Lend Lease Infrastructure Holdings (EMEA) Limited

Registered number 5804271

Strategic Report, Directors' Report and Financial Statements

Year ended 30 June 2014

Contents Pages

Strategic Report

Business review and future developments

During the year the Company injected a further cash investment of £500,000 in the Lancashire Waste project in order to fund ongoing capital commitments.

The Lancashire Waste project has been subjected to various technical and operational challenges. The challenges encountered include a) Odour abatement performance concerns b) Incoming waste feedstock and waste composition variances from design c) Contractual liabilities.

In March 2014, the Company acquired a 50% shareholding of Waste 2 Resources LLP from the AMEC Ltd group at £nil consideration.

The Company further purchased the remaining 50% of the Global Renewables Lancashire Operations Limited working capital receivable from the AMEC group for £nil consideration. A gain has been recognised in the year for the fair value of the receivable at £2.812 million. An arrangement fee was received by the Company of £1.5 million which was capitalised and amortised over the life of the facility with £0.8 million recognised as revenue in the year.

In July 2014, the Company, in conjunction with their joint venture partner, negotiated an exit scenario from the Lancashire Waste project. At the reporting date there remained significant uncertainty over whether the proposed settlement would complete given the number and volatility of the stakeholders. The Directors assessed the carrying value of the investment and related assets and determined that they should be carried at £nil for the year ending 30 June 2014.

The Company will continue to act as a holding company for the Infrastructure Development business and will provide the equity required under the existing PFI/PPP agreements. No further bidding is expected to take place in the Infrastructure Development business.

The Company's activities expose it to financial risks in the form of market risk including foreign exchange risk, price and credit risk. These risks have been addressed and mitigated as set out in "Note 20. Financial Risk Management."

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 Company had no outstanding payables to external suppliers at the Balance Sheet date.

By order of the board.

N Johnson
Director
26 August 2014

20 Triton Street
Regent's Place
London
NW1 3BF

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 30 June 2014.

Principal activities

The principal activity of the Company is to act as a holding company for Lend Lease's Infrastructure Development business in the UK, and to hold investments in the group's Public Private Partnership (PPP) activities.

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

These financial statements were authorised for issue by the Board of Directors on 26 August 2014.

Results and dividends

The results of the Company for the year are set out in the income statement on page 5. The results and the position of the Company at the year end are in line with the expectations of the Directors.

The Directors do not recommend a final dividend for the year (2013: £nil) and an interim dividend of £nil was paid during the year (2013: £67,000,000).

Directors and Directors' interests

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

N Johnson

B O'Rourke

L Gledhill (resigned 20 September 2013)

N Martin (resigned 29 October 2013)

S Fraser (appointed 20 September 2013)

None of the Directors who held office at the end of the financial period had any disclosable interest in group undertakings as recorded in the register of Directors' interests.

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 they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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 the office.

By order of the board.

N Johnson
Director
26 August 2014

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 Strategic Report, 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 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 Infrastructure Holdings (EMEA) Limited

We have audited the financial statements of Lend Lease Infrastructure Holdings (EMEA) Limited ("the Company"), for the year ended 30 June 2014 set out on pages 5 to 20. 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 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

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 year ended 30 June 2014 and of its loss 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.

W. Meredith

William Meredith (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL
26 August 2014

Statement of Comprehensive Income for the year ended 30 June 2014

	Note	2014 £'000	2013 £'000
Revenue			
Dividend income from shares in joint ventures	19	-	71
Interest income from loans to joint ventures	19	**6,496**	6,020
Other Income from joint ventures	19	-	(16)
Gross Profit		**6,496**	6,075
Other Income	4	**3,605**	4,582
Provision for Loans and Investments in Joint Ventures		**(63,723)**	-
Movement in Other Provisions	14	**9,800**	(14,332)
Other Expenses	5, 7	**(6,724)**	(2,836)
Operating Loss	5	**(50,546)**	(6,511)
Finance Income		**1,923**	2,367
Loss on ordinary profit after taxation		**(48,623)**	(4,144)
Taxation	8	**4,764**	(2,360)
Profit and loss and other comprehensive income for the year		**(43,859)**	(6,504)

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 these financial statements are set out on pages 9 to 20.

