Lend Lease Facilities Management Limited
(formerly Vita Lend Lease Limited)

Directors' report and financial statements

Registered number 3810466

30 June 2011

Directors' report and financial statements

Contents

Directors' report

The directors present their report and financial statements for the year ended 30 June 2011

Principal activities

The company's principal is serving as activity is a provider of facilities management in the United Kingdom and Ireland

The company is a limited liability company incorporated and domiciled in the United Kingdom The address of its registered office is now 20 Triton Street, Regent's Place, London NW1 3BF

Business review

For the financial year ending 30 June 2011, the Company recorded a turnover of £52,986,000 (2010 £50,858,000) and an operating profit of £1,112,000 (2010 £1,259,000)

The company currently operates in two sectors offering facilities management services to the Private Finance Initiative (PFI) and Retail & Leisure sectors The basis of trade is the delivery of PFI operations, with a number of Retail centres also under management With current backlog revenue of an estimated £530 million the Company has a good platform on which to leverage growth Included in backlog revenue is 10 years of PFI revenue, these contracts are between 25 and 42 years in length

Like all Lend Lease businesses we are planning towards a sustainable future, by this we mean continuing to develop an integrated service offering working together with our clients, suppliers, government agencies and other stakeholders for a future where we use our resources wisely, promote long term business objectives and ensure that our impact on our stakeholders are effectively managed Making a profit, corporate responsibility and corporate governance are not mutually exclusive and we are developing means to ensure longevity with limited negative impact on both the natural and human environment In terms of the natural environment we are actively working on measures that include energy management, recycling and waste management, water measurement and carbon emission monitoring We are also encouraging a high level of social responsibility with all our stakeholders around our actions and how they are affecting others around us

During the financial year the Company has implemented a number of incentives to drive sustainability forward, initiating a Company wide support structure to study various methods of measurement, employee involvement in sustainability, supply chain effectiveness and measurement as well as how we involve other external stakeholders To date this has been highly effective and the results of which will be fed up through the Lend Lease organisation to form the basis of the framework of the group sustainability platform Lend Lease Facilities Management is very proud of the fact that our involvement in this exercise has lead to achieving PAS99 an integrated management system certification

The key risks, detailed in Note 17, are managed by the continued high quality delivery of our PFI contracts and associated Lifecycle requirements We believe that any risks are mitigated by a high level of technical expertise within the organisation together with strong business processes, corporate governance and management systems in place

During the current financial year, the Company changed its name from Vita Lend Lease Limited to Lend Lease Facilities Management Limited

Dividend

The Directors do not recommend payment of a dividend for the year *(2010 £nil)*

Directors' report *(continued)*

Directors and directors' interests

The directors who held office are as follows

G Kondo
S Nightingale
M Paskin (appointed 9 June 2011)
G Taylor (resigned 27 January 2011)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the Company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year

Subsequent to the year end, G Kondo resigned as a director (on 4 October 2011), and the following directors were appointed
S K Grist (appointed 26 August 2011)
M Boor (appointed 30 August 2011)
K T Shields (9 November 2011)

Disclosure of information to auditors

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 auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Employees

Disabled persons

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

Employees and their involvement in the group business

The Company is part of the Project Management & Construction group and closely identifies with the group's corporate identity and activities and also those of the ultimate Australian parent undertaking, Lend Lease Corporation Limited

Employees benefit from a profit sharing scheme that enables them to identify more closely with the group's performance and to share common objectives with shareholders This spirit of involvement in the group is encouraged through access to a variety of media, and staff at all levels are regularly advised of the group's and individual companies' achievements

Directors' report *(continued)*

The methods and media used to do this include

- "Hive", the group's intranet site, which is updated with daily news on the activities taking place within the group, both regionally and globally, and regularly publishes detailed information on Project Management & Construction and Lend Lease Corporation

- "Global Update", annual employee update meetings

- "Coffee talks" – at which senior directors meet with small groups of employees to brief them on aspects of the business and answer their questions

- Notice board displays of matters of interest and importance relating to the Company and to the group, such as health and safety, vision and values and financial matters

All employees are encouraged to show an awareness of the objectives of the Company and the standards of performance required in relation to the specific activities in which they are engaged

Lend Lease Corporation's core values are published widely They encourage a culture of involvement and performance The six core values are 'Respect', 'Integrity', 'Innovation', 'Collaboration', 'Excellence' and 'Trust'

