net assets of joint venture	120,467	-

IQL Office LP	2022 £000	2021 £000
Proportion of the ownership interest (%)	50	100
Adjustments	-	-
Carrying amount	60,234	-

Aggregate financial information for non-material associates and joint ventures

Please find below aggregate financial information for associates and joint ventures individually immaterial to the Group:

	2022 £ 000	2021 £ 000
Aggregate carrying amount	60,189	39,712

Summary of Company investments

	2022 £ 000	2021 £ 000
Investments in subsidiaries	606,964	663,477

15 Investments (continued)

Subsidiaries	**£ 000**
Cost or valuation	
At 1 July 2020	885,188
Additions	66,102
At 30 June 2021	**951,290**
At 1 July 2021	951,290
Additions	25,451
At 30 June 2022	**976,741**
Provision	
At 1 July 2020	(287,813)
At 30 June 2021	**(287,813)**
At 1 July 2021	(287,813)
Impairment on investment	(81,964)
At 30 June 2022	**(369,777)**
Carrying amount	
At 30 June 2022	**606,964**
At 30 June 2021	**663,477**

Current year additions include a capital injections in Lendlease Construction Holdings (Europe) Limited, Lendlease Services (Italy) S.R.L, Lendlease Residential Investment (Europe) Trust, Lendlease Infrastructure (Italy) S.R.L and Lendlease Residential Investment 2 (Europe) Trust of £9 million, £1.7 million, £8.3 million and £5.5 million respectively.

Impairment expense relates to £81.9m inventory impairment in Lendlease Residential Group (Europe) Limited. There was no impairment in prior year.

Prior year additions relate to a £60.4 million capital injection in Lendlease Residential Investment (Europe) Trust and a £5.7 million capital injection in Lendlease Residential Investment 2 (Europe) Trust.

16 Inventories

	Group 2022 £ 000	Group 2021 £ 000
Current		
Construction contract assets	52,274	35,343
Development properties[1]	269,684	300,157
Total current inventories	**321,958**	**335,500**
Non current		
Development properties[1]	236,699	332,551
Total inventories	**558,657**	**668,051**

1. Following the appointment of the new Global CEO of Lendlease Corporation Limited in the prior year, a business review was undertaken whereby a small number of projects were identified where a material change in development strategy was under consideration. Following the review an impairment of £59.7 million pre-tax was recognised on inventories in Lendlease Deptford Limited. There was no impairment on development properties recognised in the prior year.

The Group has reviewed the carrying costs of its inventory items by comparing the carrying costs of the asset against estimates of net realisable value. Net realisable value has been arrived at using the Board's estimates of achievable selling prices taking into account current market conditions, and after deduction of an appropriate amount for selling costs. There was no writeback during the year (2021: £nil).

The operational cycle is such that a significant proportion of inventories will not be realised within twelve months. It is not possible to determine with accuracy when specific inventory will be realised as this will be subject to a number of issues such as consumer demand and development programmes.

17 Trade and other receivables

	Group		Company	
	2022 £ 000	2021 £ 000	2022 £ 000	2021 £ 000
Current				
Trade receivables	47,730	23,991	-	-
Less: impairment	(2,309)	(2,382)	-	-
Net current trade receivables	**45,421**	**21,609**	-	-
Amounts owing from related parties	88,680	87,410	1,119,123	798,775
Less: impairment of amounts owing from related parties	-	-	(200,150)	(57,438)
Retentions	22,263	16,191	-	-
Accrued income	9,959	7,488	-	-
Reimbursement asset	50,659	-	-	-
Other receivables	34,128	41,960	6,697	6,978
Total current trade and other receivables	**251,110**	**174,658**	**925,670**	**748,315**
Non current				
Amounts owing from related parties	109,935	99,032	-	-
Less: impairment of amounts owing from related parties	(2,686)	(517)	-	-
Retentions	3,651	13,876	-	-
Other receivables	12,445	7,658	-	-
Total non current trade and other receivables	**123,345**	**120,049**	-	-
Total trade and other receivables	**374,455**	**294,707**	**925,670**	**748,315**

Trade receivables above include amounts (detailed below) that are past due at the end of the reporting period and which an allowance for doubtful debts has not been recognised as the amounts are still considered recoverable and there has not been a significant change in credit quality.

Age of trade receivables that are past due but not impaired	Group	
	2022 £ 000	2021 £ 000
Up to 90 days	7,141	7,108
More than 90 days	2,165	817
	9,306	7,925

The provision for impairment of trade receivables (analysed below) is the difference between the carrying value and the present value of the expected proceeds.

