Lend Lease Construction (Scotland) Limited

Strategic report, Directors' report and financial statements
For the year ended 30 June 2014
Registered number 89468

Strategic report, Directors' report and financial statements

Contents

Strategic report

Lend Lease Construction (Scotland) Limited is a wholly owned subsidiary of Lend Lease Construction Holdings (EMEA) Limited and is part of the Lease Lease Corporation Group, a company listed on the Australian Securities Exchange.

Business Review

The 2014 financial year was another successful year for the Lend Lease Corporation with the company declaring A$822.9m (2013: A$552.5m) of profit after tax. The corporation also remains highly liquid with A$1,715.8m of cash (2013: A$1,538.4m) and has access to a further A$1,309.6m (2013: A$1,099.4m) of unused banking facilities.

Lend Lease Construction (Scotland) Limited is the primary trading entity for the Construction business of Lend Lease in Scotland. The Company has returned to profitability this year following the reported loss in the previous year which resulted from an underperforming contract and also the impact of a UK wide restructure of the Lend Lease operational framework. The business is now well placed to take advantage of improving market conditions.

The Company reported a profit after tax of £467,328 for the year ended 30 June 2014 (2013: loss of £6,012,925).

The Company reported net liabilities of £1,277,000 as at 30 June 2014 (2013: net liabilities £1,744,000).

Outlook

Lend Lease Construction (Scotland) Limited continues to successfully focus on its strategy of building long term commercial relationships with a mature and value focused client base as demonstrated by its continued success in the Primary and Further Education, Health and Public sectors. The strong reputation the company has for Delivery and Construction Management experience also manifested itself with Lend Lease Construction (Scotland) Limited being appointed by the Glasgow Commonwealth Games 2014 organisation to manage the contract works and contractors at each of the games venues.

Strong supply chain relationships across all our sectors coupled with a strong pipeline of work in the Primary and Further Education sector and a number of public sector opportunities which include The Strathclyde Technology and Innovation Centre, The Aberdeenshire Council Framework, The Rowett Institute and the South Lanarkshire Council Framework (Phase II Tranche II) continue to support the future profitability of the business.

By order of the board

L Gledhill
Director
29 **September 2014**

Directors' report

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

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.

Dividend

The directors do not recommend a final dividend for the year (2013: £nil). An interim dividend of £nil (2013: £nil) was paid during the year.

Directors and directors' interests

The directors who served during the year are listed below:

M Heyes (appointed 01/08/2014)
N Martin (appointed 31/07/2014)
R Allport (appointed 01/01/2014)
P Gandy (resigned 31/07/2014)
G Anderson (resigned 31/12/2013)
L Gledhill
T Peach

Political donations

The Company made no political contributions during the year (2013: £nil).

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 office.

On behalf of the board

L Gledhill

L Gledhill
Director
29 September 2014

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 Construction (Scotland) Limited

We have audited the financial statements of Lend Lease Construction (Scotland) Limited for the year ended 30 June 2014 set out on pages 5 to 19. 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 financial statements 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 30 June 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU;
- 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 by the parent company, 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
15 Canada Square
London
E14 5GL

29 September 2014

Statement of Comprehensive Income
for the year ended 30 June 2014

	Notes	2014	2013
		£000	£000
Revenue		**143,992**	82,632
Cost of Sales		**(138,220)**	(84,430)
Gross profit/(loss)		**5,772**	(1,798)
Administrative expenses		**(4,899)**	(6,106)
Operating profit/(loss)		**873**	(7,904)
Finance income		**49**	30
Net financing income		**49**	30
Profit/(loss) before taxation	*3*	**922**	(7,874)
Tax on profit/(loss) on ordinary activities	*7*	**(455)**	1,861
Profit/(loss) on orindary activities after taxation	*13*	**467**	(6,013)
Profit/(loss) for the year and total comprehensive income		**467**	(6,013)

All activities are continuing. The company had no recognised gains or losses other than the profit for the year.

No operations were acquired or discontinued during the year (2013: none). There is no material difference between the results disclosed in the income statement and the result given on an unmodified historical cost basis.

The notes to and forming part of the financial statements are set out on pages 9 to 19.

