Registration number: 89468

Lendlease Construction (Scotland) Limited

Annual Report and Financial Statements

for the year ended 30 June 2017

Lendlease Construction (Scotland) Limited

Contents

Lendlease Construction (Scotland) Limited

Company Information

Directors	Simon William Gorksi
	Neil Christopher Martin
	Gordon Ray
Registered office	33 Bothwell Street Glasgow Lanarkshire G2 6NL
Auditor	KPMG LLP Chartered Accountants 15 Canada Square London E14 5GL

Lendlease Construction (Scotland) Limited

Strategic Report for the year ended 30 June 2017

The directors present their strategic report for the year ended 30 June 2017.

Principal activity
Lendlease Construction (Scotland) Limited is the primary trading entity for the construction business of Lendlease in Scotland. The Company is a wholly owned subsidiary of Lendlease Construction Holdings (Europe) Limited and is part of the Lendlease Corporation group, a company listed on the Australian Securities Exchange.

Business Review
Following the referendum vote to leave the European Union, the construction industry has experienced a short term decline in activity with a number of projects being cancelled or delayed into later years.

Against this backdrop, the Company has continued to pursue a strategy of selective bidding in targeted key sectors and markets where Lendlease is able to differentiate its offering to clients who understand the Lendlease value proposition.

2017 was a challenging year for the company, with both turnover and gross profit down on 2016, against the backdrop of a more difficult trading environment. While the company remains committed to Scotland and there are several opportunities being considered and advanced, the current market is challenging and the company has been careful to strike the right balance between risk and reward, resulting in some opportunities not being converted.

The net loss after tax was £5.6m for the year, down on a loss of £1.4m for the prior year, on lower volume, restructuring costs and a lower gross margin.

Outlook
Following the referendum vote to leave the European Union, there is significant uncertainty with most forecasts predicting a slowdown in growth in the short and medium term. It is likely that some projects may be postponed or cancelled, as funding becomes harder to access and investors and purchasers delay decisions.

Volume is expected to decrease in the 2018 financial year, as current projects complete. The directors expect the main contractor market to remain competitive and remain open to new opportunity in this market.

Principle risks and uncertainties facing the business
The Company takes a prudent approach to risk; risk management is embedded in the organisation with different types of risk requiring different levels and types of management response.

Although many of the risk factors influencing the business are macroeconomic, others are particular to our operations. The section following highlights some of the risks and uncertainties that affect the Company as a whole, although it is not intended to be an extensive analysis of all such risks that exist.

Risk Area	Impact	Mitigation
Political, economic, social and regulatory risk	The Company operates in a competitive, cyclical industry and changes in the economy, government policy and regulations - for example planning policy or taxation - could impact the Company's operations.	Through the annual business planning cycle the directors review and evaluate the economic climate, long-term industry trends, key value drivers and competitor activity, which is used to determine the strategy and business plan. The validity of this is regularly reviewed. We aim to maintain a balanced portfolio of projects in terms of sectors, clients and contract risk profile to mitigate against unforeseen changes. We aim to build long-term relationships and consult regularly with stakeholders, including government departments, local authorities and regulatory bodies.