Statement of Financial Position as at 30 June 2014

	Note	2014 £'000	2013 £'000
Assets			
Non current assets			
Investments in subsidiary and joint ventures	9	**14**	6,604
Loans and other receivables	10	**616**	50,386
Deferred tax assets		**-**	-
		630	56,990
Current assets			
Trade and other receivables	11	**47,897**	98,172
Cash and cash equivalents	12	**1,965**	1,414
		49,862	99,586
Total Assets		**50,492**	156,576
Current liabilities			
Trade and other payables	13	**(26,214)**	(78,639)
Provisions	14	**-**	(9,800)
		(26,214)	(88,439)
Total Liabilities		**(26,214)**	(88,439)
Net Assets		**24,278**	68,137
Capital and Reserves			
Ordinary shares	15	**10,000**	42,773
Retained earnings	16	**14,278**	25,364
Total Equity		**24,278**	68,137

The notes on pages 9 to 20 are an integral part of these financial statements.

The financial statements were authorised for issue by the board of Directors on 26 August 2014 and were signed on its behalf.

N Johnson
Director

Statement of changes in shareholder's equity for the year ended 30 June 2014

	Ordinary Share Capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2012	42,773	98,868	141,641
Interim dividend paid	-	(67,000)	(67,000)
Loss for the year	-	(6,504)	(6,504)
Balance at 30 June 2013	42,773	25,364	**68,137**
Reduction in ordinary share capital	(32,773)	32,773	-
Loss for the year	-	(43,859)	(43,859)
Balance at 30 June 2014	**10,000**	**14,278**	**24,278**

The notes on pages 9 to 20 are an integral part of these financial statements.

Cash Flow Statement
for the year ended 30 June 2014

	Note	2014 £'000	2013 £'000
Cash flows from operating activities			
Cash generated from operations	17	**736**	(5,839)
Net cash generated from operating activities		**736**	(5,839)
Cash flows from investing activities			
Acquisition of equity investments in joint ventures	9	**(500)**	(6,188)
Disposal of equity investments in joint ventures		**1,525**	10,619
Acquisition and injection of loan stock in joint ventures		**-**	(2,870)
Loan stock repayments received from associates	19	**24**	840
Loans granted to related parties		**(78,187)**	(14,812)
Loans repayments from related parties		**76,953**	18,358
Net cash generated from investing activities		**(185)**	5,947
Net increase / (decrease) in cash and cash equivalents		**551**	108
Cash and cash equivalents at beginning of year		**1,414**	1,306
Cash and cash equivalents at end of year	12	**1,965**	1,414

The notes on pages 9 to 20 are an integral part of these financial statements.

Notes to the Financial Statements

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

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.

The Company is not required to prepare consolidated financial statements under section 400 of the Companies Act 2006 and IAS 27 – "Presentation of Consolidated Financial Statements" as it is a subsidiary of another entity that prepares consolidated financial statements. As such, the results presented here are for the Company as an individual undertaking and not of its Group.

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

1.2 *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable in the ordinary course of business.

a) *Interest income*

Interest income is recognised on a time proportionate basis using the effective interest method.

b) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

c) *Other Income*

Other income is recognised when the right to receive payment is established.

1.3 *Investments*

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

1.4 *Financial Assets*

Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Recognition and measurement

Loan stock investments are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

Notes to the Financial Statements (continued)

1.5 Trade payables

Trade payables are recognised at fair value and comprise amounts payable to group undertakings. Group tax relief payable is recognised only where there are sufficient gains across the group to utilise the loss relief.

1.6 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.

1.7 Foreign currency translation

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.

1.8 Current and deferred income tax

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 base 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 temporary differences are expected to reverse based on tax rates and laws that have been enacted or subsequently 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.

1.9 Provisions

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.

1.10 Finance Costs

Finance expenses comprise interest expense on borrowings. Interest expense is calculated based on the terms of the loan agreements and recognised as incurred.

Notes to the Financial Statements (continued)

1.11 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 2014 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' – 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.
• IFRS 10 'Consolidated Financial Statements' introduces a new definition of control and addresses whether an entity should be included within the consolidated financial statements of the parent company.
• IFRS 11 'Joint Arrangements' establishes principles for financial reporting by parties to a joint arrangement.
• 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.
• IFRS 13 – 'Fair Value Measurements' introduces new guidance on fair value measurement and disclosure requirements when fair value is permitted by accounting standards.
• The amendments to IAS 19 'Employee Benefits' (endorsed 5 June 2012) introduce changes to the accounting for and presentation of pensions and other post-employment benefits.

2. Critical accounting estimates and judgements

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.

3. Segment Information

The Company is a parent undertaking in the United Kingdom. All of its investments relate to operations located in the United Kingdom, and accordingly all of its results are in that one segment.

4. Other Income

Other income of £3,604,544 relates to the gain made on acquiring loan receivable of £2,812,236 for nil consideration and an arrangement fee of £792,308 earned during this transaction.