Safety is a critical issue both on site and in our offices With this in mind, Incident & Injury Free was launched in 2002 to encourage people to consider the safety and welfare of others as well as themselves It is a global programme that sets out Lend Lease's commitment to a safe working environment and involves everyone who works on our sites and in our offices, promoting the need for behavioural change and consistent safety standards We continue to actively promote this commitment

Lend Lease Facilities Management is strategically and culturally committed to sustainability It seeks, through its actions, to achieve economic development, social enrichment, and environmental protection - the three components of sustainable development In 2009, the company committed to gaining the PAS 99 certification

Capital management

When investing capital the Company's objective is to deliver strong shareholder returns and to continue to generate high levels of liquid assets in line with the Lend Lease Corporation capital management goals The Company actively manages the working capital on a daily basis with periodic narrative and recommendations prepared for senior management on movements, risk, exceptions and tracking against business targets The Company operates under a strict regime of contract billings and debtor payment cycle to maximise liquidity There were no changes to Company's approach to capital management during the year

Political and charitable contributions

The Company made no political or charitable contributions during the year

Auditors

A resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at a forthcoming General Meeting

Director

20 Triton Street, Regent's Place, London NW1 3BF

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing 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 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 finacial 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 Facilities Management Limited

We have audited the financial statements of Lend Lease Facilities Management Limited for the year ended 30 June 2011 set out on pages 6 to 23 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) 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 4, 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 (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

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 2011 and of its profit for the year then ended
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the financial statements 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 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, 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

W. Meredith

William Meredith
Senior Statutory Auditor
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square
London
E14 5GL

26 March 2012

Statement of Comprehensive Income

For the year ended 30 June 2011

	Notes	2011 £000	2010 £000
Revenue	1	**52,986**	50,858
Cost of sales		**(48,892)**	(46,174)
Gross Profit		**4,094**	4,684
Administrive expenses		**(2,982)**	(3,425)
Profit before taxation	2	**1,112**	1,259
Finance Income	5	**-**	-
Taxation	6	**(325)**	(414)
Profit for the year		**787**	845

No operations were acquired or discontinued during the year *(2010 none)* There is no material difference between the results disclosed in the income statement and the result given on an unmodified historical cost basis

Balance sheet
As at 30 June 2011

	Notes	2011 £000	2010 £000
Non-current assets			
Deferred tax assets	8	**258**	298
Current assets			
Trade and other receivables	7	**8,236**	10,817
Cash and cash equivalents		**30,909**	22,646
Total assets		**39,403**	33,761
Current liabilities			
Trade and other payables	9	**(15,460)**	(11,075)
Provision for liabilities and charges	10	**(1,184)**	(1,234)
Net current liabilities		**(16,644)**	(12,309)
Total assets less current liabilities		**22,759**	21,452
Non-current liabilities			
Provision for liabilities and charges	10	**(18,954)**	(18,344)
Net assets		**3,805**	3,108
Equity			
Ordinary shares	11	**-**	-
Retained earnings	12	**3,805**	3,018
Total equity		**3,805**	3,018

These financial statements were approved by the board of directors on [illegible] January 2012 and were signed on its behalf by

Director

Statement of changes in shareholders' equity

For the year ended 30 June 2011

		Ordinary share capital	Retained Earnings	Total equity
		£000	£000	£000
Balance at 30 Jun 2009		-	**2,173**	**2,173**
Retained profit for the year		-	845	845
Balance at 30 June 2010		-	**3,018**	**3,018**
Retained profit for the year	12	-	235	235
Balance at 30 June 2011		-	3,253	3,253

Cash flow statement

For the year ended 30 June 2011

		2011	2010
		£000	£000
Cash generated from operations	13	**8,263**	1,689
Interest received		-	-
Income tax paid		-	-
Net cash from operating activities		8,263	1,689
Cash and cash equivalents at beginning of year		**22,646**	20,957
Net increase in cash and cash equivalents		30,909	22,646

Notes to the financial statements *(continued)*

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared with International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies under IFRS

These financial statements have been prepared under the historical cost convention and on a going concern basis

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business net of value added tax

Sales of goods are recognised when goods are delivered and title has passed Revenue from long-term service contracts is recognised in accordance with the Company's accounting policy on long-term service contracts

Long-term service contracts

For PFI contracts, there are two distinct fixed revenue streams

The first is related to the management of the assets The revenue is received from the PFI project entities against a predetermined amount at contract award (indexed to RPI annually) for providing facilities management services in maintaining the assets Costs incurred for carrying out the related service are offset against these revenues, any difference is taken as margin in that year