Risk Area	Impact	Mitigation
Health, safety & environment	Through our activities we could cause harm to employees, suppliers, clients, members of the public or the environment, which could lead to injuries, financial loss or damage to the Company's reputation.	Please refer to the safety section of the Strategic Report.
Conversion of new work	Failure to secure enough new work or projects with an inappropriate risk/reward profile, could impact the Company's profitability and its reputation.	The Company has a well established and disciplined approach to work winning, which is managed through its Project Conversion Process (PCP). Business-wide limits of authority are applied to ensure contracts are reviewed at the appropriate level and regular tender reviews are held to understand the risk profile pre-contract.
Operational and project delivery	The Company delivers complex construction projects. Failure to deliver on time, to budget and to the right quality could result in financial loss or reputational damage.	Mitigation starts pre-contract through the PCP, ensuring an appropriate risk/reward profile. Once on site, each project is closely monitored through the Project in Delivery process (PID), with regular project reviews encompassing progress against set Key Performance Indicators (KPIs), risk mitigation strategy, stakeholder relationships and appropriate actions.
Human resources	Inability to recruit, develop and retain key staff could affect ability to deliver projects.	The senior management team undertakes strategic resource planning and monitors employee levels regularly. Recruitment procedures and total remuneration packages are reviewed and benchmarked on a national and international basis to ensure we attract talented people. The Company runs a number of training and development programmes and focuses on employee engagement to improve retention rates. Succession plans are in place for key positions.
Counterparty risk	Non-delivery by our supply chain partners or clients through sub-standard performance or financial failure could impact the Company's ability to deliver projects on time, on budget and to the right quality.	Supply chain risk is mitigated through a robust selection process, including reviews to assess financial and operational viability and past performance. The list of preferred suppliers is regularly reviewed to ensure compliance with Lendlease standards including Health & Safety, applicable laws and industry regulations. Policies and procedures are also in place to ensure that we understand our clients, their needs and credit risk profile pre-contract.
Cashflow and liquidity management	Inability to fund obligations, secure bonding capacity and comply with our banking/credit facility terms could impact the Company's liquidity and restrict growth.	The Company has robust processes to ensure cash is regularly reviewed against expected KPIs and forecasts. The Company operates within the Lendlease Europe liquidity pool and uses the experienced Lendlease Europe Treasury department to assist in managing liquidity and availability of bonding and credit facilities.

Risk Area	Impact	Mitigation
Compliance and conduct	Poor conduct or acts of fraud, bribery, corruption or anticompetitive behaviour could adversely impact the Company's reputation and result in financial loss.	The Company has clear principles and values concerning the way in which it does business. Employees go through an induction to ensure awareness of the Company's expectations and employee's obligations including Employee Conduct, Bribery & Corruption, Sustainability and the Group's Global Minimum Requirements. Awareness programmes are used to refresh and update learning post-induction.

Key performance indicators

KPI	Definition	Objective/Importance
Accident frequency rate	Numbers of accidents (reportable, lost-time and potential incidents divided by the total number of hours worked	To assess the performance of business in its target of reducing all accidents and to enable appropriate action to be taken where necessary.
Profit per head	Gross profit divided by the average number of full-time equivalent staff	A measure of productivity and profitability to ensure that our skilled staff are effectively utilised.
New work secured revenue and GPM	Total contract value and Gross Profit Margin of projects secured and forecast to be secured in the financial period	A key measure of the effectiveness and return on investment of business development and work winning activities.
Backlog revenue and GPM	Total Revenue and GPM secured in the order book, to be delivered and recognised in future reporting periods	A key measure of the effectiveness and return on investment of business development and work winning activities. Used to develop financial projections and business plans around resource requirements and structure.
Project in delivery (PID) risk score	Each project is measured against a standard set of KPIs including programme, design, procurement, safety, profitability and cash	To assist all levels of management with the early identification of project issues/risks and to enable business-wide performance and portfolio risk to be monitored and appropriate action to be taken.
Unbilled work in progress	Work done by Lendlease and not yet billed to the client	To ensure cash is collected on a timely basis and mitigate the risk of non-payment. This also alerts the senior management team for potential risks on projects.

Safety

Health & Safety stands at the heart of our business and shapes our values, directs our decision-making and is the focus of all our business planning.

Our company vision is simple; a culture where any incident or injury is unacceptable. This is reinforced by ensuring that safety always comes first in the decisions we make at all levels at which we operate. We believe that every incident is preventable and that all our employees share an obligation to actively integrate Incident & Injury Free into every aspect of their work. This is called the Lendlease Way for Safety and we apply it wherever we have a presence.

