

Company registration number: SC089468

Lendlease Construction (Scotland) Limited

Annual Report and Financial Statements

for the year ended 30 June 2020



Lendlease Construction (Scotland) Limited

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Lendlease Construction (Scotland) Limited

Directors' Report for the Year Ended 30 June 2020

The directors of Lendlease Construction (Scotland) Limited present their report for the financial year ended 30 June 2020.

Directors of the company

The following persons held office as directors of the Company during the financial year and up to the date of this report:

S Gorski

P Leonard

N Martin (resigned 10 March 2020)

C Pettett (resigned 5 March 2020)

M Letton (appointed 4 March 2020)

Results

The Company's loss after tax for the year was £8.9m (2019: £2.5m).

Dividends

The directors do not recommend the payment of a dividend (2019: £nil).

Political donations

The Company made no political donations or incurred any political expenditure during the year (2019: £nil).

Financial risk management

Information about the Company's financial risks, the Company's objectives, policies and processes for measuring and managing financial risk are detailed in note to the financial statements.

Research and development

Innovation is part of the Lendlease Group's heritage and is embedded in the approach to business.

Lendlease is closely monitoring the developing situation relating to COVID-19 which has emerged in early 2020. The Directors and management of the wider Lendlease Group have taken immediate and significant actions, all within management's control, to reduce costs and optimise the cash flow and liquidity position, including reduction of non-essential capital and project expenditure and overhead reduction initiatives. The full impact the pandemic will have on the Company is uncertain given the situation is evolving and the wider impact on the economy is unknown, however due to the nature of the Company, to date, there has not been a material impact. Refer to note xx of the financial statements which provides further details around the directors' assessment of the Company to continue as a going concern.

Events after the balance sheet date

There were no material events subsequent to the end of the financial year.

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.

Reappointment of 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.

Lendlease Construction (Scotland) Limited

Directors' Report for the Year Ended 30 June 2020 (continued)

Approved by the Board on 14 September 2020 and signed on its behalf by:



.....

M Letton
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 prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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 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 Company and to prevent and detect fraud and other irregularities.

Independent Auditors' 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 2020, which comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and Notes to the Financial Statements, including a summary of significant accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- 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 Company 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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Directors' report

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

Our responsibility is to read 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 directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Independent Auditors' Report to the Members of Lendlease Construction (Scotland) Limited (continued)

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, 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in the Statement of Directors' Responsibilities 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 the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the 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 Company or to cease operations, or have no realistic alternative but to do so.

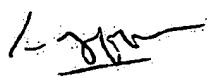
Auditors' responsibilities

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 auditors' 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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.


.....
Ian Griffiths
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
United Kingdom
E14 5GL

Date:.....15/09/2020.....

Lendlease Construction (Scotland) Limited

Statement of Profit or Loss and Other Comprehensive Income For the year ended 30 June 2020

	<u>Note</u>	<u>2020</u> <u>£ 000</u>	<u>2019</u> <u>£ 000</u>
Revenue	4	7,659	344
Cost of sales		<u>(17,456)</u>	<u>(3,346)</u>
Gross loss		(9,797)	(3,002)
Administrative expenses		<u>(333)</u>	<u>(113)</u>
Results from operating activities		<u>(10,130)</u>	<u>(3,115)</u>
Finance costs		<u>(851)</u>	<u>(899)</u>
Net finance cost		<u>(851)</u>	<u>(899)</u>
Loss before tax		(10,981)	(4,014)
Income tax credit	8	<u>2,092</u>	<u>1,471</u>
Loss after tax		<u>(8,889)</u>	<u>(2,543)</u>
Total comprehensive loss after tax		<u><u>(8,889)</u></u>	<u><u>(2,543)</u></u>

The above results were derived from continuing operations.

The notes to and forming part of these financial statements are set out on pages 9 to 20.

Lendlease Construction (Scotland) Limited

Statement of Financial Position as at 30 June 2020

	Note	2020 £ 000	2019 £ 000
Non current assets			
Trade and other receivables	10	3	4
Deferred tax assets	8	65	50
Total non current assets		68	54
Current assets			
Trade and other receivables	10	3,790	5,159
Inventories	9	2,216	2,987
Current tax assets		2,118	880
Total current assets		8,124	9,026
Total assets		8,192	9,079
Total non current liabilities		-	-
Current liabilities			
Trade and other payables	13	(21,338)	(16,135)
Provisions	12	(5,002)	(2)
Bank overdraft		(3,197)	(5,398)
Total current liabilities		(29,537)	(21,535)
Net liabilities		(21,345)	(12,455)
Equity			
Retained earnings		(21,345)	(12,455)
Total equity		(21,345)	(12,455)

The notes to and forming part of these financial statements are set out on pages 9 to 20.