The second revenue stream relates to the Life Cycle of the assets being maintained Revenue is received from the PFI project entities based on a predetermined schedule at contract award (indexed to RPI annually) These revenues are for the replacement of component parts of the assets over the entire period of the contract, the revenue streams in most cases do not match the costs These revenues are recognised as a provision on the balance sheet and are only recognised to the extent that costs are incurred for Life Cycle activities plus any associated overheads As these contracts are long term, between 30 and 40 years, outturn margin will only be recognised where there is certainty over the costing of Life Cycle activities

For Retail contracts, costs are incurred on an agreed yearly budget and an agreed margin percentage applied for carrying out the service

Foreign currencies

Transactions in currencies other than the entity's functional currency (foreign currencies) are initially recorded at the rates of exchange prevailing on the date of the transaction At each subsequent balance sheet date assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial period Foreign exchange differences are taken to the income statement in the period in which they arise All exchange differences arising are dealt with in the income statement

Notes to the financial statements *(continued)*

Accounting policies (continues)

Leased assets

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 income statement on a straight-line basis over the period of the lease

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax

The tax currently payable is based on taxable profit for the year Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and further excludes items that are never taxable or deductible The Company's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date Temporary differences are differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax assets are not recognised to the extent that the transfer of economic benefits in future is uncertain Deferred tax assets and liabilities recognised have not been discounted

Employee Benefits

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

The Company participates in a group wide pension scheme providing benefits based on final pensionable pay The assets of the scheme are held separately from those of the Company The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by IAS 19 'Employee benefits', accounts for the scheme as if it were a defined contribution scheme As a result, the amount charged to the income statement represents the contributions payable to the scheme in respect of the accounting period

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment

All receivables are regularly reviewed and 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

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank Bank overdrafts are shown within borrowings in current liabilities on the balance sheet

Notes to the financial statements *(continued)*

Accounting policies (continues)

Creditor payment policy

The Company's policy is to pay suppliers in accordance with terms and conditions agreed when orders are placed Where payment terms have not been specifically agreed, then the invoices received each calendar month are paid close to the end of the following month This policy is understood by the purchasing and financing departments The Company has procedures for dealing promptly with complaints and disputes

The average number of creditor days outstanding at the end of the year was 3 days (2010 3 days)

Finance income

Finance income comprises interest income on cash held at bank and is recognised as received on a quarterly basis

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated Provisions are not recognised for future operating losses

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation The increase in the provision due to passage of time is recognised as interest expense

Net fair values of assets and liabilities

All financial instruments are recognised on the balance sheet date at amounts that represent a reasonable approximation of fair value

Critical judgements in applying the entity's accounting policies

The preparation of financial statements under IFRS requires management to make estimates and assumptions that affect amounts recognised for assets and liabilities at the balance sheet date and the amounts of revenue and expenses incurred during the reporting period Actual outcomes may therefore differ from these estimates and assumptions

The Company's revenue recognition and long-term contract accounting (set out above) are central to the way the Company values the work it has carried out in each financial year These policies require forecasts to be made of the outcomes of long-term construction and service contracts, which require assessments and judgements to be made on profit recognition, recovery of pre-contract costs, changes in work scope, contract programmes and maintenance liabilities

Notes to the financial statements *(continued)*

2 Operating profit

	2011 £000	2010 £000
Profit on ordinary activities before taxation is stated after charging		
Rentals payable under operating leases		
Land and buildings	14	151
Other	104	141
Audit of financial statements of the Company	53	32
Bad and doubtful debt expense	61	80
Gains on foreign exchange transaction	-	(45)
Staff costs	14,264	13,682

3 Remuneration of directors

Benefits are accruing to one (2010 one) directors under

Directors' emoluments

	2011 £000	2010 £000
Aggregate emoluments	139	110
Company contributions to money purchase pension schemes	22	21
	161	131

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, engaged in the activity of providing facilities management services was 606 *(2010 520)* No share based payments are in place in relation to these employees

The aggregate payroll costs of these persons were as follows

	2011 £000	2010 £000
Wages and salaries	13,144	12,642
Social security costs	1,120	1,040
Other pension costs	1,328	1,158
	15,592	14,840