A dedicated Safety Leadership Team leads the business to ensure this commitment of an Incident & Injury Free vision is embedded and sustained throughout our people, supply chain, consultants and clients.

We operate within defined Global Minimum Requirements (GMR's) to better identify, assess and manage risks. We have established accountability for the implementation of these standards and set Key Performance Indicators at all management levels to measure current gaps and pinpoint further opportunities for improvement. We have developed a set of tools to ensure we generate, share and incorporate best practice.

Sustainability

Sustainability is a fundamental ethos of Lendlease as a company and how it does business. At its core is a belief that we enrich the lives of people by creating the best places. Places where people prefer to spend their time, places that contribute to a community, are healthier places, more productive, more skilled, more profitable; quite simply places that physically and mentally improve the quality of people's lives.

To help deliver this vision as a company, we developed a framework to ensure that all aspects of sustainability are addressed in a cohesive manner. Utilising short term targets to achieve long term aspirations, all projects track environmental and social KPIs through monthly progress reports, which in turn are reported to the regional leadership team to assess the region's performance. Lendlease utilises published and continually updated governing Sustainability Position Statements and a fully integrated Environmental Management System that ensures high standards for sustainability wherever our business has a presence and ensuring the delivery of our framework.

As part of our sustainability framework we continue to implement energy, water and waste initiatives across our portfolio to reduce our construction environmental footprint in line with our 2020 commitment for a 20% reduction in resource consumption and waste production. Our timber performance has seen an increase in performance from 91% certified FSC timber to 98.2% across the calendar year, the highest level of certified timber that Lendlease has achieved to date and one that saw us maintain a three trees rating under the Global Forest and Trade Network (GFTN) annual forestry scorecard.

Our social sustainability performance across the construction business has continued to be an area of significant benefit for the Lendlease community and our external stakeholders. For internal staff, programmes focusing around health and wellbeing have resulted in bringing life-saving services into reach of our staff across offices and sites and we have commenced our first construction project that is pursuing a WELL building standard for health and wellbeing building performance to begin to demonstrate our commitment in this area to our external clients and deliver ongoing benefits through the built environment that we contribute to.

We believe that continual performance improvement in sustainability will be a differentiator for our business, will drive innovation and create a more resilient company that generates value for our customers, motivates our employees, contributes to our communities and delivers long-term value for our shareholders and those who invest with us.

Employees

Employment of 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 group business
The Company is a wholly owned subsidiary of Lendlease Construction Holdings (Europe) Limited and part of the Lendlease group of companies with the ultimate parent being Lendlease Corporation, an Australian property development, investment and construction business.

Employees benefit from a bonus 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.

The methods and media used to do this include:

- "Pulse", 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 Lendlease Construction (Scotland) Limited and Lendlease Corporation.
- "The Word", Lendlease Europe publication.
- "Global Update", annual employee update meetings.
- "Coffee talks" - at which directors and senior leaders 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.

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

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 Lendlease'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.

Approved by the Board on 15 September 2017 and signed on its behalf by:

....
Gordon Ray
Director

Lendlease Construction (Scotland) Limited

Directors' Report for the Year Ended 30 June 2017

The directors present their report and the financial statements for the year ended 30 June 2017.

Principal activities
The Company's principal activity is as a provider of project solutions in the construction industry in the United Kingdom.

The Company is a limited liability company incorporated and domiciled in the United Kingdom. The address of its registered office is 33 Bothwell Street, Glasgow, Lanarkshire G2 6NL.

These financial statements were authorised for issue by the Board of Directors on 15 September 2017.

Incorporation
The company was incorporated on 29 August 1984.

Directors' of the company
The directors, who held office during the year, were as follows:

Simon William Gorksi

Neil Christopher Martin

Gordon Ray

Michael Heyes (resigned 12 October 2016)

None of the directors who held office at the end of the year held any disclosable interest in group undertakings as recorded in the register of directors' interests.

