

# **Lend Lease Europe Limited**

**Strategic Report, Directors' Report and  
financial statements**

30 June 2015

Registered number 3196202



## **Strategic Report, Directors' Report and financial statements**

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## **Strategic report**

### **Business review**

Lend Lease Europe Limited is part of the Lendlease Group (the 'Group') and is a wholly owned subsidiary of Lend Lease Corporation, a company listed on the Australian Stock Exchange.

The principal activity of Lend Lease Europe Limited has not changed. The company holds investments in United Kingdom (UK) subsidiaries and provides administrative services for its wholly owned subsidiaries.

The Company provides Head Office functions and facilities for the Lend Lease Group companies based in Europe.

The profit before tax for the year was £91.3 million (2014: £1.2 million).

A dividend of £404.0 million was received from its subsidiary Lend Lease Bluewater Limited during the year, this necessitated writing down the investment in the subsidiary by £307.9 million. Furthermore the company distributed £251.0 million to its parent company Lend Lease Europe Holdings Limited.

Operating income for the year was £43.4 million (2014: £55.3 million).

The administrative expenses are the costs incurred in providing the Head Office function and facilities for the Group. Administrative expenses for the year totalled £49.0 million (2014: £57.2 million).

Net finance income totalled £0.9 million (2014: Net finance cost £1.4 million). The movement is predominantly due to interest charged on balances owed to and from other Group companies, with intercompany finance expense increasing by £2.5 million whilst intercompany finance income has increased by £4.6 million.

### **Principal risks and uncertainties**

The principal risk to the company is the performance of its investments. Management complete regular internal risk assessments and business strategies to mitigate against external risks as far as possible. These assessments include medium to long term cash flow plans and development projections enabling a long term view of the business to be maintained. Approval processes for new projects and developments also include a rigorous risk assessment taking into account current and projected market conditions.

The company's investments are subject to other risks such as tenants defaulting, damage to properties by flood, fire or terrorist action and increases in the cost of borrowing. The Lend Lease Europe group of companies takes measures where possible to mitigate these risks such as insurance and having robust disaster contingency plans in place.

### **Position of the company at year end and future prospects**

The improvement in availability of mortgage finance and low interest rates along with limited housing supply and improving customer sentiment will continue to underpin the markets in which the Development business operates.

Management believe that the robust risk management processes outlined under principal risks and uncertainties above will enable the Group to continue its growth in the UK and European market.

The Company will continue to act as an administrative company providing functional and management services to the Group with the aim of recharging substantially all the costs incurred to other group companies on the basis of work undertaken on their behalf.

This report was approved by the board of directors on 16 February 2016 and signed on its behalf by:



**R B T Boswell**

*Director*

## **Directors' report**

The directors present their report and the audited financial statements for the year ended 30 June 2015.

### **Dividends**

The directors have declared a dividend of £251.0 million in the year (2014: £nil).

### **Directors**

The directors who held office during the year were as follows:

R B T Boswell  
G J Scott  
V E Quinlan

### **Going Concern**

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future given the profit made in the year along with the closing net assets position at 30 June 2015.

Budgets have been prepared and subsequently sensitised to take into account the current conditions of the market in which our businesses operate.

The company is a subsidiary undertaking of Lend Lease Europe Holdings Limited, which is registered in England and Wales. Its ultimate parent undertaking is Lend Lease Corporation Limited, which is incorporated in Australia and listed on the Australian Stock Exchange. The Lend Lease group has considerable financial resources and has won multiple contracts in the regions where they operate. Accordingly, the directors believe that Lend Lease Europe Limited, as a subsidiary of Lend Lease Corporation, is well placed to manage its business risks successfully.

### **Financial risk management policies and objectives**

The company is financed by an inter group loan and external overdraft borrowings. The company seeks to constantly monitor and review the cost of borrowing to ensure that the company is financed in the most appropriate manner.

### **Other Information**

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

### **Disclosure of information to auditor**

The directors who held office at the date of approval of this directors' report confirm that:

- so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

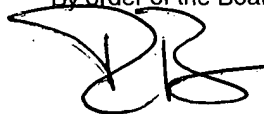
### **Political and charitable contributions**

The Company made no political donations or incurred any political expenditure during the year (2014: nil).

### **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.

By order of the Board



**R B T Boswell**  
*Director*

16 February 2016

20 Triton Street  
Regent's Place  
London  
NW1 3BF

## **Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the European Union (EU) 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **Independent auditor's report to the members of Lend Lease Europe Limited**

We have audited the financial statements of Lend Lease Europe Limited for the year ended 30 June 2015 set out on pages 5 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS's) as adopted by the EU.