Statement of Financial Position
Registered number 89468
at 30 June 2014

	Notes	2014	2013 Restated
		£000	£000
Assets			
Non-current Assets			
Deferred tax	*8*	**1,511**	126
		1,511	126
Current Assets			
Cash and cash equivalents		**10,086**	8,068
Trade and other receivables	*9*	**50,973**	42,338
		61,059	**50,406**
Total assets		**62,570**	50,532
Current liabilities			
Trade and other payables	*11*	**(63,847)**	(52,276)
		(63,847)	(52,276)
Net Liabilities		**(1,277)**	**(1,744)**
Equity and liabilities			
Ordinary shares	*12*	**-**	-
Retained Earnings	*13*	**(1,277)**	(1,744)
Total equity		**(1,277)**	(1,744)

These financial statements were approved by the board of directors on 29 September 2014 and were signed on its behalf by:

L Gledhill

L Gledhill
Director

The notes to and forming part of the financial statements are set out on pages 9 to 19.

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

	Notes	Ordinary share capital	Retained Earnings	Total equity
		£000	£000	£000
Balance at 30 June 2012		-	4,269	4,269
Loss for the year	13	-	(6,013)	(6,013)
Balance at 30 June 2013		**-**	**(1,744)**	**(1,744)**
Profit for the year	13	-	**467**	**467**
Balance at 30 June 2014		**-**	**(1,277)**	**(1,277)**

The notes to and forming part of the financial statements are set out on pages 9 to 19.

Statement of cash flows
for the year ended 30 June 2014

	Notes	2014	2013
		£	£
		£000	£000
Cash flows from operating activities			
Cash generated from operations	14	1,969	9,770
Taxation paid		-	(3,721)
Net cash from operating activities		1,969	6,049
Cash flows from investing activities			
Finance income		49	-
Net cash from investing activities		49	-
Net increase in cash and cash equivalents		2,018	6,049
Cash and cash equivalents at beginning of year		8,068	2,019
Cash and cash equivalents at end of year		10,086	8,068

The notes to and forming part of the financial statements are set out on pages 9 to 19.

Notes to the financial statements

1 Accounting policies

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

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 – "Presentation of Consolidated Financial Statements" from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not of its Group.

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

Revenue

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

Sales of goods are recognised when goods are delivered and title has passed. Revenue from 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 balance sheet 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).

Foreign currencies

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

Notes to the financial statements (continued)

1 Accounting policies (continued)

Pension costs

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

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

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement 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 balance sheet date, and any adjustment to tax payable in respect of previous years.

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.

Leased assets

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

Trade receivables

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

All receivables are regularly reviewed and a provision for impairment of trade receivables is established when there is objective evidence that all amounts may not be collectible according to the original terms of the sales transaction.

Cash and cash equivalents

Cash and cash equivalents comprises of cash in hand and at bank.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Critical judgements in applying the entity's accounting policies

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

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

New Accounting Standards and Interpretations Not Yet Adopted

The following Adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 12 Disclosure of Interests in Other Entities (mandatory for year commencing on or after 1 January 2014).
- Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' (mandatory for year commencing on or after 1 January 2014).
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (mandatory for year commencing on or after 1 January 2014).
- Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) (mandatory for year commencing on or after 1 January 2014).

Notes to the financial statements (continued)

2 Segment information

The Company's turnover and results arose from, and the Company's net assets are deployed in, providing project solutions in the construction industry, primarily in the United Kingdom. Lend Lease Construction (Scotland) Limited has identified the one operating segment based on the internal reports that are reviewed and used by the Chief Executive Officer (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.

3 Profit before taxation

	2014	2013
Profit before taxation is stated after	£000	£000
Rentals payable under operating leases:		
Land and other buildings	85	111
Staff costs (note 5)	8,352	6,948
Management charge from Lend Lease Construction (EMEA) Limited	3,027	3,485

The remuneration of the auditors for the current and prior accounting years of £14,516 (2013: £21,785) has been borne by a fellow group undertaking.

The management charges are incurred in relation to central reporting services provided by Lend Lease Construction (EMEA) Limited.

4 Remuneration of Directors

The directors did not receive any remuneration from the Company for their services during the year (2013: £nil).