17 Trade and other receivables (continued)

Age of impaired trade receivables

	Group 2022 £ 000	Group 2021 £ 000
More than 90 days	2,309	2,383

Provision for impairment of trade receivables and amounts owing from related parties

	Group 2022 £ 000	Group 2021 £ 000
Carrying amount at beginning of financial year	(2,899)	(3,214)
Bad and doubtful debt impairment loss net of provisions written back	(2,096)	142
Other movements (including foreign exchange rate movements)	-	173
Carrying amount at end of year	**(4,995)**	**(2,899)**

18 Cash and cash equivalents

	Group		Company	
	2022 £ 000	2021 £ 000	2022 £ 000	2021 £ 000
Cash at bank	57,454	69,779	-	17,265
Bank overdrafts	-	-	(17,999)	-
Cash and cash equivalents in statement of cash flows	57,454	69,779	(17,999)	17,265

19 Share capital

Allotted, called up and fully paid shares

	2022		2021	
	No. 000	£ 000	No. 000	£ 000
Ordinary A Shares of £1 each	2,239	2,239	2,239	2,239
Ordinary B Shares of £0.77 each	531,549	409,293	271,809	209,293
	533,788	411,532	274,048	211,532

In December 2021 Lendlease International Pty Limited (the Company's immediate parent) subscribed £200m of share capital for 259,740,260 Class B Ordinary Shares in the Company.

19 Share capital (continued)

Rights, preferences and restrictions
Ordinary A 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.

Ordinary B shares have the following rights, preferences and restrictions:
The ordinary B shares are redeemable at par, at the option of the Company. No premium is payable on redemption. The ordinary A and B shares rank equally for dividends and are treated as equity shares.

20 Trade and other payables

	Group		Company	
	2022 £ 000	2021 £ 000	2022 £ 000	2021 £ 000
Current				
Trade payables	(43,543)	(110,626)	(4)	(23)
Amounts due to related parties	(869,120)	(914,899)	(1,369,932)	(1,249,487)
Construction contract liabilities	(3,617)	(58,177)	-	-
Retentions	(30,259)	(32,536)	-	-
Unearned income	(699)	(9,004)	-	-
Accrued expenses	(131,935)	(114,455)	-	-
Other payables	(104,536)	(57,466)	(6,594)	(6,853)
Lease liabilities	(4,703)	(2,837)	-	-
Total current trade and other payables	**(1,188,412)**	**(1,300,000)**	**(1,376,530)**	**(1,256,363)**
Non current				
Amounts due to related parties	(1,900)	(1,900)	(1,900)	(1,900)
Unearned income	(11,081)	(5,826)	-	-
Other payables	(41,341)	28	-	-
Lease liabilities	(26,264)	(24,318)	-	-
Total non current trade and other payables	**(80,586)**	**(32,016)**	**(1,900)**	**(1,900)**
Total trade and other payables	**(1,268,998)**	**(1,332,016)**	(1,378,430)	(1,258,263)

The total transaction price relating to the Group's unearned income on the Group's development contracts at June 2022 is £237 million, (2021: £295 million,) relating primarily to pre-sold residential apartments at Elephant and Castle and Potato Wharf. The difference between the unearned income amount noted in the table above and this amount primarily relates to the remaining value of apartments versus the deposit amount received. Revenue from these contracts is expected to be realised as control over each asset is transferred to the customer.

The total transaction price allocated to unsatisfied performance obligations on the Group's construction contracts as at June 2022 is £791 million (2021: £991million). This includes new work secured during the period. Of the total construction backlog, 66 per cent is expected to be realised within the next 12 months to June 2023 (June 2021: 50 per cent to June 2022), 33 per cent to June 2023 (June 2021: 40 per cent to June 2023) and the remaining 1 per cent realised post June 2024 (June 2021: 10 per cent realised post June 2023).

20 Trade and other payables (continued)

Amounts due to related parties includes £351.9m which relates to 1,900,000 Class A Preference Shares in the Company at par £1,900,000 and 350,000,000 Class B Preference Shares in the Company at par £350,000,000 in the Company subscribed to by Lendlease Europe Finance Limited.

The Class A Preference Shares shall rank on a winding up or other return of capital in priority to the Class A Ordinary Shares and the Class B Ordinary Shares. The Class A Preference Shares shall receive a fixed cumulative preferential dividend at an annual rate of 6.95% of the nominal value per Class A Preference Share, in priority to the Class A Ordinary Shares and the Class B Ordinary Shares. The Class A Preference Shares have the right to attend and vote at meetings of shareholders.

The Class B Preference Shares shall rank on a winding up or other return of capital in priority to the Class A Ordinary Shares, the Class B Ordinary Shares and the Class A Preference Shares. The Class B Preference Shares shall receive a fixed cumulative preferential dividend at an annual rate of 6.95% of the nominal value per Class B Preference Share, in priority to the Class A Preference Shares, Class A Ordinary Shares and the Class B Ordinary Shares. The Class B Preference Shares have no right to vote at meetings of shareholders and are redeemable on 28 June 2028, or prior to this date by serving written notice to shareholders.

21 Borrowings and financing arrangements

	Group	
	2022	2021
	£ 000	£ 000
Non current loans and borrowings	(13,422)	(3,732)
Current loans and borrowings	(310)	(140)
Total loans and borrowings	**(13,732)**	**(3,872)**

As at 30 June 2022, the overdraft facility was not utilised (2021: £nil million). The bank overdraft facility may be drawn at any time and is repayable on demand.