Notes to the financial statements *(continued)*

5 Finance income

	2011 £000	2010 £000
Bank and other interest	-	-
	-	-

6 Taxation

a) Tax on profit on ordinary activities

	2011 £000	2010 £000
Current tax		
UK corporation tax	285	371
Adjustments in respect of previous periods	20	61
Current tax charge	305	432
Deferred tax		
Accelerated capital allowances	-	-
Other temporary differences	20	(18)
Deferred tax charge	20	(18)
Total tax charge in the statement of comprehensive income	325	414

b) Reconciliation of the total tax charge

The tax charge for the year on the profit on ordinary activities is higher than the notional tax charge on those (losses)/profits calculated at the UK corporation tax rate of 27 5% (2010 28%)

	2011 £000	2010 £000
Profit on ordinary activities before tax	1,112	1,259
Tax at 27 5% (2010 28%)	306	353
Effects of		
Adjustments in respect of previous periods	19	61
Total tax charge for year (note 7 (a))	325	414

C) ***Factors that may affect future current and total tax charges***

Future effective tax rates may vary due to short term differences

The future tax change will be affected by future changes to the enacted tax rate, the timing of the origination and reversal of short term timing, difference in the level of costs qualifying for tax deduction

Notes to the financial statements (continued)

7 Trade and other receivables

	2011 £000	2010 £000
Trade receivables	6,556	7,553
Amounts due from related parties (note 16)	676	1,688
Parent and other group undertakings	1,004	1,576
	8,236	10,817

The ageing of trade receivables at the reporting date was

	2011 £000	2010 £000
Not past due	4,619	5,675
Past due 0-90 days	1,933	1,815
More than 90 days	4	63
	6,556	7,553

8 Deferred taxation

The deferred tax amounts are recognised as follows	2011 £000	2010 £000
At beginning of year	298	281
Profit and loss credit for the year	(40)	17
At end of year	258	298
Analysed as		
Accelerated capital allowances	-	-
Other timing differences	258	298
	258	298

9 Current liabilities

	2011 £000	2010 £000
Trade payables	349	266
Amounts payable to related entities	263	453
Taxation and social security		
- VAT	303	685
- Corporation tax	944	663
Accruals and deferred income	13,601	9008
	15,460	11,075

Notes to the financial statements *(continued)*

10 Provisions for liabilities and charges

	Lifecycle £000	Mobilisation £000	Defects Reserve £000	Total £000
Staff numbers and costs	18,344	761	563	19,668
Additional provisions	7,544	652	-	8,196
Used during the year	(6,490)	(786)	(6)	(7,282)
Transfer to Income Statement	(444)	-	-	(444)
As at 30 June 2011	18,954	627	557	20,138

Analysis of total provisions	**2011 £000**	2010 £000
Non- Current	**18,954**	18,344
Current	**1,184**	1,324
	20,138	19,668

a) *Lifecycle*

Lifecycle is a cash-backed provision for future works to be undertaken to provide replacement assets under PFI contracts The cash is received based on a predetermined schedule at contract award (indexed to RPI annually) in advance of performance It is expected that the net inflow will be £397,385 and £2,848,495 during 2012 and 2013 respectively

b) *Mobilisation*

Mobilisation is a provision for works on PFI projects that are currently being constructed or just completed and yet to commence operation These funds are drawn down prior to operation The provision of £627,000 at 30 June 2011 is expected to be fully utilised by the end of the financial year 2012

c) *Defects reserve*

Defects reserve is a provision for the works to be undertaken on PFI contracts related to the correction of construction related issues post handover of the asset to operation The balance at 30 June 2011 is expected to be fully utilised by 30 June 2012

Notes to the financial statements *(continued)*

11 Called up share capital

	2011 000's	2010 000's
Authorised		
100 Ordinary shares of £1 each	**100**	100
	100	100
Alloted, called up and fully paid	**1**	1
100 Ordinary shares of £1 each	**1**	1

12 Retained Earnings

	2011 £000	2010 £000
At beginning of year	**3,018**	2,173
Retained profit for the year	**787**	845
	3,805	3,018

13 Cash flows from operating activities

	2011 £000	2010 £000
Cash flows from operating activities	**787**	845
Adjustments for		
Tax charge	**325**	414
Finance cost	-	-
Changes in working capital:		
Decrease/ (Increase) in trade & Other receivables (Note 7)	**2,009**	(2,967)
Decrease/ (Increase) in prepayments & accrued income (Note 7)	**568**	(1,199)
Increases/ (Decrease) in trade payables (Note 9)	**83**	(420)
(Decrease)/Increase in related party payables (Note 9)	**(190)**	333
Increase/(Decrease) in accruals and other liabilities (Note 9)	**4,211**	(428)
Increase in provisions (Note 10)	**470**	5,111
Cash generated from operations	**8,263**	1,689