These statements were approved by the Board on 14 September 2020 and were signed on its behalf by:



M Letton

Director

Company Registration Number: SC089468

Lendlease Construction (Scotland) Limited

Statement of Changes in Equity for the year ended 30 June 2020

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 July 2018	-	(9,912)	(9,912)
Total comprehensive income			
Loss for the year	-	(2,543)	(2,543)
Total comprehensive income	-	(2,543)	(2,543)
At 30 June 2019	-	(12,455)	(12,455)

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 July 2019	-	(12,455)	(12,455)
Total comprehensive income			
Loss for the year	-	(8,889)	(8,889)
Total comprehensive income	-	(8,889)	(8,889)
At 30 June 2020	-	(21,345)	(21,345)

The notes to and forming part of these financial statements are set out on pages 9 to 20.

Lendlease Construction (Scotland) Limited

Notes to the Financial Statements for the year ended 30 June 2020

1 General information

Lendlease Construction (Scotland) Limited (the "Company") is a private company limited by share capital incorporated and domiciled in Scotland. The company registration number is SC089468.

The address of its registered office is:

77 Renfrew Street

Glasgow

Lanarkshire

G2 3DH

Scotland

The principal activity is as a provider of project solutions in the construction industry.

2 Basis of preparation

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework*.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Lendlease Construction (Scotland) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

2 Basis of preparation (continued)

In the financial statements, the Company has taken advantage of the following disclosure exemptions available under FRS 101:

- IAS 7: Preparing a cash flow statement and related notes;
- IAS 8: The listing of new or revised standards that have not been adopted (and information about the likely impact);
- IFRS 7: Financial instruments and financial risk disclosures;
- IAS 1: Disclosures in respect of capital management;
- IFRS 13: Fair value measurement disclosures;
- IAS 24: Disclosure of related party transactions entered into between members of the group, providing that any subsidiaries party to the transaction are wholly owned;
- IAS 24: Disclosure of compensation for key management personnel and amounts incurred by an entity for the provision of key management personnel services that are provided by a separate management entity.

As the consolidated financial statements of Lendlease Europe Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Disclosures required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

Amounts are presented in pounds sterling, with all values rounded to the nearest thousand pounds unless otherwise indicated.

Summary of significant accounting policies and key accounting estimates

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Impact of New and Revised Accounting

None of the standards, interpretations and amendments which are effective for periods beginning on or after 1 July 2019 are expected to have a material effect on the financial statements.

Lendlease Construction (Scotland) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

2 Basis of preparation (continued)

Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate. The Company is dependent for its working capital on funds provided to it by Lendlease Europe Holdings Limited ("LLEH"), the Company's ultimate UK parent entity. LLEH has indicated its intention to continue to make available financial support for twelve months from the signing date of these financial statements, or earlier, to such period when either LLEH or the Company ceases to be part of the group headed by LLEH, to enable the Company to trade, and not to call for settlement of amounts owing to LLEH where to do so would place the Company in an insolvent position. LLEH itself has been provided with a letter of support from Lendlease International Pty Limited which accepts responsibility of providing and undertakes to provide, sufficient financial assistance to the Company, as and when it is required, to enable the Company to continue its operations and fulfil all of its financial obligations. This support covers a period of at least 12 months from the date of approval of these financial statements. As with any company placing reliance on other group entities for financial support, the directors of the Company 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.

The Directors have considered the liquidity of the Company going forward, in particular adverse effects that could arise due to the ongoing COVID-19 pandemic and have deemed that due to the letters of support, they believe that the Company is well placed to manage its financing and future commitments over a period of at least 12 months from the date of the financial statements.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements that comply with IFRS requires management to make judgements, estimates and assumptions, in particular provisions and contingent liabilities, which can affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. These estimates and underlying assumptions are reviewed on an ongoing basis and revisions are recognised prospectively. Accounting judgements that have the most significant effects on reported amounts and further information about estimated uncertainties are highlighted in the relevant accounting policy in note 3.