During the year, the Group entered into a borrowing arrangement in relation to High Road West project. To use the facility the Borrower must deliver to the Lender all of the documents and other evidence to satisfy the conditions precedent for a claim under the Land Fund Grant Agreement which are the Borrowera's responsibility as required by the Pass Through Agreement in form and substance satisfactory to the Lender (or the Lender has waived receipt of a document or other evidence where either (i) requested by the Borrower or (ii) if the Greater London Authority has waived the corresponding condition precedent under the Land Fund Grant Agreement). The Lender shall notify the Borrower promptly upon becoming so satisfied.

22 Commitments

Capital commitments

At 30 June 2022, there were £192.9 million (2021: £265.6 million) of capital commitments relating to joint venture investments. The investment commitments were as follows:

- £47 million (2021: £62.2 million) in relation to LRIP 2 LP. The commitment represents the Lendlease share of payments under the agreement for the lease and payments under the Development Funding Agreement.

-£9 million (2021: £25.2 million) in relation to MSG South. The commitment represents the Lendlease share of payments under the agreement for the lease and payments under the Development Funding Agreement.

-£137 million (2021: £175.2 milliom) in relation to MIND. The commitment represents the Lendlease share of payments under the agreement for the lease and payments under the Development Funding Agreement.

- £Nil (2021: £2.8 million) commitment outstanding to Finanza E Progetti S.P.A.. The commitment represents outstanding capital investment into the joint venture.

The total amount contracted for but not provided in the financial statements was £192,936,000 (2021 -£265,557,000)

23 Pension and other schemes

Defined benefit pension schemes: Lendlease UK Pension Scheme

A subsidiary undertaking of the Company (Lendlease Construction Holdings (Europe) Limited, the "Sponsor") 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 Sponsor. 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 Sponsor's contributions to members' Personal Investment Fund accounts are not included in these disclosures.

Contributions payable to the pension scheme at the end of the year £Nil (2021 - £Nil).

The expected contributions to the plan for the next reporting period are £18.5m.

Risks

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

Interest risk
A decrease in corporate bond yields will increase the value placed on the scheme's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the scheme's bond holdings.

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

Life expectancy 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 assumption are based on standard mortality tables which allow for expected future mortality improvements. As at 30 June 2022 the weighted average duration of the defined benefit obligation was 16 years (2021: 18 years).

Statement of Financial Positions Amounts

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

	2022 £ 000	2021 £ 000
Fair value of scheme assets	675,094	817,736
Defined benefit obligations	(514,194)	(690,874)
Net defined benefit asset	160,900	126,862

23 Pension and other schemes (continued)

Reconciliation of Defined Benefit Obligations

Changes in the present value of scheme liabilities are as follows:

	2022 £ 000	2021 £ 000
Present value at start of year	(690,874)	(741,537)
Interest cost	(12,948)	(10,610)
Actuarial gains and losses arising from changes in demographic assumptions	(7,902)	11,891
Actuarial gains and losses arising from changes in financial assumptions	186,714	19,410
Actuarial gains and losses arising from experience adjustments	(8,044)	10,390
Benefits paid	18,860	19,582
Present value at end of year	(514,194)	(690,874)

The weighted average duration of the defined benefit obligation was 18 years (2021: 18 years).

Reconciliation of the Fair Value of Plan Assets

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

	2022 £ 000	2021 £ 000
Fair value at start of year	817,736	832,593
Interest income	15,356	12,036
Administrative expenses paid	(1,497)	(1,708)
Return on plan assets, excluding amounts included in interest income/(expense)	(140,152)	(22,648)
Employer contributions	2,511	17,045
Benefits paid	(18,860)	(19,582)
Fair value at end of year	675,094	817,736

Analysis of assets

The major categories of scheme assets are as follows:

	2022 £ 000	2021 £ 000
Global equities	142	243
Infrastructure funds	60,892	46,977
Multi-strategy funds	245,537	233,767
Liability driven investments	346,524	518,268
Other	9,460	4,803
The Contributions Reservoir Trust	12,539	13,678
Total fair value of plan assets	675,094	817,736

23 Pension and other schemes (continued)

Plan Assets

Plan assets can be further categorised as follows:

	2022 £ 000	2021 £ 000
Unquoted		
Infrastructure funds	60,892	46,977
Multi-strategy funds	245,537	233,767
Trustee bank account	9,460	4,803
Global equities	142	243
Liability driven investments	346,524	518,268
The Contributions Reservoir Trust	12,539	13,678
	675,094	817,736

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

Amounts recognised in the income statement

	2022 £ 000	2021 £ 000
Amounts recognised in operating profit		
Administrative expenses paid	(1,497)	(1,708)
Amounts recognised in finance income or costs		
Interest income on scheme assets	15,356	12,036
Interest cost on benefit obligation	(12,948)	(10,610)
Total recognised in the Statement of Profit or Loss	**911**	**(282)**

23 Pension and other schemes (continued)

Amounts taken to the Statement of Comprehensive Income

	2022 £ 000	2021 £ 000
Actuarial gains and losses arising from changes in demographic assumptions	(7,902)	11,891
Actuarial gains and losses arising from changes in financial assumptions	186,714	19,410
Actuarial gains and losses arising from experience adjustments	(8,044)	10,390
Return on plan assets, excluding amounts included in interest income/(expense)	(140,152)	(22,648)
Amounts recognised in the Statement of Comprehensive Income	30,616	19,043