Other income of £4,582,453 in 2013 relates to the profit made on sale of the Birmingham Schools Phase 1a and Birmingham Schools Phase 1b investments.

5. Operating loss

An indemnity loss of £1,075,161 (2013: £1,898,816) was recognised for operating losses incurred on Global Renewables: Lancashire Waste. Further to this an impairment charge was recognised against the investment in Global Renewables: Lancashire Waste of £4,014,485 (2013 £15,042,134).

Auditor's remuneration of £35,725 (2013: £34,000) has been borne directly by the Company.

6. Remuneration of Directors

	2014	2013
	£'000	£'000
Aggregate emoluments	729	-
Recharges in respect of directors' services	729	-

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £536,000 (2013: £nil paid by subsidiary Lend Lease Infrastructure (EMEA) Limited).

Notes to the Financial Statements (continued)

7. Staff Numbers and Costs

	2014	2013
	£'000	£'000
Salaries	1,380	-
Social security costs	147	-
Pension costs	110	-
	1,637	-

All staff working for the company are employed by Lend Lease Construction (EMEA) Limited and seconded to the company at full cost. The average number of employees working for the company during the year was 9 (2013: nil).

8. Tax On Profit On Ordinary Activities

a) Analysis Of Charge In The Year

	2014	2013
Current Tax Expense	**£'000**	**£'000**
Current tax on profits for the year	-	1,727
Adjustments in respect of prior years	-	-
	-	1,727
Deferred tax		
Adjustments in respect of prior years	-	570
Amounts payable for group relief surrendered to group companies	(4,764)	-
Origination and reversal of timing differences	-	38
Effect of change in tax rates	-	25
	(4,764)	633
Total Income Tax (Credit)/Expense	(4,764)	2,360

b) Factors Affecting Tax Charge For Period

The tax assessed differs from the application of the standard rate of corporation tax in the UK (rate of 22.50% effective during the year (2013: 23.75%)) to the Company's accounting loss before taxation for the following reasons:

	2014	2013
Loss on ordinary activities before tax	(48,623)	(4,144)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 22.50% (2013:23.75%)	(10,940)	(984)
Tax effects of:		
- Income not subject to tax	-	(1,105)
- Expenses not deductible for tax purposes	90	3,854
- Movement on non taxable provisions	(1,060)	
- Unrelieved losses carried forward (unrecognised tax asset)	7,146	
- Effect of change in tax rate	-	25
- Adjustments in respect of prior years	-	570
(Amount surrendered as group relief)/Total tax charge for the year	(4,764)	2,360

Notes to the Financial Statements (continued)

8. c) Deferred Tax Assets

Recognised deferred tax assets
Deferred tax assets are attributable to the following:

	2014 £'000	2013 £'000
Provisions	-	-
	-	-

Movement in deferred tax during the year

	01 July 2013 £'000	Prior Year £'000	Recognised in income £'000	Rate Change £'000	30 June 2014 £'000
Provisions	-	-	-	-	-
	-	-	-	-	-

d) Factors that may affect future tax charges

The 2013 Budget on 20 March 2013 announced that the UK corporation tax rate will reduce to 20% by 2015. A reduction in the rate from 23% to 21% (effective from 1 April 2014) was substantively enacted on 17 July 2013, and further reduction to 20% (effective from 1 April 2015) was substantively enacted too on 17 July 2013.

9. Investments

	Cash Investment £'000	Shares in joint ventures £'000	Total £'000
Cost			
At beginning of year	22,942	3,739	26,681
Additions	500	-	500
Return of capital	(2,000)	-	(2,000)
At end of the year	**21,442**	**3,739**	**25,181**
Provisions / amortisation			
At beginning of year	**(20,077)**	-	(20,077)
Provision made during the year	(1,365)	(3,725)	(5,090)
At end of the year	**(21,442)**	**(3,725)**	**(25,167)**
Net book value			
At 30 June 2014	**-**	**14**	**14**
At 30 June 2013	**2,865**	**3,739**	**6,604**

Following the annual impairment review for the year ended 30 June 2014, management concluded that the Global Renewables: Lancashire Waste investment should be provided for, with the impairment charge being recognised in the Statement of Comprehensive income.