3 Accounting policies

Revenue recognition

Provision of services

Revenue from the provision of services is recognised in the Statement of Profit or Loss over time as services are rendered. The transaction price depicts the amount of consideration to which the Company expects to be entitled in exchange for transferring the services.

Employee benefits

Employee benefits are expensed as the related service by the employee is provided and includes both equity and cash based payment transactions. Employee benefits are recognised in the Statement of Profit or Loss net of recoveries.

Lendlease Construction (Scotland) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

3 Accounting policies (continued)

Defined contribution pension obligation

Employees of the Company are entitled to benefits on retirement from the Company's pension scheme. The majority of employees are party to a defined contribution plan and receive fixed contributions from the Company. A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and the Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset to the extent that a cash refund or a deduction in future payments is available.

Defined benefit pension obligation

The Company participates in a group pension scheme providing benefits based on final pensionable pay. A defined benefit plan is a pension plan that defines the amount of pension benefit an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

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 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.

Finance income and costs

Finance costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of costs incurred in connection with the arrangement of new borrowings facilities. Costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings. Finance costs are expensed immediately as incurred unless they relate to acquisition and development of qualifying assets. Qualifying assets are assets that take more than six months to prepare for their intended use or sale. Finance costs related to qualifying assets are capitalised.

Interest receivable and interest payable is recognised in the Statement of Profit or Loss as it accrues, using the effective interest method.

Taxation

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the Statement of Profit or Loss, 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 for the financial year, using applicable tax rates (and tax laws) at the Statement of Financial Position date, and any adjustment to tax payable in respect of previous financial years. The current tax payable or receivable includes amounts awaiting settlement of group relief with other Lendlease Europe Holdings Limited subsidiary entities.

Lendlease Construction (Scotland) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

3 Accounting policies (continued)

Deferred tax is the expected tax payable or receivable in future periods as a result of past transactions or events and is calculated by comparing the accounting balance sheet to the tax balance sheet. Temporary differences are provided for any differences in the carrying amounts of assets and liabilities between the accounting and tax balance sheets. Temporary differences are not provided for on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they are not likely to reverse in the foreseeable future.

Measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using applicable tax rates and laws at the reporting date.

Recognition of deferred tax assets is only to the extent it is probable that future taxable profits will be available so as the related tax asset will be realised. Deferred tax assets may include deductible temporary differences, unused tax losses and unused tax credits.

Management considers the estimation of future taxable profits to be an area of estimation uncertainty as a change in any of the assumptions used in budgeting and forecasting would have an impact on the future profitability of the Company. Forecasts and budgets form the basis of future profitability to support the carrying value of deferred tax assets.

Presentation of deferred tax assets and liabilities can be offset if there is a legally enforceable right to offset current tax liabilities and assets, they relate to income taxes levied by the same tax authority, and they are intended to be settled on a net basis or realised simultaneously.

Foreign currency transactions and balances

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Foreign currency transactions are translated into British pounds using the exchange rate on the date of the transactions. Assets and liabilities denominated in foreign currencies are translated to British pounds at balance date. Foreign exchange gains or losses resulting are recognised in the Statement of Profit or Loss for monetary assets and liabilities such as receivables and payables, except for qualifying cash flow hedges that are recognised in other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, bank overdrafts and other short term highly liquid investments that are readily convertible to known amounts of cash within three months and which are subject to an insignificant risk of changes in value. Bank overdrafts (if applicable) are shown as a current liability on the Statement of Financial Position.

Lendlease Construction (Scotland) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

3 Accounting policies (continued)

Trade and other receivables

Trade and other receivables are non derivative financial assets with fixed or determinable payments that are not equity securities. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable.

Trade and other receivables are carried at amortised cost using the effective interest method, which applies the interest rate that discounts estimated future cash receipts over the term of the receivables. Cash flows relating to short term trade and other receivables are not discounted if the effect of discounting is immaterial. The discount, if material, is then recognised as finance income over the remaining term.

The Company assesses provision for impairment of the receivables based on irrecoverable amounts and expected credit losses, if material. The Company considers reasonable and supportable information that is relevant and reliable. This includes both quantitative and qualitative information and analysis, based on the Company's historical impairment experience, credit assessment of customers and any relevant forward-looking information. The amount of provision is recognised in the Statement of Profit or Loss.