Principal actuarial assumptions

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

Post retirement mortality assumptions

	2022 Years	2021 Years
Current UK pensioners at retirement age - male	25.30	25.30
Current UK pensioners at retirement age - female	26.80	26.30

Sensitivity analysis

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

	2022		2021	
Adjustment to discount rate	**+ 0.1% £ 000**	**- 0.1% £ 000**	**+ 0.1% £ 000**	**- 0.1% £ 000**
Increase/(decrease) in defined benefit surplus	(7,869)	7,998	12,156	(12,336)

	2022		2021	
Adjustment to rate of inflation	**+ 0.1% £ 000**	**- 0.1% £ 000**	**+ 0.1% £ 000**	**- 0.1% £ 000**
Increase/(decrease) in defined benefit surplus	6,468	(6,388)	10,151	(6,962)

	2022		2021	
Adjustment to mortality age rating assumption	**+ 1 Year £ 000**	**- 1 Year £ 000**	**+ 1 Year £ 000**	**- 1 Year £ 000**
Increase/(decrease) in defined benefit surplus	12,607	(11,942)	(19,838)	20,824

23 Pension and other schemes (continued)

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 Sponsor and Trustees have agreed a long term strategy for reducing investment risk as and when appropriate. This includes an asset-liability matching policy which aims to reduce the volatility of the funding level of the pension plan by investing in assets such as index linked bonds which perform in line with the liabilities of the plan so as to protect against inflation being higher than expected. The current benchmark allocation is 75% growth assets and 25% matching assets.

24 Employee Benefits

There are three incentive plans in operation for the Group:

Short term incentives (STI)

The STI plan is an annual incentive scheme whereby a number of employees receive benefits which are dependent upon the achievement of both Lendlease financial and non financial targets and individual goals. The total value of the potential benefit varies by individual and is tested against relevant market levels for each role.

The STI plan comprises a cash component paid in September the following year. For more senior employees, where the potential benefit is typically higher, the plan also includes a deferred component. Deferral periods are generally for one or two years. The deferred component is normally awarded in Lendlease securities and in some instances as cash. Securities are held in Lendlease employee security plan trusts on behalf of the employees for the deferral period. For employees to receive the deferred component in full, they must generally be employed by the Group at the time of vesting.

24 Employee Benefits (continued)

Long term incentives (LTI)
The LTI plan is designed to motivate executives to achieve the Group's long term strategic goals and provide reward where the Group delivers better value to shareholders than its peers and to align the interests of executives and shareholders.

An annual grant of performance securities is made to a limited number of executives. The Lendlease Group's Board (the "Board") intends that the awards be settled in Lendlease securities, although the award may be settled in cash or other means at the Board's discretion. On vesting, each performance security entitles executives to one Lendlease stapled security, or at the Board's discretion, cash or other instruments of equivalent value.

50 percent of the performance securities are assessed over a three year period. If the performance hurdle is not fully achieved at this time, those performance securities that have not vested will lapse. The remaining 50 percent of the performance securities are assessed after four years.

Long term award (LTA)
The LTA plan replaces the LTI plan for a limited number of executives from 2019. It is designed to motivate and reward executives to deliver on the Group's long term strategy and to allow them to share in the value created for shareholders. Specifically, the objectives are to create rewards that are aligned to earnings, align the interests of shareholders and senior executives, promote team behaviours and an enterprise leadership mindset and to retain the senior executive team.

An annual grant of performance rights is made to a limited number of executives. The Board intends that the awards be settled in Lendlease securities, although some or all of the award may be settled in cash at the Board's discretion. Performance rights are rights to receive a variable number of Lendlease securities, or at the discretion of the board cash with an equivalent value, upon vesting. Outcomes against performance hurdles will determine how many Lendlease securities will be received following vesting between a minimum and maximum number.

100 percent of the performance rights are assessed over a three year period and the number of Lendlease securities that may be delivered on vesting is determined. The first tranche will vest immediately thereafter, and the second, third and fourth tranches will be deferred and will vest progressively four, five and six years after the grant date.

Executive Deferred Award (EDA)
The EDA is an award that was made to a limited number of executives and senior managers in recognition of their role in supporting the Lendlease transformation program.

The EDA comprises a one off grant of Lendlease deferred securities which vest in three equal tranches, with the final vesting three years after grant. Securities are held in Lendlease employee plan trusts for the deferral period. For employees to receive the deferred components in full, they must generally be employed by the Group at the time of vesting.

24 Employee Benefits (continued)

Restricted Securities Award (RSA)
The Restricted Securities Award (RSA), previously referred to as the LTA Minimum, is similar to fixed remuneration as it is not subject to performance conditions. It is designed to motivate and reward a limited number of key executives to deliver on the Group's long term strategy and to allow them to have a sense of ownership and share in the value created for securityholders. The RSA (and previously referred to LTA Minimum) is not continuing from FY22 under the revised Executive Reward Strategy. Specifically, the objectives are to:
• Align the interests of securityholders and our most senior executives
• Support long term value creation
• Better align reward to risk management (recognising that the RSA may be forfeited in certain circumstances).