Notes to the Financial Statements (continued)

9. Investments (continued)

The principal companies in which the Company's interest is more than 10% are as follows:

	Country of registration or incorporation	Principal activity	Percentage of ordinary shares held
Subsidiary			
Lend Lease Infrastructure (EMEA) Limited	England and Wales	PFI holding company	100%
Birmingham Schools PSP LEP Limited	England and Wales	PFI holding company	100%
EP3 Holdings Limited	England and Wales	PFI holding company	100%
Joint ventures			
Global Renewables Lancashire Holdings Limited	England and Wales	PFI holding company	50%
Catalyst Healthcare (UK) Limited	England and Wales	Dormant	33%
Catalyst Healthcare Limited	England and Wales	Dormant	33%

In the financial year the following investments were acquired:

Waste 2 Resources LLP	England and Wales	Construction joint venture	50%

In the opinion of the Directors the investments in and amounts due from the Company's subsidiary and joint ventures are worth at least the amounts at which they are stated in the balance sheet.

Notes to the Financial Statements (continued)

	2014 £'000	2013 £'000
10. Non current loans and other receivables		
Loans to related parties (note 19d)	**616**	39,521
Accrued interest on loans to related parties (note 19d)	**-**	10,865
	616	50,386

Loans to related parties represent long term loan investments in joint ventures (note 19).

	2014 £'000	2013 £'000
11. Trade and other receivables		
Other debtors	**747**	-
Accrued interest income from related parties (note 19d)	**17**	17
Amounts receivable from group undertakings (note 19e)	**47,133**	98,155
	47,897	98,172

The ageing of accrued interest income at the reporting date was:

	2014 £'000	2013 £'000
Not past due	**17**	17
	17	17

The Directors believe that no impairment allowance is necessary in respect of trade receivables.

	2014 £'000	2013 £'000
12. Cash and cash equivalents		
Cash at bank and on hand	**1,965**	1,414
	1,965	1,414

	2014 £'000	2013 £'000
13. Trade and other payables		
Amounts payable to group undertakings	**24,963**	78,403
Other creditors	**1,251**	236
	26,214	78,639

Details of interest and repayment terms attached to these amounts are provided in note 19.

	2014 £'000	2013 £'000
14. Provisions		
Current Provisions	**-**	9,800
	-	9,800

The 2013 indemnity provision £9,800,000 for operating losses incurred on Global Renewables: Lancashire Waste for odour deductions and financing costs was reversed in the year.

Notes to the Financial Statements (continued)

	2014	2013
	£'000	£'000
15. Ordinary Share Capital		
Allotted, called up and fully paid 10,000,000 (2013: 42,772,560) ordinary shares of £1 each	**10,000**	42,773

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.
The Directors reduced the share capital by £32,772,560 to £10,000,000 during the current year.

16. Reserves		
Retained Earnings		
At beginning of year	**25,364**	98,868
Reduction in ordinary share capital	**32,773**	-
Interim dividend	**-**	(67,000)
Loss for the year	**(43,859)**	(6,504)
At the end of the year	**14,278**	25,364

17. Cash Flows From Operating Activities		
Cash flows from operating activities		
Net loss	**(43,859)**	(6,504)
Adjustments for:		
- Tax charge	**(4,764)**	2,360
- Sale of joint venture	**-**	(4,582)
- Interest received	**(1,923)**	(2,367)
Changes in working capital:		
Decrease/(Increase) in amounts due from related parties	**724**	(5,152)
Decrease in prepayments and accrued income	**53,923**	14,332
Decrease in other payables	**(3,365)**	(3,926)
Cash generated from operating activities	**736**	(5,839)

18. Commitments
As at 30 June 2014, the Company was contractually committed to pay £nil (2013: £nil).

19. Related Party Transactions

The following transactions were carried out with related parties:

a) Acquisition of interests in subsidiary and joint ventures

During the year the Company injected cash invesment of £500,000 (FY12: £6,187,784) into Lancashire Waste as part of it ongoing commitments to fund the project.

Notes to the Financial Statements (continued)

19. Related Party Transactions (continued)

b) *Income from joint ventures*

Revenue includes income from joint ventures as follows:

	2014 £'000	2013 £'000
Dividend income from shares in joint ventures	-	71
Interest income from loans to joint ventures	**6,496**	6,020
Other income from joint ventures	-	(16)

Interest on loans is earned at effective rates between 9% and 13% per annum.

c) *Finance costs*

Finance costs during the current year represent interest payable on certain balances with group undertakings. Interest is charged at LIBOR plus margin of 1.5%.

d) *Loans to joint ventures*

	2014 £'000	2013 £'000
Opening balance	**50,403**	46,937
Loan notes acquired in the year	**2,812**	2,870
Loan notes disposed in the year	**(24)**	(5,937)
Loans advanced during the year	**750**	2,062
Interest charged	**6,496**	6,020
Interest received	**(96)**	(709)
Indexation on indexed linked loans	-	-
Capital repayments	-	(840)
Loan Repayments	-	(160)
Provision for unrecoverability of loan	**(59,708)**	-
Reversal of provision for unrecoverability of loan	-	160
At 30 June 2014	**633**	50,403