Retentions receivable on construction contracts represent deposits held by the Company until the satisfaction of conditions specified in the contract are rectified.

Inventories

Construction contract assets

The gross amount of work in progress consists of costs attributable to work performed, including recoverable pre contract and project bidding costs and emerging profit after providing for any foreseeable losses. In applying the accounting policies on providing for these losses accounting judgement is required.

Work in progress is presented as part of inventories for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings and recognised losses exceed costs incurred plus recognised profits, then the difference is presented in trade and other payables as a construction contract liability.

Trade and other payables

Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade and other payables are settled in the normal course of business. Trade and other payables are carried at amortised cost using the effective interest method, which applies the interest rate that discounts estimated future cash outflows over the term of the trade and other payables. Cash flows relating to short term trade and other payables are not discounted if the effect of discounting is immaterial. The discount, if material, is then recognised as a finance cost over the remaining term.

Construction contract liabilities

Construction contracts where the total progress billings issued to customers (together with foreseeable losses if applicable) on a project exceed the costs incurred to date plus recognised profit on the contract are recognised as a liability.

Retentions

Retentions are amounts payable for the purpose of security and for the provision of defects in accordance with contract terms. Release of retention amounts are in accordance with contractual terms.

Lendlease Construction (Scotland) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

3 Accounting policies (continued)

Provisions

Provisions are recognised in the Statement of Financial Position when the Company has a legal or construction obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. Management considers the determination of the likelihood and magnitude of an outflow of resources an area of estimation uncertainty.

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.

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

4 Revenue

The analysis of the Company's revenue for the year from continuing operations is as follows:

	2020	2019
	£ 000	£ 000
Provision of services	<u>7,659</u>	<u>344</u>
Total revenue	<u>7,659</u>	<u>344</u>

5 Employees

Payroll costs of £1,203k were recharged from Lendlease Construction (Europe) Limited during the year. In the prior year, £777k of payroll costs were incurred by the entity.

All staff costs disclosed above have been recovered to cost of sales.

6 Directors' remuneration

The directors of the Company were all directly employed by Lendlease Construction (Europe) Limited however their costs were recharged to the following entities:

Claire Pettett: Lendlease Construction (Europe) Limited
Michelle Letton: Lendlease Europe Limited
Neil Martin: Lendlease Europe Limited
Peter Leonard: Lendlease Construction (Europe) Limited
Simon Gorski: Lendlease Construction (Europe) Limited

Any qualifying services in respect of the Company are considered to be incidental and part of the directors' overall management services for the above entities. The directors' remuneration for the current year and prior year is included in the financial statements of the above entities.

Lendlease Construction (Scotland) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

7 Auditors' remuneration

	2020 £ 000	2019 £ 000
Audit of financial statements	(8)	(8)

The auditors' remuneration has been borne by a fellow group undertaking.

8 Taxation

Tax credited in the Statement of Profit or Loss

	2020 £ 000	2019 £ 000
Current tax		
Current year	2,118	879
Adjustments for prior years	(41)	589
Total current tax	2,077	1,468
Deferred tax		
Origination and reversal of temporary differences	(32)	(116)
Change in tax rate	10	12
Adjustments for prior years	37	107
Total deferred tax	15	3
Total income tax credit	2,092	1,471

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Loss before tax	(10,981)	(4,014)
Income tax using the domestic corporation tax rate 19% (2019: 19%)	2,086	763
Adjustments for prior year tax claim	(4)	696
Deferred tax relating to changes in tax rates	10	12
Total income tax credit	2,092	1,471

The effective rate of taxation will vary as a result of any prior year tax claims and the utilisation of tax losses brought forward. A previously proposed reduction in the corporate tax rate to 17% (forecast to be effective from 1 April 2020) has been cancelled, thus closing deferred tax balances are now carried at 19% (2019: 17%). The Company's profits for the accounting period are taxed at a statutory rate of 19% (2019: 19%).