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of accounts is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



**Stephen Wardell**

**(Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

15 Canada Square, London, E14 5GL

16 February 2016

**Statement of comprehensive income**  
for the year ended 30 June 2015

	Note	2015 £000's	2014 £000's
Operating income	2	43,371	55,251
Gain on sale of investment		-	2,818
Income from shares in group companies and associated undertakings		404,000	500
Reversal of provision for impairment of loan stock	3	-	1,200
Impairment of investments in group undertakings		(307,935)	-
Administrative expenses		(49,025)	(57,200)
<b>Operating profit</b>	4	<u>90,411</u>	<u>2,569</u>
Finance income	7	11,657	7,449
Finance expenses	8	(10,767)	(8,811)
<b>Net finance income/(expense)</b>		<u>890</u>	<u>(1,362)</u>
<b>Profit on ordinary activities before taxation</b>		<b>91,301</b>	<b>1,207</b>
Tax on profit of ordinary activities	9	(1,214)	57,591
<b>Profit on ordinary activities after taxation</b>		<u><b>90,087</b></u>	<u><b>58,798</b></u>
<b>Profit for the year and total comprehensive income</b>		<u><b>90,087</b></u>	<u><b>58,798</b></u>

All activities are continuing.

The company had no recognised gains or losses other than the profit for the year.

The notes to and forming part of the financial statements are set out on pages 9 to 24.

**Statement of financial position**  
as at 30 June 2015

	Note	2015 £000's	2014 £000's
<b>Non current assets</b>			
Property, plant and equipment	10	9,061	10,706
Intangible assets	11	-	76
Investments in group companies and associated undertakings	12	46,208	356,642
Deferred tax asset	13	1,468	1,509
<b>Total non current assets</b>		<u>56,737</u>	<u>368,933</u>
<b>Current assets</b>			
Inventories	14	631	680
Trade and other receivables	15	662,783	772,666
Cash and cash equivalents	16	440	28,884
<b>Total current assets</b>		<u>663,854</u>	<u>802,230</u>
<b>Total assets</b>		<u>720,591</u>	<u>1,171,163</u>
<b>Current liabilities</b>			
Bank overdraft	16	(125,696)	(94,113)
Current tax liabilities	17	(37,556)	(80,535)
Trade and other payables	18	(529,155)	(825,660)
<b>Total current liabilities</b>		<u>(692,407)</u>	<u>(1,000,308)</u>
<b>Non current liabilities</b>			
Deferred tax liability	13	(41)	(40)
Provisions for liabilities and charges	20	(22,300)	(6,605)
Trade and other payables	19	(3,412)	(3,777)
<b>Total non current liabilities</b>		<u>(25,753)</u>	<u>(10,422)</u>
<b>Total liabilities</b>		<u>(718,160)</u>	<u>(1,010,730)</u>
<b>Net assets</b>		<u>2,431</u>	<u>160,433</u>
<b>Equity</b>			
Share capital	21	1,512	1,512
Retained earnings		919	158,921
<b>Total equity</b>		<u>2,431</u>	<u>160,433</u>

The notes to and forming part of the financial statements are set out on pages 9 to 24.

The financial statements of Lend Lease Europe Limited, registered number 3196202 were approved and authorised for issue by the board of directors on 16 February 2016 and were signed on its behalf by:



**R B T Boswell**  
Director



**Statement of changes in Shareholder's equity**  
*for the year ended 30 June 2015*

	Share capital £000's	Attributable to shareholder Retained earnings £000's	Total equity £000's
Balance at 1 July 2013	1,512	100,123	101,635
Comprehensive income	-	58,798	58,798
Dividend declared	-	-	-
<b>Balance at 30 June 2014</b>	<b>1,512</b>	<b>158,921</b>	<b>160,433</b>
Balance at 1 July 2014	1,512	158,921	160,433
Comprehensive income	-	90,087	90,087
Dividend declared	-	(251,000)	(251,000)
Prior period restatement	-	2,911	2,911
<b>Balance at 30 June 2015</b>	<b>1,512</b>	<b>919</b>	<b>2,431</b>

The notes to and forming part of the financial statements are set out on pages 9 to 24.