An annual grant of 'performance rights' is made to a limited number of executives on the Global Leadership Team. The Board intends that the awards be settled in Lendlease securities, although some or all of the award may be settled in cash at the Board's discretion. Performance rights are rights to receive one Lendlease stapled security, or at the Board's discretion, cash or other instruments of equivalent value. In the event of a change in control of the Group, the Board has the discretion to determine whether the vesting of some or all performance rights should be accelerated.

The first tranche (i.e. 25%) will vest after three years and the second, third and fourth tranches will vest progressively four, five and six years after the grant date.

If the executive resigns and becomes engaged in activities that are competitive with the Group or is terminated for cause, the unvested RSA is forfeited. If the executive is terminated and if the Board considers vesting would provide a benefit that was unwarranted or inappropriate, the Board has the discretion to lapse some or all performance rights prior to the vesting date. For 'good leavers', the RSA grant may remain on foot, subject to the original terms.

24 Employee Benefits (continued)

Summary of share based payment awards

Plan	Grant date	Vesting date	Number granted	Fair value at grant date £
STI 2021	Sep-21	Sep-22	47,490	306,236
STI 2021	Sep-21	Sep-23	27,571	173,014
EDA 2020	Sep-19	Sep-21	-	749,562
EDA 2020	Sep-19	Sep-22	70,786	749,562
Retention 2020	Sep-20	Sep-22	55,167	362,368
Retention 2021	Sep-21	Sep-22	70,247	440,814
Retention 2021	Sep-21	Sep-23	28,925	181,510
Bespoke	Jul-21	Jun-22	4,701	32,538
Bespoke	Nov-20	Nov-22	4,482	29,102
LTA 2019	Sep-18	Sep-21	6,012	229,661
LTA 2019	Sep-18	Sep-22	9,770	229,661
LTA 2019	Sep-18	Sep-23	9,770	229,661
LTA 2019	Sep-18	Sep-24	9,770	229,661
LTA 2020	Sep-19	Sep-22	54,864	297,006
LTA 2020	Sep-19	Sep-23	34,724	137,502
LTA 2020	Sep-19	Sep-24	34,724	137,502
LTA 2020	Sep-19	Sep-25	34,724	137,502
LTA 2021	Sep-20	Sep-23	39,177	241,332
LTA 2021	Sep-20	Sep-24	39,177	241,332
LTA 2021	Sep-20	Sep-25	39,177	241,332
LTA 2021	Sep-20	Sep-26	39,177	241,332
LTA 2022	Sep-21	Sep-24	93,756	599,106
LTA 2022	Sep-21	Sep-25	46,995	300,300
LTA 2022	Sep-21	Sep-26	46,995	300,300
LTA 2022	Sep-21	Sep-27	46,995	300,300
RSA 2021	Sep-20	Sep-23	17,807	109,692
RSA 2021	Sep-20	Sep-24	17,807	109,692
RSA 2021	Sep-20	Sep-25	17,807	109,692
RSA 2021	Sep-20	Sep-26	17,807	109,692
			966,404	**7,556,964**

During the financial year ended 30 June 2022, a share based payments charge of £2.2m (2021: £1.6m) was recognised in the Statement of Profit or Loss in relation to the above rewards.

25 Business Combinations

There were no business combinations during the current financial year.

In prior year, on 1 July 2020 Lendlease Stratford LP and Lendlease IQL Investments Limited acquired the remaining 50% interest (split 48% and 2% respectively) in IQL Investments LLP group, following a divergence in strategic direction by the partners (which was previously an equity accounted Joint venture with a carrying value of £0.6 million), for consideration of £42.1 million. Post the acquisition date, a (£0.1)m loss is included in the consolidated statement of comprehensive income for the reporting period. The fair value of assets and liabilities acquired were as follows:

	Fair value of assets acquired 2021 £'000
Inventories	105,000
Equity accounted investments	624
Total assets	105,624
Other financial liabilities	(45,420)
Provision for profit participation associated with the IQL South Plots[1]	(770)
Total liabilities	(46,190)
Total equity	59,434
Equity accounted carrying value	59,434
Consideration	(42,130)
Bargain Purchase	17,304

1. Provision for profit participation associated with the IQL South Plots. As part of the acquisition, the former Joint Venture partner has retained an interest in the future profits of the undeveloped South Plots at a rate of 5%. This will be payable as the profit event crystallises on the undeveloped South Plots. The provision for profit participation has been calculated as the amount estimated to be payable based on forecast profitability.

26 Provisions

	Restructuring provision £ 000	Employee benefits £ 000	Warranties and Legal proceedings £ 000	Other provisions £ 000	Total £ 000
At 1 July 2021	-	2,416	8,000	63,229	73,645
Additional provisions	541	606	92,427	123,606	217,180
Provisions used	-	(1,775)	(15,435)	(36,174)	(53,384)
Increase due to unwinding of discount	-	-	-	(717)	(717)
At 30 June 2022	541	1,247	84,992	149,944	236,724
Non-current liabilities	-	1,150	2,665	101,074	104,889
Current liabilities	541	97	82,327	48,872	131,836

26 Provisions (continued)

The restructuring provision represents the costs associated with a Lendlease Europe wide workforce management plan which was implemented in the prior year.