Analysed as:

	2014 £'000	2013 £'000
Non current loans (note 10)	**616**	39,521
Accrued interest on loans – Non current (note 10)	-	10,865
Accrued interest on loans – Current (note 11)	**17**	17
	633	50,403

These loans bear effective interest rates between 9% and 13% per annum.

e) *Other year-end balances with related parties comprise:*

	2014 £'000	2013 £'000
Amounts payable to group undertakings (note 13)	**24,963**	**78,403**
Amounts receivable from group undertakings (note 11)	**47,133**	**98,155**
Provisions in relation to joint ventures and associates	-	**(9,800)**

Included in amounts receivable from & payable to undertakings are loan receivables of £47,133,245 (2013: £98,155,325) and loan payables of £17,940,276 (2013: £67,000,000) both which bear interest at LIBOR plus margin of 1.5% per annum. The remaining amounts payable balance relates to Group Relief payable to associated group companies. This liability is recognised only where there are sufficient losses across the group to utilise the loss relief.

Notes to the Financial Statements (continued)

20. 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.

Foreign currency risk
Foreign currency risk is the risk that the value of a financial commitment, a recognised asset or liability will fluctuate due to changes in foreign currency rates.

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 material exposure to foreign currency is set out below:

The following significant exchange rates applied during the year:

	GBP/EUR
2014	1.196
2013	1.212

The Company does not consider that it has material exposure to changes in the exchange rates at the year-end reporting date.

Credit risk
Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations, and arises principally from the Company's trade receivables.

The Company has no significant concentrations of credit risk. 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. The main financial asset that the Company holds is in the form of loan stock and loan stock interest receivable from joint ventures, with fixed payment and redemption terms. During the year, the Company has impaired the loan stock and loan stock interest receivable due from Global Renewables Lancashire Limited.

The maximum exposure to credit risk at the balance sheet date on financial assets recognised in the balance sheet equals the carrying amount, net of any impairment.

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.

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 and are subject to interest rate risk are financial assets and liabilities in the form of loans to and from joint ventures. Repayment and interest rate terms of the financial liabilities are disclosed in Note 19. Repayment and interest rate terms of the loans receivable are also fixed.

Notes to the Financial Statements (continued)

20. 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. The Company has a loan facility with Lend Lease Europe Finance plc to meet short term financing needs. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations, which fall due bi-annually.

The following are the contractual cash flow maturities of financial liabilities as at 30 June 2014:

30 June 2014	Carrying Amount	Contractual Cash Flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-derivative							
Trade and other payables – current	26,214	26,214	8,274	-	-	17,940	-
Related party loans – non current	-	-	-	-	-	-	-
Total	**26,214**	**26,214**	**8,274**	**-**	**-**	**17,940**	**-**

30 June 2013	Carrying Amount	Contractual Cash Flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-derivative							
Trade and other payables – current	78,639	78,639	11,639	-	-	67,000	-
Related party loans – non current	-	-	-	-	-	-	-
Total	78,639	78,639	11,639	-	-	67,000	-

Net fair values of assets and liabilities

All financial instruments recognised on the balance sheet, including those instruments carried at amortised cost, are recognised at amounts that represent a reasonable approximation of fair value.

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 the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

Notes to the Financial Statements (continued)

21. Ultimate parent undertaking and parent undertaking of larger group of which the Company is a member

The Company is a subsidiary undertaking of Lend Lease Construction Holdings (EMEA) 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 this 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.

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

22. Subsequent Event

On the 31st July 2014, the Company completed a transaction with the Lancashire County Council and the Lenders to exit the Lancashire Waste project. This transaction included the consensual hand back of the Lancashire PFI waste Facilities; and the termination of the Relevant Agreements and all other arrangements between the Parties and the full and final settlement of all Claims between the Parties under or in connection with the Project, whether under or in connection with the Project, whether under the Relevant Agreements (or any of them) or otherwise.

Following the transaction, Waste 2 Resources, an entity owned 50% by the Company, received £20.8 million in settlement of capital losses incurred during the project. The Company received £0.6 million for liabilities of the Global Renewables companies to be settled post completion.

In addition, the Company is entitled to receive a further £10m on or before 12 months from completion date, which is contingent on Lancashire County Council receiving PFI credits from the Central Government.