**Statement of Cash flows**  
for the year ended 30 June 2015

	Note	2015 £000's	2014 £000's
<b>Cash flows from operating activities</b>			
Profit for the year		90,087	58,798
<i>Adjustments for:</i>			
Depreciation	10	1,680	1,434
Amortisation	11	76	75
Impairment	12	307,935	-
Write-off of Property, plant and equipment		-	869
Gain on sale of Property, plant and equipment		-	(200)
Income tax (expense)/credit	9	1,214	(57,591)
Gain on sale of investment		-	(2,818)
Dividends received		-	(500)
<b>Operating (loss)/profit (before changes in working capital)</b>		<u>400,992</u>	<u>67</u>
Decrease/(increase) in trade and other receivables		112,792	(294,447)
(Decrease)/increase in trade and other payables		(296,870)	374,046
Decrease in inventory		49	2
Decrease/(increase) in non current receivables		-	14,879
Increase in provisions	20	15,695	655
(Decrease) in current tax liabilities		<u>(44,151)</u>	<u>-</u>
<b>Net cash from operating activities</b>		<u>188,507</u>	<u>95,202</u>
<b>Cash flows from investing activities</b>			
Dividend received		-	500
Purchase of property, plant and equipment	10	(35)	(129)
Sale of property, plant and equipment		-	200
Sale of investments		2,501	2,868
<b>Net cash from investing activities</b>		<u>2,466</u>	<u>3,439</u>
<b>Cash flows from financing activities</b>			
Dividend paid		<u>(251,000)</u>	<u>(75,000)</u>
<b>Net cash from financing activities</b>		<u>(251,000)</u>	<u>(75,000)</u>
Net increase in cash and cash equivalents		(60,027)	23,641
Cash and cash equivalents at 1 July		<u>(65,229)</u>	<u>(88,870)</u>
<b>Cash and cash equivalents at 30 June</b>		<u><u>(125,256)</u></u>	<u><u>(65,229)</u></u>

The notes to and forming part of the financial statements are set out on pages 9 to 24.

## **Notes to the financial statements**

### **1 Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### **1.1 Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and with those parts of the Companies Act, 2006 applicable to companies reporting under IFRS.

The Company is exempt by virtue of S401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

*The financial statements have been prepared under the historical cost convention.*

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate given the profit made in the year along with the closing net assets position at 30 June 2015. In addition we note that Lend Lease Europe Holdings Limited has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements it will continue to make available funds as they are needed by the company and in the event that they do not have the funds to provide the necessary support, Lend Lease Europe Holdings Limited intends to procure funds and make these funds available to Lend Lease Europe Limited as and when required. As with any company placing reliance on other Group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

#### **1.2 Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income 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 or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is measured using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but are intended to be settled on a net basis or to be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available, against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**Notes to the financial statements (continued)**  
**Accounting policies (continued)**

**1 1.3 Post retirement benefits**

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

There is no contractual agreement or stated policy for charging the net defined benefit cost for the group wide pension scheme to individual group entities. Contributions in respect of defined benefit schemes are calculated as a percentage, agreed based on actuarial advice, of the pensionable salaries of employees. The cost of providing pensions is charged to the profit and loss account over the periods benefiting from the services of employees.

As required by IAS 19 'Employee benefits', the amount charged to the income statement represents the contributions payable to the scheme in respect of the accounting period.

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

**1.4 Investments**

Investments are stated at cost with adjustments made to the carrying value to reflect net realisable amounts where these are lower than cost. The carrying amounts of the Company's investments are reviewed at each statement of financial position date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of the investment exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

**1.5 Property, plant and equipment**

**Owned assets**

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. The cost of self constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. Where an item of property, plant and equipment comprises components having different useful lives, they are accounted for as separate items of property, plant and equipment. The residual value, useful life and depreciation method applied to an asset are reassessed at least annually.

**Subsequent Expenditure**

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 comprehensive income during the financial year in which they are incurred.

**Depreciation and amortisation**

Depreciation and amortisation is charged to the statement of comprehensive income on a straight line basis over the estimated useful lives of items of property, plant and equipment as below:

Plant, equipment, fixtures and fittings	10 years
IT equipment	3 years
Leasehold improvements	Remaining term of the lease

**1.6 Inventories - work in progress**

Work in progress is stated at the lower of cost and net realisable value.

**Notes to the financial statements (continued)**  
**Accounting policies (continued)**

**1 1.7 Software development costs**

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 (three to five 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 (three to five years).

**1.8 Foreign currencies**

**Functional and presentation currency**

The financial report is presented in British pounds, which is the Company's functional and presentation currency.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

**1.9 Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight line basis over the period of the lease. Lease incentives received are spread over the lease term.

**1.10 Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, less provision for impairment. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

A provision for impairment of trade receivables is established when there is objective evidence that all amounts may not be collectible according to the original terms of the sales transaction. The amount of the provision is the difference between the asset's carrying amount and its fair value, which is estimated as the present value of estimated future cash flows, discounted at the effective interest rate where relevant. The amount of the provision is recognised in the statement of comprehensive income.