Lendlease Construction (Scotland) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

8 Taxation (continued)

Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Asset £ 000
2020	
Property, plant and equipment	53
Accruals	12
	<u>65</u>
2019	
Property, plant and equipment	47
Accruals	3
	<u>50</u>

Deferred tax movement during the year:

	At 1 July 2019 £ 000	Recognised in income £ 000	At 30 June 2020 £ 000
Property, plant and equipment	47	6	53
Accruals	3	9	12
Net tax assets/(liabilities)	<u>50</u>	<u>15</u>	<u>65</u>

Deferred tax movement during the prior year:

	At 1 July 2018 £ 000	Recognised in income £ 000	At 30 June 2019 £ 000
Property, plant and equipment	47	-	47
Accruals	-	3	3
Net tax assets/(liabilities)	<u>47</u>	<u>3</u>	<u>50</u>

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the Group's future current tax charge accordingly. The deferred tax asset at 30 June 2020 has been calculated at 19% (2019: 17%).

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit is probable. There are £4,481,528 of unused tax losses (2019 - £4,481,528) for which no deferred tax asset is recognised in the statement of financial position.

Lendlease Construction (Scotland) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

9 Inventories

	30 June 2020 £ 000	30 June 2019 £ 000
Current		
Construction contract assets	2,216	2,987
Total current inventories	2,216	2,987

10 Trade and other receivables

	30 June 2020 £ 000	30 June 2019 £ 000
Current		
Amounts owing from related parties	-	1,111
Retentions	422	422
Other receivables	3,368	3,626
Non current		
Other receivables	3	4
Total trade and other receivables	3,793	5,163

In the current reporting period, additional reviews were undertaken to assess recoverability in light of the COVID-19 pandemic. As the majority of the Company's customers are Lendlease Group entities, no additional risk has been identified.

11 Issued capital

Allotted, called up and fully paid shares

	2020		2019	
	No.	£	No.	£
Ordinary A Shares of £1 each	100	100	100	100

Lendlease Construction (Scotland) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

11 Issued capital (continued)

Rights, preferences and restrictions

Ordinary shares have the following rights, preferences and restrictions:

The holder of ordinary shares have the right to receive declared dividends from the Company and are entitled to one vote per share at meetings of the Company.

12 Provisions

	Total £ 000
Balance at 01 July 2018	(2)
Balance at 30 June 2019	(2)
	Total £ 000
Balance at 1 July 2019	(2)
Provisions made during the year	(5,000)
Balance at 30 June 2020	(5,002)

Provisions relate to the expected costs for remediation of historical project defects. The provision is estimated based on the expected cost forecasts, if required, to rectify any defects over the next financial year, and in certain circumstances relate to disputes where legal proceedings have been issued against the Company, which the Company intends to vigorously defend. The amounts provided represent management's interpretation, based on legal advice, of possible obligations under the relevant contracts.

13 Trade and other payables

	30 June 2020 £ 000	30 June 2019 £ 000
Current		
Trade payables	(331)	(18)
Amounts due to related parties	(17,708)	(12,814)
Construction contract liabilities	(23)	(80)
Retentions	(1,137)	(1,144)
Unearned income	-	(1,176)
Accrued expenses	(2,011)	(763)
Other payables	(128)	(140)
Current trade and other payables	(21,338)	(16,135)

During the year the Company recognised £63k in revenue from contracts that held a contract liability balance at the beginning of the financial year.

Lendlease Construction (Scotland) Limited

Notes to the Financial Statements for the year ended 30 June 2020 (continued)

14 Contingencies

There are outstanding claims and exposures that arise in the normal course of business. There is significant uncertainty as to whether a future liability will arise in respect to these items. The amount of liability, if any, that may arise, cannot be measured reliably at this time. The directors are of the opinion that all known liabilities have been brought to account and that adequate provision has been made for any anticipated losses.

15 Parent and ultimate parent undertaking

The Company's immediate parent is Lendlease Construction Holdings (Europe) Limited.

The ultimate parent is Lendlease Corporation Limited.

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is Lendlease Corporation Limited, incorporated in Australia.

The address of Lendlease Corporation Limited is:

Level 14 Tower Three
International Towers Sydney
Exchange Place
300 Barangaroo Avenue
Barangaroo NSW 2000

The consolidated financial statements of that group may be obtained from www.lendlease.com.

The parent of the smallest group in which these financial statements are consolidated is Lendlease Europe Holdings Limited, incorporated in England and Wales.

The address of Lendlease Europe Holdings Limited is:

20 Triton Street
Regent's Place
London NW1 3BF

The consolidated financial statements of that group may be obtained from:

The Registrar of Companies
Companies House
Crown Way
Maindy, Cardiff.

16 Subsequent events

There has been no event or circumstance since the balance sheet date that would significantly affect the Company.