14 Commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows

	2011 £000	2010 £000
Within one year	**282**	297
In the second to fifth years inclusive	**769**	859
Over five years	**2,615**	2,891
	3,666	4,047

Notes to the financial statements *(continued)*

15 Pension scheme

The Lend Lease Construction Holdings (EMEA) Limited acts as a sponsor for its group pension scheme, the Lend Lease UK Pension Scheme which is a funded Scheme of the defined benefit type A separate section, the Personal Investment Section, provides retirement benefits on a defined contribution basis The Lend Lease Construction Holdings (EMEA) Limited's contributions to members' PIF accounts are not included in these disclosures

The Final Salary Section was closed to future accrual on 31 August 2008 and members of this Section joined the Index-Linked Section for service from 1 September 2008 These members have retained leaving service benefits in the Final Salary Section

For the year ended 30 June 2011 the total Lend Lease Construction Holdings (EMEA) Limited contributions paid to the Defined Benefit Section of the Lend Lease UK Pension Scheme were £20,000,000 (2010 £24,600,000)

These contributions were based on the funding agreement following the full actuarial valuation of the Lend Lease UK Pension Scheme carried out by the Scheme Actuary as at 31 March 2008, finalised on 26 October 2009 We are currently undertaking an actuarial valuation as at 31 March 2011 which is expected to be finalised in March 2012

The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method

There is currently a pension surplus in the scheme as at 30 June 2011 (2010 deficit) Regular employer contributions to the Lend Lease UK Pension Scheme in 2011/12 are estimated to be £10 2m (2010/11 £12 0m)

a) Principal actuarial assumptions

	30 June 11	30 June 10	30 June 09	30 June 08
	% p a.	% p a	% p a	% p a
Pension increases post April 2008	**2 5**	2 6	2 7	2 9
Rate of increase in salaries	n/a	n/a	n/a	5 6
Inflation assumption	**3 6**	3 7	3 9	4 1
Discount rate applied to scheme liabilities	**5 4**	5 4	6 5	6 4
Expected rate of return	**6 4**	6 3	6 1	7 0

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice

The overall expected rate of return on the scheme assets is weighted average of the individual expected rates of return on each asset class

Lend Lease Construction Holdings (EMEA) Limited employs a building block approach in determining the long-term rate of return on pension plan assets Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles The assumed long-term rate of return on each asset class is set out within this note The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Scheme at the 30 June 2011

Notes to the financial statements *(continued)*

Pension scheme (continued)

b) Balance sheet amounts

The amounts recognised in the balance sheet are determined as follows

	30 June 11	30 June 10
	£000	£000
Present value of defined benefit obligations	(385,500)	(381,200)
Fair value of plan assets	381,300	334,700
Unrecognised actuarial gains	5,700	36,400
	1,500	(10,100)

c) Reconciliation of the present value of defined benefit obligations

	30 June 11	30 June 10
	£000	£000
Present value of defined benefit obligations at beginning of financial year	375,900	338,700
Current service cost	7,200	7,200
Interest cost on benefit obligation	19,900	20,200
Contributions by Scheme participants	100	100
Actuarial gains/(losses)	(2,200)	28,300
Benefits paid	(15,400)	(18,600)
Curtailments	-	-
Present value of defined benefit obligations at end of financial year	385,500	375,900

d) Reconciliation of the fair value of plan assets

	30 June 11	30 June 10
	£000	£000
Fair value of plan assets at beginning of financial year	331,800	274,000
Expected return on plan assets	18,700	15,900
Actuarial gains	26,100	35,800
Contributions by group companies	20,000	24,600
Contributions by Scheme participants	100	100
Benefits paid	(15,400)	(18,600)
Fair value of plan assets at end of financial year	381,300	331,800

Notes to the financial statements *(continued)*

Pension scheme (continued)

e) Expense recognised in the income statement

	30 June 11	30 June 10
	£000	£000
Current service cost	**7,200**	7,200
Interest cost on benefit obligation	**19,900**	20,200
Expected return on plan assets	**(18,700)**	(15,900)
Net actuarial loss recognised in year	**-**	800
Net defined benefit plan expense	**8,400**	12,300

f) Actual return on plan assets

	30 June 11	30 June 10
	£000	£000
Expected return on assets	**18,700**	15,900
Actuarial gain on assets	**26,100**	35,800
Actual return on assets	**44,800**	51,700

g) Categories of plan assets

	% held at 30 June 11	% held at 30 June 10
Equity instruments	**39**	35
Corporate bonds	**14**	14
Multi strategy funds	**14**	8
Liability driven instruments (including Government bonds)	**31**	33
Other	**2**	10
	100	100