**1.11 Share-based payments**

The Group operates a number of share based compensation plans. The shares issued are in the Company's ultimate parent, Lend Lease Corporation Limited. The fair value of the employee services received in exchange for the grant is recognised as an expense and a corresponding liability. The total amount to be expensed over the vesting period is determined by reference to the fair value of the services granted. At each statement of financial position date, the entity revises its estimates of the entitlement due. It recognises the impact on original estimates, if any, in the statement of comprehensive income, and a corresponding adjustment to the liability.

## 1 Notes to the financial statements (continued)

### Accounting policies (continued)

#### 1.12 Accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### Impairment of investments

Note 1.4 'Investments' contains information about the impairment testing on investments.

#### Valuation of Assets and Recoverable Amounts

The Company assesses the recoverability of the carrying value of certain assets using estimations of their recoverable amount. For current and deferred tax assets refer to Note 1.2 'Taxation'. For trade receivables refer to note 1.10 'Trade & other receivables'.

#### 1.13 Impact of new/revised accounting standards

A number of new accounting standards and interpretations have been issued that are not mandatory for the financial year ended 30 June 2015 and have not been applied in preparing this report. None of these is expected to have a significant effect on the financial statements and its policies other than the following standards where the potential effect is yet to be determined:

- IFRS 9 Financial Instruments is the new standard on accounting for financial instruments which will replace IAS 39. The standard will address the classification, measurement and derecognition of financial assets and liabilities. The potential effect of this standard is yet to be determined.
- IFRS 12 Disclosure of Interests in Other Entities relates to disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. Application of this standard will not affect amounts recognised in the financial statements, however it will impact the type of information disclosed in relation to the Company's investments.
- IFRS 13 Fair Value Measurements introduces new guidance on fair value measurement and disclosure requirements when fair value is permitted by accounting standards.

## 2 Operating income

	2015 £000's	2014 £000's
Operating income from related parties	43,107	55,251
Income from other parties	264	-
	<u>43,371</u>	<u>55,251</u>

Operating income predominantly relates to recoveries of costs incurred on behalf of Lend Lease Europe companies in providing Head Office functions.

**Notes to the financial statements (continued)**

**3 Reversal of impairment of non current debtors**

	2015	2014
	£000's	£000's
Reversal of provision for impairment	<u>          </u>	<u>1,200</u>

The impairment provision was held against the loan stock that Lend Lease Europe Limited had issued to Greenwich Peninsula N0204 Block B Unit Trust and Greenwich Peninsula Regeneration Limited. The provision was partly utilised following the sale of Lend Lease's stake in the Greenwich Peninsula regeneration project. The remaining provision was then reversed in 2014.

**4 Profit before taxation**

	2015	2014
	£000's	£000's
<b>Profit before taxation is stated after charging:</b>		
Auditor's remuneration and expenses	56	47
Depreciation (note 10)	1,680	1,434
Amortisation (note 11)	76	75
Foreign exchange loss	257	5
Reversal of impairment of non current debtors (note 3)	-	(1,200)
Movement in provisions (note 20)	15,695	2,300
Impairment of investments in group undertakings (note 12)	307,935	-
Rentals payable under operating leases:		
Land and buildings	3,010	3,029
Plant and equipment	74	22
Motor vehicles	52	143

The Company bore the audit fee for Lend Lease Europe Holdings Limited (Parent entity), Lend Lease US Investments Limited, Lend Lease Europe Finance Plc and Be Onsite.

The directors estimate the audit fee attributable to the company is £13,400 (2014: £13,428).

**5 Remuneration of directors**

The directors received no remuneration in respect of their services to the Company (2014: nil).

**6 Staff numbers and costs**

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2015	2014
Administration	90	119
Operational	143	112
	<u>233</u>	<u>231</u>

**Notes to the financial statements (continued)**

**6 Staff numbers and costs (continued)**

The aggregate payroll costs of these persons were as follows:

	2015 £000's	2014 £000's
Wages and salaries	17,891	13,267
Social security costs	2,017	1,741
Pension costs	1,607	1,400
	<u>21,515</u>	<u>16,408</u>

Of the above payroll costs £21.5 million (2014: £16.4 million) has been recharged to other group companies based on work performed by employees during the year.

**Share based payment arrangements**

The effect of the share-based compensation is not material to the financial statements, therefore per IAS 1 full disclosure is not provided.