5 Staff numbers and costs

The average number of employees engaged in the activity of providing project solutions in the construction industry was 121 (2013: 101). The aggregate payroll costs of these employees were as follows:

	2014	2013
	£000	£000
Wages and salaries	6,952	5,466
Social security costs	713	617
Other pension costs (note 18)	687	865
	8,352	6,948

6 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 £3,026,983 (2013: £3,485,199).

7 Income tax

a) Tax on profit on ordinary activities

	2014	2013
	£000	£000
Current tax:		
UK corporation tax	-	(1,842)
Prior period adjustment	1,841	-
Current tax charge	1,841	(1,842)
Deferred tax:		
Prior period adjustment	(1,747)	-
Temporary differences	212	(24)
Effect of future tax rate change	149	5
Deferred tax credit	(1,386)	(19)
Total tax charge/(credit) in the statement of comprehensive income	455	(1,861)

Notes to the financial statements (continued)

7 Income tax (continued)

b) Reconciliation of the total tax charge

The tax charge/(credit) for the year on the profit/(loss) on ordinary activities is the same as the notional tax charge on those profits/(losses) calculated at the UK corporation tax rate of 22.5% (2013: 23.75%). Any differences are explained below:

	2014	2013
	£000	£000
Profit/(loss) on ordinary activities before tax	922	(7,874)
Tax at 22.5% (2013: 23.75%)	207	(1,870)
Effects of:		
Non deductible expenses	6	4
Permanent difference on change in tax rate	148	5
Adjustments in respect of prior years	94	-
Total tax (credit)/charge in the statement of comprehensive income (note 7 (a))	455	(1,861)

8 Deferred tax asset

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
	£000	£000	£000	£000	£000	£000
Property, plant and equipment	59	125	-	-	59	125
Tax value of loss carry-forwards	1,452	-	-	-	1452	-
Net tax assets / (liabilities)	1,511	125	-	-	1,511	125

Movement in deferred tax during the year

	01-Jul-13	Recognised in income	Recognised in equity	Disposals	30-Jun-14
	£000	£000	£000	£000	£000
Property, plant and equipment	125	(66)	-	-	59
Tax value of loss carry-forwards	-	1,452	-	-	1,452
	125	1,386	-	-	1,511

Movement in deferred tax during the prior year

	01-Jul-12	Recognised in income	Recognised in equity	Disposals	30-Jun-13
	£000	£000	£000	£000	£000
Property, plant and equipment	107	19	-	-	126
	107	19	-	-	126

9 Trade and other receivables

	2014	2013 Restated
	£000	£000
Trade receivables	3,535	8,053
Amounts due from related parties	33,799	24,943
Other debtors	7,734	6,064
Corporation tax	1,222	3,064
Construction contract work in progress	4,683	214
	50,973	42,338

During the year ended 30 June 2014, the Lend Lease Group amended the method in which the reporting of construction contract work in progress is determined. The comparatives for 30 June 2013 have been restated above to reflect the position under the new method of determination resulting in a decrease of £203,000 to trade and other payables and a decrease of £203,000 to trade and other receivables. The effect on the net assets of the Company at 30 June 2013 is nil.

Notes to the financial statements (continued)

9 Trade and other receivables (continued)

The ageing of trade receivables at the reporting date was:

	2014		2013	
	Gross	**Impairment**	Gross	Impairment
	£000	**£000**	£000	£000
Not past due	3,522	-	8,053	-
Past due 0-90 days	-	-	-	-
More than 90 days	26	(13)	-	-
	3,548	(13)	8,053	-

The directors believe that an impairment allowance is necessary in respect of trade receivables not past due of £13,136 (2013: £nil).

10 Construction contracts

	2014	2013
	£000	£000
Contracts in progress at the balance date:		
- amounts due from contract customers (note 9)	**4,683**	417
- amounts due to contract customers (note 11)	**(37,847)**	(19,931)
Net amounts due to contract customers	**(33,164)**	(19,514)

During the year ended 30 June 2014, all revenue recognised in the income statement is derived from construction contracts.

At 30 June 2014, retentions held by customers for contract work amounted to £6,894,297 (2013: £6,064,000). Contract advances amounted to £6,415,919 (2013: £4,723,000).