Dividend
The directors do not recommend a final dividend for the year (2016: £nil)

Political donations
The Company made no political contributions during the year (2016: £nil)

Disclosure of information to the auditor
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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.

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.

Approved by the Board on 15 September 2017 and signed on its behalf by:

....
Gordon Ray
Director

Lendlease Construction (Scotland) Limited

Statement of Directors' Responsibilities

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

Company law requires the directors to the Company financial statements for each financial year. Under that law they have elected to prepare the Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (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 their profit or loss for that period. In preparing each of the Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the members of Lendlease Construction (Scotland) Limited

Opinion
We have audited the financial statements of Lendlease Construction (Scotland) Limited ("the Company") for the year ended 30 June 2017 which comprise of the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Related Notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of the Company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going Concern
We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report
The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent Auditor's Report to the members of Lendlease Construction (Scotland) Limited

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

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

....

Stephen Wardell (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

15 Canada Square
London
E14 5GL

18 September 2017

Lendlease Construction (Scotland) Limited

Statement of profit or loss and other comprehensive income for the year ended 30 June 2017

	Note	2017 £ 000	2016 £ 000
Revenue		17,811	46,454
Cost of sales		(19,690)	(44,017)
Gross (loss)/profit		(1,879)	2,437
Administrative expenses		(4,117)	(4,005)
Operating loss	5	(5,996)	(1,568)
Finance income		16	61
Finance costs		(7)	-
Net finance income	6	9	61
Loss before tax		(5,987)	(1,507)
Income tax benefit	10	435	145
Loss for the year		(5,552)	(1,362)
Other comprehensive income		-	-
Total comprehensive loss for the year		(5,552)	(1,362)

The above results were derived from continuing operations.

Lendlease Construction (Scotland) Limited

Statement of Financial Position as at 30 June 2017

	Note	2017 £ 000	2016 £ 000
Assets			
Non-current assets			
Deferred tax assets	10	161	915
Total non-current assets		161	915
Current assets			
Trade and other receivables	11	16,047	22,490
Total current assets		16,047	22,490
Total assets		16,208	23,405
Current liabilities			
Trade and other payables	16	(22,470)	(23,978)
Loans and borrowings	15	-	(137)
Total current liabilities		(22,470)	(24,115)
Net liabilities		(6,262)	(710)
Equity			
Share capital	14	-	-
Retained earnings		(6,262)	(710)
Total equity		(6,262)	(710)

Approved by the Board on 15 September 2017 and signed on its behalf by:

....

Gordon Ray

Director

Registration number: 89468

Lendlease Construction (Scotland) Limited

Statement of Changes in Equity for the year ended 30 June 2017

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 July 2015	-	652	652
Loss for the year	-	(1,362)	(1,362)
Total comprehensive income	-	(1,362)	(1,362)
At 30 June 2016	-	(710)	(710)

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 July 2016	-	(710)	(710)
Loss for the year	-	(5,552)	(5,552)
Total comprehensive income	-	(5,552)	(5,552)
At 30 June 2017	-	(6,262)	(6,262)

The notes on pages 15 to 28 form an integral part of these financial statements.

Lendlease Construction (Scotland) Limited

Statement of Cash Flows for the year ended 30 June 2017

	2017 £ 000	2016 £ 000
Cash flows from operating activities		
(Loss) for the year	(5,552)	(1,362)
Adjustments for:		
Taxation	(435)	(145)
Income tax paid	(4)	-
Finance income	(16)	(61)
Finance cost	7	-
	(6,000)	(1,568)
Changes in working capital:		
Decrease/(increase) in trade and other receivables	4,600	(4,588)
Decrease/(increase) in amounts due from related parties	3,036	(1,214)
Decrease in trade and other payables	(1,717)	(7,492)
Increase/(decrease) in amounts due to related parties	12,910	(1,868)
(Decrease)/increase in accruals and other liabilities	(12,701)	6,816
Finance income	16	61
Finance cost	(7)	-
Net cash from/(used in) operating activities	**137**	**(9,853)**
Cashflow from investing activities	-	-
Net cash generated from investing activities	-	-
Cash flows from financing activities	-	-
Net cash flow from/(used) in operating activities	-	-
Net increase/(decrease) in cash and cash equivalents	**137**	**(9,853)**
Cash and cash equivalents at beginning of year	(137)	9,716
Cash and cash equivalents at end of year	-	(137)

The notes on pages 15 to 28 form an integral part of these financial statements.