**7 Finance income**

	2015 £000's	2014 £000's
Interest receivable from ultimate parent company and fellow subsidiaries	11,657	7,041
Interest receivable from other corporations	-	408
	<u>11,657</u>	<u>7,449</u>

**8 Finance expense**

	2015 £000's	2014 £000's
Interest payable on bank loans and overdrafts	(214)	(771)
Interest payable to ultimate parent company and fellow subsidiaries	(10,553)	(8,040)
	<u>(10,767)</u>	<u>(8,811)</u>

**9 Taxation**

	2015 £000's	2014 £000's
<b>Current tax:</b>		
UK corporation tax credit on profit/(loss) for the year at 20.75% (2014: 22.50%)	(1,172)	719
<b>Total current tax credit</b>	<u>(1,172)</u>	<u>719</u>
<b>Deferred tax:</b>		
Temporary differences written off	(97)	55,773
Effect of change in UK tax rate	55	1,099
<b>Total deferred tax credit</b>	<u>(42)</u>	<u>56,872</u>
<b>Tax on profit on ordinary activities</b>	<u>(1,214)</u>	<u>57,591</u>



## Notes to the financial statements (continued)

### 9 Taxation (continued)

The tax assessed for the period can be reconciled to the profit per the statement of comprehensive income as follows:

	2015 £000's	2014 £000's
Profit before tax	91,301	1,207
Tax using the UK corporation tax rate of 20.75% (2014: 22.50%)	(18,945)	(272)
Tax exempt revenues	85,176	1,017
Expenses and provisions not deductible for tax purposes	(67,403)	(26)
Temporary differences written off	(97)	(12)
Permanent difference on change of tax rate	55	1,099
Release of opening Deferred Tax Liability balance	-	55,785
<b>Total tax in statement of comprehensive income</b>	<b>(1,214)</b>	<b>57,591</b>

The above tax calculation is an estimate prepared at the time of signing the financial statements. Any adjustments subsequently agreed with the Inland Revenue will be reflected in the financial statements for the period in which such agreement is reached.

### 10 Property, plant and equipment

For the year ended 30 June 2014	Leasehold improvements £000's	Plant and equipment £000's	Fixtures and fittings £000's	Total £000's
<b>Cost</b>				
At 1 July 2013	11,525	1,522	1,802	14,849
Additions	129	-	-	129
Written off	(248)	(24)	(806)	(1,078)
<b>At 30 June 2014</b>	<b>11,406</b>	<b>1,498</b>	<b>996</b>	<b>13,900</b>
<b>Depreciation</b>				
At 1 July 2013	(1,076)	(629)	(264)	(1,969)
Charge for the year	(808)	(499)	(127)	(1,434)
Written off	32	16	161	209
<b>At 30 June 2014</b>	<b>(1,852)</b>	<b>(1,112)</b>	<b>(230)</b>	<b>(3,194)</b>
<b>Net book value of 30 June 2014</b>	<b>9,554</b>	<b>386</b>	<b>766</b>	<b>10,706</b>

**Notes to the financial statements (continued)**

**10 Property, plant and equipment (continued)**

<b>For the year ended 30 June 2015</b>	<b>Leasehold improvements £000's</b>	<b>Plant and equipment £000's</b>	<b>Fixtures and fittings £000's</b>	<b>Total £000's</b>
<b>Cost</b>				
At 1 July 2014	11,406	1,498	996	13,900
Additions	14	216	-	230
Written off	-	-	-	-
<b>At 30 June 2015</b>	<b>11,420</b>	<b>1,714</b>	<b>996</b>	<b>14,130</b>
<b>Depreciation</b>				
At 1 July 2014	(1,852)	(1,112)	(230)	(3,194)
Charge for the year	(1,020)	(113)	(547)	(1,680)
Other movement	-	(195)	-	(195)
<b>At 30 June 2015</b>	<b>(2,872)</b>	<b>(1,420)</b>	<b>(777)</b>	<b>(5,069)</b>
<b>Net book value at 30 June 2015</b>	<b>8,548</b>	<b>294</b>	<b>219</b>	<b>9,061</b>

**11 Intangible assets**

	<b>Software £000's</b>
<b>Cost</b>	
At 1 July 2014	227
Additions	-
<b>At 30 June 2015</b>	<b>227</b>
<b>Amortisation</b>	
At 1 July 2014	(151)
Charge for the year	(76)
<b>At 30 June 2015</b>	<b>(227)</b>
<b>Net book value</b>	
<b>At 30 June 2015</b>	<b>-</b>
<b>At 30 June 2014</b>	<b>76</b>