11 Trade and other payables

	2014	2013 Restated
	£000	£000
Payments received on account for construction work	**37,847**	21,615
Trade payables	**2,455**	6,127
Amounts owed to group companies	**13,858**	10,831
Project cost accruals	**3,215**	7,566
Other creditors	**6,472**	6,137
	63,847	52,276

During the year ended 30 June 2014, the Lend Lease Group amended the method in which the reporting of construction contract work in progress is determined. The comparatives for 30 June 2013 have been restated above to reflect the position under the new method of determination resulting in a decrease of £203,000 to trade and other payables and a decrease of £203,000 to trade and other receivables. The effect on the net assets of the Company at 30 June 2013 is nil.

Notes to the financial statements (continued)

12 Called up share capital

	2014	2013
	£	£
Allotted, called up and fully paid		
100 ordinary shares of £1 each	**100**	100

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.

13 Retained earnings

	2014	2013
	£000	£000
At beginning of year	**(1,744)**	4,269
Profit for the year	**467**	(6,013)
At end of year	**(1,277)**	(1,744)

14 Cash flows from operating activities

	2014	2013 Restated
	£000	£000
Cash flows from operating activities		
Profit/(loss) for the year	**467**	(6,013)
Adjustments for:		
Tax charge/(credit)	**455**	(1,861)
Finance costs	**(49)**	-
Changes in working capital:		
Increase in trade and other receivables	**(1,621)**	(4,173)
Increase in amounts due from related parties	**(8,856)**	(3,279)
(Decrease)/Increase in trade and other payables	**(3,672)**	2,400
Increase in amounts due to related parties	**3,027**	3,485
Increase in accruals and other liabilities	**12,218**	19,211
Cash generated from operations	**1,969**	9,770

Notes to the financial statements (continued)

15 Commitments

Operating leases

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

	Land and buildings	
	2014	2013
	£000	£000
Operating leases which expire:		
Within one year	**66**	79
Between one and five years	**-**	66
	66	145

16 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.

17 Financing arrangements and financial instruments

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 exchange rates. The Lend Lease 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.

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 9 days (2013: 35 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 balance sheet date on financial assets recognised in the balance sheet equals the carrying amount, net of any impairment.

Notes to the financial statements (continued)

17 Financing arrangements and financial instruments (continued)

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.

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.

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 financial liabilities							
Trade and other payables	8,927	8,927	8,927	-	-	-	-
Total	8,927	8,927	8,927	-	-	-	-

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 financial liabilities							
Trade and other payables	12,264	12,264	12,264	-	-	-	-
Total	12,264	12,264	12,264	-	-	-	-

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

The Company assesses its Capital Management model as part of the broader Lend Lease 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 Lend Lease 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.

Notes to the financial statements (continued)

18 Pension scheme

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

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

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

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

For the year ended 30 June 2014 the Company contributions paid to the Lend Lease UK Pension Scheme were £687,000 (2013: £865,000). The contributions were paid across by Lend Lease Construction (EMEA) Limited and recharged to Lend Lease Construction (Scotland) Limited.

19 Related party transactions

The following transactions were carried out with related parties:

a) Sale of goods and services	**2014 £000**	2013 £000
Sale of goods to:		
- Other group companies	**-**	1,984
Recharge of Services to:		
- Other group companies	**22**	25
	22	2,009

Goods are sold based on 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 commerical terms.

b) Purchases of goods and services:

	2014 £000	2013 £000
Purchase of goods from:		
- Other group companies	**-**	-
Recharge of services by:		
- Parent	**3,027**	3,485
- Other group companies	**-**	31
	3,027	3,516

Goods and services are bought from group undertakings on normal commercial terms and conditions. Management services are recharged from the immediate, intermediate and ultimate parent on a cost-plus basis, allowing a margin reflecting standard commercial terms.

c) Key management compensation/directors

Refer to note 4

Notes to the financial statements (continued)

19 Related party transactions (continued)

d) Year-end balances

	2014	2013
	£000	£000
Receivables from related parties (note 9)		
- Other group companies	**33,799**	24,943
Payables to related parties (note 11)		
- Other group companies	**13,858**	10,831

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

20 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, a company incorporated 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 they are consolidated is that headed by Lend Lease Europe Holdings Limited, incorporated in England and Wales. The consolidated financial statements of this group are available to the public and may be obtained from Registrar of Companies, Companies House, Crown Way, Cardiff.

21 Subsequent Events

No subsequent events were noted