1 General information

The company is a private company limited by share capital incorporated and domiciled in Scotland.

The address of its registered office is:
33 Bothwell Street
Glasgow
Lanarkshire
G2 6NL
Scotland

2 Accounting policies

Statement of compliance
The company financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRS's").

Summary of significant accounting policies and key accounting estimates
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.

Basis of preparation
The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRS").

The Company is exempt by virtue of section 400 of the Companies Act 2006 and IAS 27 - "Consolidated and Separate Financial Statements" 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 for the following reasons. The Company is dependent for its working capital on the funds provided by Lendlease Construction (Europe) Limited. Lendlease Construction (Europe) 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 not call for settlement of amounts owing where to do so would place the Company in an insolvent position. As with any company placing reliance on the 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.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result in the basis of preparation being inappropriate.

Changes in accounting policy
None of the standards, interpretations and amendments effective for the first time from 1 July 2016 have had a material effect on the financial statements.

New standards, interpretations and amendments not yet effective
The following newly issued but not yet effective standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the company financial statements in future:

IFRS 14 Regulatory Deferral Accounts

1 January 2018

IFRS 15 Revenue from Contract with Customers

1 January 2018

IFRS 16 Leases

1 January 2019

None of the other standards, interpretations and amendments which are effective for periods beginning after 1 July 2016 and which have not been adopted early, are expected to have a material effect on the financial statements.

Revenue recognition
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 construction contracts is recognised in accordance with the Company's accounting policy on construction contracts.

Construction contracts
Where the outcome of the contract cannot be estimated reliably, contract revenue is recognised only to the extent that contract costs incurred are likely to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

Where the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, revenue and cost are recognised over the period of the contract. The Company does not consider that the outcome of a construction contract can be reliably determined until it is at least 20% complete. Where it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Company uses the "percentage of completion method" to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the actual contract costs incurred up to the Statement of Financial Position date as a percentage of the total estimated costs for each contract. Provision is made for losses incurred or foreseen in bringing the contract to completion as soon as they become apparent.

The Company presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. Progress billings not yet paid by customers are included within trade and other receivables. The Company presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

Post retirement

(a) Defined Benefit Plan

The Company participates in a group pension scheme, which is closed to new members, providing benefits based on final pensionable pay. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. 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 Statement of Profit or Loss and Comprehensive Income represents the contributions payable to the scheme in respect of the accounting period.

Full disclosure of the Pension accounting in the Lend Lease UK Pension Scheme is provided in the financial statement of the immediate parent company Lendlease Construction Holdings (Europe) Limited as at 30 June 2017.

(b) Defined Contribution Plan

For defined contribution plans, the Company pays contributions to publicly or privately administered superannuation/pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense in the Statement of Profit or Loss and Comprehensive Income in the periods during which related services are rendered by the employees. Prepaid contributions are recognised as an asset to the extent that cash refund or a reduction in the future payments is available.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Statement of Profit or Loss and 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 income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided 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 balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and at bank.

Trade receivables
Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

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.

Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings
All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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 Statement of Profit or Loss and Other Comprehensive Income on a straight line basis over the period of the lease. Lease incentives received are spread over the lease term.