## Notes to the financial statements (continued)

### 12 Investments in group companies and associated undertakings

Fixed asset investments represent shares in subsidiary undertakings and investments in joint ventures and associates at cost. A full list of the company's subsidiaries is included in the company's annual return. The following information relates to those subsidiaries, associates and joint ventures held by the company:

Company	Country of registration	Activity	% ownership
<b>Subsidiaries</b>			
Lend Lease Bluewater Limited	England and Wales	Investment company	100%
Lend Lease Development Limited	England and Wales	Project Management	100%
Lend Lease Real Estate Investments Limited	England and Wales	Fund Operator	100%
Lend Lease Europe Retail Investments Limited	England and Wales	Investment Management	100%
St Clements Valley Developments Limited	England and Wales	Property Investment and Development	100%
Lend Lease N0204 Block A Limited	England and Wales	Development of building projects	100%
Lend Lease N0204 Block B Limited	England and Wales	Development of building projects	100%
Lend Lease Norwich Limited	England and Wales	Property Investment and Development	100%
Lend Lease Europe GP Limited	England and Wales	Property Investment and Development	100%
Chelmsford Meadows (General Partner) Limited	England and Wales	Property Investment and Development	75%
Bluewater Lend Lease Limited	England and Wales	Real estate agencies	100%
Lend Lease Chelmsford Meadows Limited	England and Wales	Development of building projects	100%
Lend Lease (Elephant & Castle) Limited	England and Wales	Development of building projects	100%
Lend Lease Dundee Development Limited	England and Wales	Development of building projects	100%
Lend Lease Performance Retail Limited	England and Wales	Development of building projects	100%
Lend Lease Preston Tithebarn Limited	England and Wales	Development of building projects	100%
Lend Lease Preston Tithebarn No2 Limited	England and Wales	Development of building projects	100%
Lend Lease SCBD Limited	England and Wales	Development of building projects	100%
Lend Lease Solihull Limited	England and Wales	Development of building projects	100%
Lend Lease Stratford GP Limited	England and Wales	Development of building projects	100%
Peninsula LP Limited	England and Wales	Development of building projects	100%
Preston Tithebarn General Partner Limited	England and Wales	Development of building projects	100%
Lend Lease PFI/PPP Infrastructure Fund Investor	England and Wales	Fund management activities	100%
<b>Joint Ventures</b>			
Warrington (General Partner) Limited	England and Wales	Property Investment and Development	50%

## Notes to the financial statements (continued)

### 12 Investments in group companies and associated undertakings (continued)

A reconciliation of the movement in investments is shown below:

	2015 £000's	2014 £000's
<b>Subsidiaries</b>		
<b>Cost</b>		
At 1 July	501,926	501,976
Additions	3	-
Disposal	-	(50)
<b>At 30 June</b>	<b>501,929</b>	<b>501,926</b>
<b>Provisions for impairment</b>		
At 1 July	(147,786)	(147,786)
Charge for the year	(307,935)	-
<b>At 30 June</b>	<b>(455,721)</b>	<b>(147,786)</b>
<b>Net book value</b>	<b>46,208</b>	<b>354,140</b>
<b>Joint ventures and associates</b>		
<b>Cost</b>		
At 1 July	2,502	2,502
Additions	-	-
Disposals	(2,502)	-
<b>At 30 June</b>	<b>-</b>	<b>2,502</b>
<b>Total investments</b>	<b>46,208</b>	<b>356,642</b>

### 13 Deferred taxation

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	<b>Assets</b>		<b>Liabilities</b>		<b>Net</b>	
	2015 £000's	2014 £000's	2015 £000's	2014 £000's	2015 £000's	2014 £000's
Property, plant and equipment	520	595	-	-	520	595
Provisions	-	-	(41)	(40)	(41)	(40)
Employee benefits	499	481	-	-	499	481
Partnership profits	449	433	-	-	449	433
<b>Total tax assets / (liabilities)</b>	<b>1,468</b>	<b>1,509</b>	<b>(41)</b>	<b>(40)</b>	<b>1,427</b>	<b>1,469</b>

These tax assets will crystallise when the corresponding assets are reversed. Profits will be available in the Lend Lease group to utilise these tax deductions.