Employee benefits provision represents the debt towards employees for severance indemnities, holidays and leave accumulated.

The warranties and defects provision represents warranty and contractual obligations under design and construction forms of contract and provision for construction risk from defects. This is released or utilised on a contract by contract basis.

Included within the warranties and defects provisions are provisions for legal claims that relate to the expected future outflows for historic project defects, either in relation to actual expected costs to remedy works or settlement amounts, including associated legal costs, where legal agreement has been reached (or expected to be reached). The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where other parties, including subcontractors and insurers, are involved in such disputes a reimbursement asset is recognised where recovery is deemed virtually certain. Recoveries from third parties are recognised separately from the provision, unless the subcontractor is party to the settlement or the expected or agreed remedial action.

Other provisions relate to potential contractual obligations arising from key risks within the European region. The other provisions are comprised of £22.5 million of estimated guarantee cost associated with the Company's previous forward funding contracts, £6.2m related to development project risk, £5.2 million construction remediation costs on legacy projects and £2.0 million relates to potential contractual obligations arising from the Company's activity of overseeing key risks within the European region.

The rental guarantee expected cost have been determined by consideration of the guarantee levels in place and future obligations as they fall due over period of 1 to 5 years from balance sheet date. The cost of the provision for the year ended 30 June 2021 has been included within administrative expenses in the statement of profit or loss and other comprehensive income.

Also included within the balance is a provision relating to building remediation is a consequence of industry wide action by the UK Government. The UK Government has enacted a number of retrospective legislative changes and taken additional action with respect to residential buildings with a height of 11 metres and above in the UK. This action extends the period for defect liabilities from 6 to 30 years and applies changes to building safety regulations for completed residential buildings.

On 30 January 2023 the UK Government sent a letter to developers of residential buildings in the UK, including Lendlease, requiring those companies to sign a long form contract committing to remediate building safety risks or face significant trade restrictions. The proposed restrictions, including not being able to gain development or construction approvals or government funding, would have materially adversely impact operations of Lendlease in the UK. Lendlease signed the long form contract on 21 March 2023.

Lendlease has recognised a provision of £114 million (pre-tax). The provision does not include anticipated recoveries from third parties, including insurances and supply chain.

26 Provisions (continued)

Based on limited available information to date, Lendlease believes the liability primarily relates to approximately 56 buildings developed by Crosby, no longer owned by Lendlease. The Crosby entities were acquired by Lendlease in 2005 to enter the residential development market in the UK. Many of these buildings were completed or construction commenced prior to Lendlease's acquisition. It is noted that each building completed by a Lendlease entity was certified as complying with applicable building regulations at the time of its completion. Lendlease has not received any specific claims to date, and only has limited information relating to the buildings in the Crosby portfolio. However, the government department responsible for this legislation has provided a schedule of claims that it has received to date in respect of some of the buildings in the Crosby portfolio and, in some cases, their assessment or estimate of the cost to remediate. This information is being evaluated, and has been used as a proxy to apply across the rest of the Crosby portfolio in order to provide an initial estimate of the provision that may be required with respect to this matter. It is expected that any cash expenditure by Lendlease will be paid over a period of at least five years.

Determining the liability position for this matter and any estimate is a complex process requiring significant judgement with respect to whether there is an obligating event and the quantum of any liability. The estimate of any potential liability is based on incomplete information, given there have been and continue to be ongoing discussions with a changing government leadership and limited information as to what is required to be remediated. Lendlease will continue to engage with the Government on these industry wide actions and assess additional relevant information on an ongoing basis.

27 Contingencies

Certain legal claims and exposures remain outstanding under contracts entered into by the Group in the normal course of business. There is significant uncertainty as to whether a future liability will arise in respect of 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.

28 Fair value measurement

Group

All financial instruments recognised in the Statement of Financial Position, including those instruments carried at amortised cost, are recognised at amounts that represent a reasonable approximation of fair value.

The following tables provide the fair value measurement hierarchy of the Group's assets and liabilities.

Assets measured at fair value
2022

	Level 2 £ 000	Total £ 000
Derivatives	14	14

Assets measured at fair value
2021

	Level 2 £ 000	Total £ 000
Derivatives	107	107

28 Fair value measurement (continued)

Liabilities measured at fair value
2022

	Level 2 £ 000	Total £ 000
Interest rate swaps	(343)	(343)

Liabilities measured at fair value
2021

	Level 2 £ 000	Total £ 000
Derivative	(93)	(93)
Interest rate swaps	(842)	(842)
	(935)	(935)

During the year, there were no transfers between Level 1, Level 2 and Level 3 fair value hierarchies.

Basis of determining fair value

The determination of fair values of financial instruments that are measured at fair value are summarised as follows:

- The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted valuation techniques; these include the use of recent arm's length transactions, reference to other assets that are substantially the same, and discounted cash flow analysis; and
- The fair value of derivative instruments comprises forward foreign exchange contracts which are valued using forward rates at balance date, and interest rate swap contracts, which are measured at present value of future cash flows estimated and discounted based on applicable yield curves derived from quoted interest rates and include consideration of counterparty risk adjustment.

Fair value measurements

The different levels for valuation method have been defined as follow:
- Level 1: The fair value is determined using the unadjusted quoted price for an identical asset or liability in an active market for identical assets or liabilities;
- Level 2: The fair value is calculated using predominantly observable market data other than unadjusted quoted prices for an identical asset or liability; and
- Level 3: The fair value is calculated using inputs that are not based on observable market data.

29 Financial risk management and impairment of financial assets

Group

The Group's activities expose it to a variety of financial risks. The Lendlease Asset and Liability Committee oversees the management of the Lendlease Group's Treasury risks, within the parameters of a Lendlease Group 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. Key risks identified, exposures and management of exposures are detailed below.

Credit risk and impairment

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 Group.

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.

The maximum exposure to credit risk at balance date on financial instruments recognised in the Statement of Financial Position (excluding investments of the Group) equals the carrying amount, net of any impairment.

Credit risk on financial instruments is managed under a Board approved credit policy that determines acceptable counterparties. Derivative counterparties and cash deposits are limited to recognised financial intermediaries with a minimum investment grade credit rating as determined by a recognised rating agency.

The Group is not exposed to any significant concentration of credit risk on either a geographic or industry specific basis.

Market risk

Foreign exchange risk

Foreign currency risk is the risk in local currency terms that the value of a financial commitment or a recognised asset or liability will fluctuate due to changes in foreign currency exchange rates. The Group is exposed to foreign currency risk primarily from foreign currency earnings, net investments in foreign operations and transactions settled in foreign currency. The exposure is managed using physical financial instruments, derivative financial instruments (mainly foreign exchange contracts), and contracting out. Speculative trading is not permitted.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at reporting date as follows:

	Assets		Liabilities	
	2022 £ 000	2021 £ 000	2022 £ 000	2021 £ 000
Euros	421,641	206,500	(95,912)	(133,072)

29 Financial risk management and impairment of financial assets (continued)

Sensitivity analysis

The Group is mainly exposed to the Euro. At 30 June 2022, it is estimated that a strengthening/weakening of the Euro by 5% would have increased/decreased the Group's profit before tax by approximately £3.6 million and £4.0 million respectively (2021: £3.3 million and £3.0 million respectively). There would be no impact on equity. This analysis includes only outstanding foreign denominated monetary items and assumes that all other variables, in particular interest rates, remain constant.

Interest rate risk

Amendments to IFRS 9: Interest Rate Benchmark Reform has been adopted from 1 July 2021. The Phase 2 has been applied retrospectively, however, in accordance with the exceptions permitted in the Phase 2 amendments, the Company has elected not to restate comparatives for the prior periods to reflect the application of these amendments. Since the Company has no transactions for which the benchmark rate had been replaced with an alternative benchmark as at 30 June 2021, there is no impact on the opening equity balances as a result of retrospective application.

Under Phase 2 of the amendments, the Company has taken a practical expedient that enables them to update the accounting for its cash flow hedge. This expedient can be applied as the change in contractual cash flows is necessary as a direct consequence of the reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

The Company has engaged in a cash flow hedge to hedge of the interest rate risk arising from paying interest at variable interest rates. The Interest rate risk (time-period related) arises from highly probable interest rate payments forecast to be paid in accordance with the facility agreement. These interest payments are made on a quarterly basis. The risk that is being hedged is the variability in interest payments on the borrowings due to changes in the SONIA Rate. Interest is charged quarterly under the borrowing agreement at a rate of SONIA +CAS + 0.90% and has been fixed via the use of the interest rate swap at a rate of 5.5%.
The Group Treasury Policy sets that the maturity profile of the hedge needs to align to the maturity profile of the exposure being hedge. The company notes that this is matched as hedge ratio is set at 1:1, i.e. the notional of the hedging instrument cannot be greater than 100% of the notional debt value therefore this hedging instrument follows this requirement. The facility was amended from 1st January 2022 to include a mechanism to switch the base rate from LIBOR to SONIA due to the phasing out of LIBOR at the end of 2021 therefore has fully transitioned to amendments to IFRS 9 as at 30 June 2022.

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 Group'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. Speculative trading is not permitted.

At 30 June 2022, the Group has a term loan outstanding of £3.7 million (2021: £3.9 million). This is scheduled to be repaid by 7 October 2030. Interest charged on the amount drawn under the facility is based on floating LIBOR rate. The loan is subject to a fixed interest rate swap which results in interest being charged at 4.5%. The market value of the swap at 30 June 2022 was £0.4 million out of the money (2021: £0.8 million out of the money).

29 Financial risk management and impairment of financial assets (continued)

Sensitivity analysis

At 30 June 2022, it is estimated that an increase/decrease of 1% in interest rates would have decreased/increased respectively the Group's profit before tax by approximately £0.03 million (2021: £0.05 million).

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, maintaining committed credit facilities to meet financial commitments and working capital requirements, managing funding portfolio benchmarks as outlined in Treasury Policy and timely review and renewal of credit facilities.

Maturity analysis

2022	Carrying amount £ 000	Within 1 year £ 000	Between 1 and 2 years £ 000	Between 2 and 5 years £ 000	After more than 5 years £ 000	Total contractual cash flows £ 000
Trade and other payables	(1,276,474)	(1,075,886)	(200,587)	-	-	(2,552,947)
Interest bearing borrowings	(3,732)	(525)	(546)	(1,641)	(2,047)	(8,491)
Other financial liabilities	(343)	(164)	(150)	(342)	(163)	(1,162)
	(1,280,549)	(1,076,575)	(201,283)	(1,983)	(2,210)	(2,562,600)

2021	Carrying amount £ 000	Within 1 year £ 000	Between 1 and 2 years £ 000	Between 2 and 5 years £ 000	After more than 5 years £ 000	Total contractual cash flows £ 000
Trade and other payables	(1,332,016)	(1,300,000)	(10,890)	(21,126)	-	(1,332,016)
Interest bearing borrowings	(3,872)	(360)	(516)	(1,646)	(2,598)	(5,120)
Other financial liabilities	(842)	(210)	(197)	(475)	(310)	(1,192)
	(1,336,730)	(1,300,570)	(11,603)	(23,247)	(2,908)	(1,338,328)

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.

30 Related party transactions

Group

30.1 Transactions with key management personnel

Further details of directors' remuneration is disclosed in note 9.

30.2 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 Group received the following income and incurred the following costs with related parties:

	2022 £ 000	2021 £ 000
Sale of goods and services:		
Joint ventures	78,905	90,982
Total sale of goods and services	**78,905**	**90,982**
Other expenses:		
Other related parties	(4,928)	(4,928)
Total other expenses	**(4,928)**	**(4,928)**
Finance costs:		
Other related parties	(39,211)	(41,339)
Total finance costs	**(39,211)**	**(41,339)**

30.3 Related party receivables

	2022 £ 000	2021 £ 000
Joint ventures	194,675	184,884
Other related parties	1,253	1,069
Total related parties receivables	195,928	185,953

30 Related party transactions (continued)

30.4 Related party payables

	2022 £ 000	2021 £ 000
Joint ventures	(1,137)	(5)
Other related parties	(869,854)	(916,794)
Total related party payables	(870,991)	(916,799)

Company

The Company provides financing and treasury services to its subsidiary entities, which includes working capital facilities and intercompany loan financing. Interest is earned or incurred on loans provided to or drawn with subsidiaries. Outstanding balances arising from working capital facilities and intercompany loans are typically unsecured and repayable on demand.

Intragroup balances and transactions, and any unrealised gains or losses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Investments in subsidiaries are carried at cost of acquisition less impairments in the Company's financial statements.

30.5 Summary of Company transactions with related parties

	2022 £'000	2021 £'000
Other expenses:		
Other related parties	(99)	(26)
Total other expenses	(99)	(26)

	2022 £ 000	2021 £ 000
Finance income:		
Received from subsidiaries	(41,180)	42,069
Total finance income	(41,180)	42,069

	2022 £'000	2021 £'000
Finance costs:		
Paid to subsidiaries	(3,889)	(2,873)
Other related parties	(39,213)	(41,317)
Total finance costs	(43,102)	(44,190)

30 Related party transactions (continued)

30.6 Related party receivables - Company

	2022 £ 000	2021 £ 000
Receivables due from subsidiaries	1,052,344	741,337
Total related parties receivables	1,052,344	741,337

30.7 Related party payables - Company

	2022 £ 000	2021 £ 000
Payables due to subsidiaries	(133,464)	(343,205)
Payables due to other related parties	(869,614)	(908,181)
Total related party payables	(1,003,078)	(1,251,386)

31 Parent and ultimate parent undertaking

The Company's immediate parent is Lendlease International Pty Limited.
The ultimate parent is Lendlease Corporation Limited.

Relationship between entity and parents
The smallest and the largest group to consolidate the results of Lendlease Europe Holdings Limited (the Group) 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.

32 Subsequent events

Subsequent to the end of the reporting period, a conclusion was reached with respect to a legal claim against a subsidiary entity related to the remediation of historical project defects. As at 30 June 2022, a provision has been recognised in the notes of these financial statements for outstanding costs associated with the claim. The provision excludes any recoveries from other parties including subcontractors and insurers. The expected recoveries have been recognised as assets within the Trade and Other Receivables note.

The directors are of the opinion that all known liabilities have been brought to account with respect to this legal claim and that adequate provisions have been made for any future losses associated with the claim.

Following the year-end, the UK Government enacted a number of retrospective legislative changes and taken additional action with respect to residential buildings with a height of 11 metres and above in the UK. This action extends the period for defect liabilities from 6 to 30 years and applies changes to building safety regulations for completed residential buildings. The proposed restrictions, including not being able to gain development or construction approvals or government funding, would materially adversely impact operations of Lendlease in the UK.

On 30 January 2023 the UK Government sent a letter to developers of residential buildings in the UK, including Lendlease, requiring those companies to sign a long form contract committing to remediate building safety risks or face significant trade restrictions. Lendlease signed the long form contract on 21 March 2023 and has recognised a provision in these financial statements. Refer to Note 26 for further detail.

In March 2023 Lendlease International Pty Limited (the Company's immediate parent) subscribed £40m of share capital for 51,948,052 Class B Ordinary Shares in the Company.