Non-derivative financial instruments
Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

3 Critical accounting judgements and key sources of estimation uncertainty

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

4 Segmental information

The Company's turnover and results arose from, and the Company's net (liabilities)/assets are deployed in, providing project solutions in the construction industry in the United Kingdom. Lendlease Construction (Scotland) Limited has identified the one operating segment based on the internal reports that are reviewed and used by the Managing Director (the chief operating decision maker) in assessing the performance and determining the allocation of resources.

Geographical segments

Revenue is attributable to geographic locations based on the location of customers. The Company currently operates solely within one geographical segment (United Kingdom), and accordingly no geographical segment analysis is provided.

5 Operating profit

The following items were included in profit before tax:

	2017 £ 000	2016 £ 000
Rentals payable under operating leases:		
Land and other buildings	79	79
Staff costs	4,062	5,834
Management charge from Lendlease Construction (Europe) Limited	1,482	1,125

The remuneration of the auditors for the current and prior accounting years of £14,500 (2016: £14,650) has been borne by a fellow group undertaking.

The management charges are incurred in relation to management and central reporting services provided by Lendlease Construction (Europe) Limited.

6 Finance income and costs

	2017 £ 000	2016 £ 000
Finance income		
Other finance income	16	61
Finance costs		
Interest on bank overdrafts and borrowings	(7)	-
Net finance income	9	61

7 Staff costs

The average number of employees engaged in the activity of providing project solutions in the construction industry was 42 (2016: 76). The aggregate payroll costs of these employees were as follows:

	2017 £ 000	2016 £ 000
Wages and salaries	3,466	4,812
Social security costs	310	509
Other pension costs	286	513
	4,062	5,834

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

	2017 No.	2016 No.
Engaged in the activity of providing project solutions in the construction industry	42	76

8 Administrative expenses

Other costs such as overheads are borne by a fellow group undertaking which recovered its costs by way of a management charge to the Company. The management charge was £1,481,872 (2016: £1,125,480)

9 Directors' remuneration

Any qualifying services in respect of the Company are considered to be incidental and part of these directors' overall management responsibilities within Lendlease Construction (Europe) Limited. Their remuneration for the current year and prior year was paid by and included in the financial statements of these companies.

10 Income tax

Tax credited in the income statement

	2017 £ 000	2016 £ 000
Current tax		
UK corporation tax	1,078	184
UK corporation tax adjustment to prior periods	111	(5)
	1,189	179
Deferred tax		
Arising from origination and reversal of temporary differences	(784)	-
Arising from changes in tax rates and laws	30	(49)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	-	15
Total deferred tax	(754)	(34)
Tax benefit in the income statement	435	145

The tax assessed differs from the application of the standard rate of corporation tax in the UK of 19.75% (2016: 20%) to the Company's accounting loss before tax.

The differences are reconciled below:

	2017 £ 000	2016 £ 000
Loss before tax	(5,987)	(1,507)
Corporation tax at standard rate	1,182	301
Adjustment for prior periods	111	10
Effect of change in UK tax rates	30	(49)
Non-deductible expenses	(4)	(3)
Prior year tax losses derecognised	(885)	-
Other tax effects for reconciliation between accounting profit and tax expense (income)	-	(114)
Total tax benefit	435	145

A reduction in the corporate tax rate to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was enacted on 15 September 2016. This will reduce the company's future current tax charge accordingly. Accordingly, the Company's profits for the accounting period are taxed at a statutory rate of 19.75% (2016: 20%).

Deferred tax

Deferred tax movement during the year:

	At 1 July 2016 £ 000	Recognised in income £ 000	At 30 June 2017 £ 000
Tax losses carry-forwards	851	(851)	-
Accelerated tax depreciation	64	(12)	52
Provisions	-	109	109
Net tax assets/(liabilities)	915	(754)	161

Deferred tax movement during the prior year:

	At 1 July 2015 £ 000	Recognised in income £ 000	At 30 June 2016 £ 000
Tax losses carry-forwards	881	(30)	851
Accelerated tax depreciation	69	(5)	64
Provisions	-	-	-
Net tax assets/(liabilities)	950	(35)	915

There are £4,481,528 of unused tax losses (2016 - £Nil) for which no deferred tax asset is recognised in the statement of financial position.

11 Trade and other receivables

	2017 £ 000	2016 £ 000
Trade receivables	26	26
Provision for impairment of trade receivables	(13)	(13)
Net trade receivables	13	13
Receivables from related parties	594	3,631
Construction contract work in progress	6,461	10,075
Other receivables	8,978	8,771
Total current trade and other receivables	16,047	22,490

Trade and other receivables (cont.)

The ageing of trade receivables at the reporting date was:

	2017 Gross £ 000	2017 Impairment £ 000	2016 Gross £000	2016 Impairment £000
Not past due	-	-	-	-
Past due 0-90 days	-	-	-	-
More than 90 days	26	(13)	26	(13)
	26	(13)	26	(13)

The directors believe that an impairment allowance is necessary in respect of trade receivables past due more than 90 days of £13,136 (2016: £13,136).

12 Construction Contracts

	2017 £ 000	2016 £ 000
Contracts in progress at the balance sheet date:		
- amounts due from contract customers	6,461	10,075
- current amounts due to contract customers	(1,291)	(2,746)
	5,170	7,329

During the year ended 30 June 2017, all revenue recognised in The Statement of Profit or Loss and Other Comprehensive Income is derived from construction contracts.

At 30 June 2017, retentions held by customers for contract work amounted to £6,172,086 (2016: £6,683,742). Contract advances amounted to £2,179,201 (2015: £4,987,000).

13 Cash and cash equivalents

	2017 £ 000	2016 £ 000
Bank overdrafts	-	(137)

14 Share capital

Allotted, called up and fully paid

	2017 £	2016 £
Ordinary shares of £1 each	100	100

15 Loans and borrowings

	2017 £ 000	2016 £ 000
Current loans and borrowings		
Bank overdrafts	-	137

The loans and borrowings classified as financial instruments are disclosed in the financial instruments note.

The company's exposure to market and liquidity risk; including maturity analysis, in respect of loans and borrowings is disclosed in note 19 "Financial risk management and impairment of financial assets".

16 Trade and other payables

	2017 £ 000	2016 £ 000
Trade payables	200	462
Accrued expenses	3,147	10,167
Amounts due to related parties	14,370	1,460
Other payables	3,462	9,143
Payment received on account for construction work	1,291	2,746
	22,470	23,978

Amounts due to related parties are unsecured, have no fixed repayment terms and hear no interest.

17 Commitments

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

	2017 £ 000	2016 £ 000
Operating leases which expire:		
Within one year	147	147
Between one and five years	275	429
	422	576

18 Contingent liabilities

There are claims outstanding which arise under contracts carried out by the Company in the ordinary course of business. It is not possible to predict with any certainty the results of these claims but the directors believe, taking into account counter-claims, claims against third parties and provisions in the accounts, that the outcome will not have a material effect on the Company's financial position.

19 Financial risk management and impairment of financial assets

Market risk

Foreign exchange 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 exchange rates. The Lendlease Group policy is to manage currency risk so as to minimise any adverse impact of this risk and associated costs on the results.

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 does not have any material exposure to foreign currency.

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. No interest has been incurred on any financial instruments held by the Company during the year, therefore, the interest rate risk is not considered to be material. Interest earned on cash and cash equivalents is minimal and is not considered to be material.

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.

Commodities are procured in the open market with fixed price contracts, transferring the pricing risk to the subcontractor. The maximum exposure is held between being awarded lump sum contracts and transferring the risk. This is mitigated by the lump sums being covered by trade prices or having sufficient inflation contingency.

Credit risk

Credit risk represents the risk that a counterparty will not be able to complete its obligations in respect of a financial instrument, resulting in a financial loss to the Company.

The Company operates predominantly in the UK construction market and has no significant concentrations of credit risk on either a geographic or industry specific basis. It has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

Trade receivables are monitored on a daily and weekly basis to minimise the Company's exposure to credit risk, in particular, with reference to the Company's debtors days which for the current year was 7 days (2016: 16 days).

Credit risk is also 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 Statement of Financial Position date on financial assets recognised in the Statement of Financial Position equals the carrying amount, net of any impairment.

Liquidity risk
Liquidity risk is the risk of having insufficient funds to settle financial liabilities as and when they fall due. This includes having insufficient levels of committed credit facilities. Liquidity risk is reduced through prudent cash management which ensures sufficient levels of cash are maintained to meet working capital requirements.

Maturity analysis

2017	Within 1 year £ 000	Total £ 000
Trade and other payables	22,470	22,470

2016	Within 1 year £ 000	Total £ 000
Trade and other payables	23,978	23,978

Net fair values of assets and liabilities
All financial instruments recognised on the Statement of Financial Position, including those instruments carried at amortised cost, are recognised at amounts that represent a reasonable approximation of fair value.

Capital risk management
The Company assesses its Capital Management model as part of the broader Lendlease Group Board's strategic plan. 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 Lendlease Corporation capital management goals.

The capital structure of the Company can be changed by equity issues, dividend payments and dividend reinvestments.

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.

20 Pension scheme

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

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

As required by IAS 19 'Employee benefits', the amount charged to the 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 Lendlease Construction Holdings (Europe) Limited.

Pension scheme (cont.)
For the year ended 30 June 2017 the total Company contributions paid to the Defined Contribution Section of the Lend Lease UK Pension Scheme were £285,690 (2016: £512,954). All contributions to the Defined Benefit Section of the Lend Lease UK Pension Scheme during 2017 were made by Lendlease Construction Holdings (Europe) Limited.

21 Related party transactions

The following transactions were carried out with related parties:

(a) Sale of goods and services:

	2017 £ 000	2016 £ 000
Recharge of services to:		
Other group companies		
Hungate (York) Regeneration Limited	7,343	12,952
Lendlease Construction (Europe) Limited	11,126	29,139
	18,469	42,091

Goods are sold based on the price lists in force and terms that would be available to third parties. Recharges of services are negotiated with related parties on a cost-plus basis, allowing a margin reflecting standard commercial terms.

(b) Purchase of goods and services:

	2017 £ 000	2016 £ 000
Recharge of services by:		
- The ultimate parent	1,482	1,125
- Other group companies	-	-
	1,482	1,125

(c) Key management/directors compensation

Refer to note 10.

(d) Year-end balances

	2017 £ 000	2016 £ 000
Receivables from related parties		
Other group companies:		
Lendlease Europe Holdings Limited	-	3
Lendlease Europe Finance Limited	-	2,774
Lendlease Construction (Europe) Limited	-	854
Hungate (York) Regeneration Limited	594	-
	594	3,631

Related party transactions (cont.)

	2017 £ 000	2016 £ 000
Payables to related parties		
Other group companies:		
Lendlease Europe Limited	(548)	(335)
Lendlease Europe Finance Limited	(6,667)	-
Lendlease Construction (Europe) Limited	(7,155)	(1,125)
	(14,370)	(1,460)

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.

The payables due from purchase transactions are due 1 month after the date of purchase. The payables bear no interest.

22 Parent and ultimate parent undertaking

The Company is a subsidiary undertaking of Lendlease Construction Holdings (Europe) Limited, which is registered in England and Wales. Its ultimate parent undertaking is Lendlease 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 14, Tower Three, International Towers Sydney, Exchange Place, 300 Barangaroo Avenue, Barangaroo NSW 2000 or from its website at www.lendlease.com.

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

23 Subsequent events

There has been no event or circumstance since the end of the year to the date of this report that would significantly affect the Company.