Notes to the financial statements (continued)

13 Deferred taxation (continued)

Movement in deferred tax during the year

	30 June 2014	Recognised in statement of compre- hensive income	Rate change	30 June 2015
	£000's	£000's	£000's	£000's
Property, plant and equipment	595	(97)	22	520
Partnership profits	433	-	16	449
Employee benefits	481	-	18	499
Revaluation of shares	-	-	-	-
Provisions	(40)	-	(1)	(41)
	<u>1,469</u>	<u>(97)</u>	<u>55</u>	<u>1,427</u>

	30 June 2013	Recognised in statement of compre- hensive income	Rate change	30 June 2014
	£000's	£000's	£000's	£000's
Property, plant and equipment	624	27	(56)	595
Partnership profits	475	-	(42)	433
Employee benefits	566	(38)	(47)	481
Revaluation of shares	(57,026)	55,786	1,240	-
Provisions	(44)	-	4	(40)
	<u>(55,405)</u>	<u>55,775</u>	<u>1,099</u>	<u>1,469</u>

There are also unrecognised deferred tax assets on the following items:

	2015 £000's	2014 £000's
Value of shares/joint ventures	1,025	1,076
Provisions against carrying value of subsidiaries	91,144	31,035
	<u>92,169</u>	<u>32,111</u>

A deferred tax asset has been recognised as the company has been historically profitable and is expected to be so going forward.

The reallocation of the deferred tax asset to current tax reflects the position in the tax return for 30 June 2015 to be submitted.

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and further to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 June 2015 has been calculated based on the rate of 20.75% substantively enacted at the balance sheet date.

**Notes to the financial statements (continued)**

**14 Inventories**

	<b>2015</b> <b>£000's</b>	<b>2014</b> <b>£000's</b>
Work in progress	631	680

**15 Current trade and other receivables**

	<b>2015</b> <b>£000's</b>	<b>2014</b> <b>£000's</b>
Trade receivables	129	30
Amounts due from related parties (see note 24)	662,977	769,897
Prepayments and accrued income	(380)	1,405
Other receivables (including taxation and social security)	57	1,334
	<u>662,783</u>	<u>772,666</u>

**16 Cash and cash equivalents**

	<b>2015</b> <b>£000's</b>	<b>2014</b> <b>£000's</b>
Cash and cash equivalents per Statements of Financial Position	440	28,884
Bank overdraft	(125,696)	(94,113)
Cash and Cash equivalents as per Statement of Cash Flows	<u>(125,256)</u>	<u>(65,229)</u>

**17 Current tax liabilities**

	<b>2015</b> <b>£000's</b>	<b>2014</b> <b>£000's</b>
Corporations tax payable	(1,172)	(36,100)
Group relief payable	(36,384)	(44,435)
	<u>(37,556)</u>	<u>(80,535)</u>

**18 Current trade and other payables**

	<b>2015</b> <b>£000's</b>	<b>2014</b> <b>£000's</b>
Amounts due to related parties (see note 24)	519,296	807,921
Accruals and deferred income	10,388	16,924
Trade payables	(743)	453
Other payables (including taxation and social security)	214	362
	<u>529,155</u>	<u>825,660</u>

**19 Non current trade and other payables**

	<b>2015</b> <b>£000's</b>	<b>2014</b> <b>£000's</b>
Lease Inducements	<u>3,412</u>	<u>3,777</u>

## Notes to the financial statements (continued)

### 20 Provisions for liabilities and charges

	Restructuring £000's	Other Provisions £000's	Total £000's
<b>At 1 July 2013</b>	<b>2,950</b>	<b>3,000</b>	<b>5,950</b>
Provisions made during the year	-	2,300	2,300
Provision utilised during the year	(1,645)	-	(1,645)
<b>At 30 June 2014</b>	<b>1,305</b>	<b>5,300</b>	<b>6,605</b>
<b>At 1 July 2014</b>	<b>1,305</b>	<b>5,300</b>	<b>6,605</b>
Provisions made during the year	-	17,000	17,000
Provision utilised during the year	(1,305)	-	(1,305)
<b>At 30 June 2015</b>	<b>-</b>	<b>22,300</b>	<b>22,300</b>

Other provisions relate to potential contractual obligations arising from the company's activity of overseeing key risks within the European region.

### 21 Called up share capital

	2015 £000's	2014 £000's
<b>Authorised</b>		
5,000,000 ordinary 'A' shares of £1	5,000	5,000
5,000,000 ordinary 'B' shares of £1	5,000	5,000
	<u>10,000</u>	<u>10,000</u>
<b>Allotted, called up and fully paid</b>		
2 ordinary A shares of £1		
1,512,134 ordinary 'B' shares of £1	1,512	1,512
	<u>1,512</u>	<u>1,512</u>

The ordinary 'B' shares are redeemable at par on call, at the option of the company. The ordinary 'A' and 'B' shares rank equally for dividends and voting rights and are treated as equity shares.