Notes to the financial statements *(continued)*

Pension scheme (continued)

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were

	Long-term rate of return expected at 30 June 2011 % p a	**Value at 30 June 2011 £000**	Long-term rate of return expected at 30 June 2010 % p a	Value at 30 June 2010 £000	Long-term rate of return expected at 30 June 2009 % p a	Value at 30 June 2009 £000	Long-term rate of return expected at 30 June 2008 % p a	Value at 30 June 2008 £000
Equities	**8.3**	**147,900**	8 3	137,400	8 5	112,700	8 4	161,500
Multi strategy funds	**8.3**	**53,900**	8 3	25,800	8 5	23,800	8 4	32,200
Corporate bonds	**5.0**	**52,200**	5 3	48,800	6 0	41,100	5 4	-
Liability driven investments	**4 1**	**118,000**	4 1	110,200	4 2	109,400	5 2	133,700
Other	**1 5**	**9,300**	1 5	9,600	2 0	10,800	6 0	2,900
Balance at 30 June	**6 4**	**381,300**	6 3	331,800	6 1	274,000	7 0	298,100

History of experience gains and losses

	30 June 11 £000	30 June 10 £000	30 June 09 £000	30 June 08 £000
Plan assets	**381,300**	334,700	274,000	298,100
Defined benefit obligation	**(385,500)**	(381,200)	(338,700)	(335,800)
Deficit	**(4,200)**	(46,500)	(64,700)	(37,700)
Experience adjustment arising on plan assets	**26,100**	38,700	(51,300)	(8,900)
Experience adjustment arising on plan liabilities	**(2,700)**	9,800	(12,900)	(400)

Notes to the financial statements *(continued)*

16 Related party transactions

The following transactions were carried out with related parties

a *Sale of goods and services*

	2011	2010
	£000	£000
Sale of services		
- Associates	39,325	33,913

Sale of services are negotiated with related parties on a cost-plus basis, allowing a margin ranging from 5% to 15% (2010 5% to 15%)

b *Purchases of goods and services*

	2011	2010
	£000	£000
Purchases of services		
- Associates	**1,469**	1,414

Goods and services are bought from associates and an entity controlled by key management personnel on normal commercial terms and conditions Management services are bought from the immediate, intermediate and ultimate parent (on a cost-plus basis, allowing a margin reflecting standard commercial terms)

c *Year-end balances arising from sales/purchases of goods/services*

	2011	2010
	£000	£000
Receivables from related parties (Note 7)		
	676	1,688
Payables to related parties (Note 9)		
- Associates	(1,024)	(453)

The receivables from related parties arise mainly from sale transactions and are due 1 month after the date of sales The receivables are unsecured in nature and bear no interest

Other transactions are paid by the Company and recharged to other companies

17 Financial 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

Notes to the financial statements *(continued)*

Financial risk management *(continued)*

Market risk

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 The Company's exposure to foreign currency risk is set out below

	Local Currency	Local Currency
	€000	£000
Net asset exposure		
30 June 2011	**708**	651
30 June 2010	**1,057**	846

The Company has carried out a sensitivity analysis and does not consider that it has material exposure to changes in the exchange rates at the year end reporting date

Price risk

The Company does not have significant equity investments or investments in commodities and all revenues are received against a predetermined amount at contract award with RPI applied yearly, therefore 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

The maximum exposure to credit risk at the balance sheet date on financial assets in the balance sheet equals the carrying amount, net of any impairment The Company has no significant concentrations on credit risk on either a geographic or industry specific basis

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or future cash flow associated with the instrument will fluctuate due to changes in the market interest rates The only financial instruments that the Company holds subject to interest rate risk are financial assets in the form of cash and cash equivalents Interest is received based upon an average annual rate as specified by Group treasury and it is considered that a movement in the interest rates at the reporting date would not have a material affect on profit or loss

Notes to the financial statements *(continued)*

Financial risk management *(continued)*

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations 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

Trade and other payables	**Carrying Amount**	**Contractual cash flows**	**6 months or less**
	£000	£000	£000
30 June 2011	**9,965**	**9,965**	**9,965**
30 June 2010	9,628	9,628	9,628

18 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 Construction 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 the group may be obtained from Level 4, 30 The Bond, 30 Hickson Road, Millers Point, New South Wales, Australia, 2000 or from its website at www lendlease com au