### 22 Operating lease commitments

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2015 Land and buildings £000's	Other £000's	2014 Land and buildings £000's	Other £000's
Within one year	3,010	89	3,508	270
Between one and five years	12,042	109	12,042	311
Over five years	1,756	-	4,766	-
	<u>16,808</u>	<u>198</u>	<u>20,316</u>	<u>581</u>

## Notes to the financial statements (continued)

### 23 Other commitments

The company has provided various financial and performance guarantees to subsidiary companies.

### 24 Related party transactions

#### (a) Transactions with related parties

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

	2015 £000's	2014 £000's
<b>Revenue</b>		
Income from Lend Lease Group companies (note 2)	43,371	55,251

	2015 £000's	2014 £000's
<b>Costs</b>		
Provision of services by ultimate parent	232	372

	2015 £000's	2014 £000's
<b>Finance income</b>		
Lend Lease Group companies (note 7)	11,657	7,041
Joint ventures and associates (note 7)	-	408
<b>Total finance income from related parties</b>	11,657	7,449

	2015 £000's	2014 £000's
<b>Finance costs</b>		
Lend Lease Group companies (note 8)	(10,553)	(8,040)

	2015 £000's	2014 £000's
<b>Distributions received</b>		
Income from shares in Group undertakings	404,000	500

#### (b) Year end balances with related parties

	2015 £000's	2014 £000's
<b>Current receivables due from:</b>		
Ultimate parent and other Lend Lease Group companies (note 15)	662,977	769,897
<b>Total amounts receivable from related parties</b>	662,977	769,897

	2015 £000's	2014 £000's
<b>Current payables due to:</b>		
Ultimate parent and other Lend Lease Group companies (note 18)	519,296	807,921
<b>Total current payables due to related parties</b>	519,296	807,921

Loans due to and from Lend Lease Group companies are on an arms-length basis and incur interest at a rate of LIBOR plus 2.45%.



## **Notes to the financial statements (continued)**

### **25 Risk management**

The company's activities expose it to financial risks in the form of market risk including foreign exchange risk, price risk and credit risk. The Company's risk management programme seeks to minimise potential adverse effects on the Company's financial performance.

#### **Foreign currency risk**

The company operates predominantly within the UK such that its exposure to currency risk is considered to be minimal with only a small proportion of items both in terms of volume and value transacted in a foreign currency. As a result, there are no hedges in place with respect to any potential currency exposure.

#### **Price risk**

The company does not have significant equity investments or investments in commodities and does not consider itself to be exposed to any significant equity, commodity or other price risk.

#### **Credit risk**

The company has no significant concentrations of credit risk. It has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

Credit risk is managed by limiting the aggregate exposure to any one individual counterparty, taking into account its credit rating. Such counterparty exposures are regularly reviewed and adjusted as necessary. Accordingly, the possibility of material loss arising in the event of non-performance by counterparties is considered to be unlikely.

#### **Liquidity risk**

Liquidity risk is the risk of having insufficient funds to settle financial liabilities as and when they fall due.

Liquidity risk is reduced through prudent cash management which ensures sufficient levels of cash are maintained to meet working capital requirements.

### **26 Pension scheme**

The Company participates in a group wide pension scheme (The Lend Lease UK Pension Scheme) providing benefits based on final pensionable pay, with the sponsor being Lend Lease Construction Holdings (EMEA) Limited. There is no contractual agreement or stated policy for charging the net defined benefit cost for the group wide pension scheme to individual group entities.

Contributions in respect of defined benefit schemes are calculated as a percentage, agreed based on actuarial advice, of the pensionable salaries of employees. The cost of providing pensions is charged to the profit and loss account over the periods benefiting from the services of employees.

As required by IAS 19 'Employee benefits', the amount charged to the statement of comprehensive income represents the contributions payable to the scheme in respect of the accounting period.

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

For the year ended 30 June 2015 the total Company contributions paid to the Defined Benefit Section of the Lend Lease UK Pension Scheme were £nil (2014: £nil).

**Notes to the financial statements (continued)**

**27 Ultimate parent company and parent undertaking of larger group of which the company is a member**

The company is a subsidiary undertaking of Lend Lease Europe Holdings Limited, which is registered in England and Wales. Its ultimate parent undertaking is Lend Lease Corporation Limited, which is incorporated in Australia.

The largest group in which the results of the company are consolidated is that headed by Lend Lease Corporation Limited. The consolidated financial statements of that group may be obtained from [www.lendlease.com](http://www.lendlease.com).

The smallest group in which the financial statements of the company are consolidated is that headed by Lend Lease Europe Holdings Limited. The consolidated financial statements of this group may be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff.