

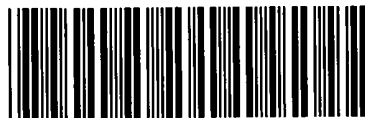
Registration number: 00467006

Lendlease Construction (Europe) Limited

Annual Report and Financial Statements

for the year ended 30 June 2017

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Lendlease Construction (Europe) Limited

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Lendlease Construction (Europe) Limited

Company Information

Directors	A Bates J Clark S Gorski N Martin V Quinlan G Ray
Company secretary	M Packer
Registered office	20 Triton Street Regent's Place London NW1 3BF
Auditors	KPMG LLP 15 Canada Square London E14 5GL

Lendlease Construction (Europe) Limited

Strategic Report for the year ended 30 June 2017

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

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

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. Notwithstanding this, the Company enters into the year with a strong portfolio of projects and opportunities, supported by the opportunities provided by the development arm of the Lendlease group, including The International Quarter London, The Timberyard Deptford and Elephant Park at Elephant & Castle. This combined with on-going projects with current clients and large high profile projects under negotiations, provides the company with a strong pipeline of opportunities into the future.

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. This strategic decision together with tight control on operational costs has led to an improvement in gross profit margin.

Key projects in delivery during the year included Rathbone Square (a major mixed use development in Central London); HMP Berwyn (a 2,100 inmate prison in North Wales); 245 Hammersmith Road (a mixed use development in South West London); The International Quarter London (large scale commercial and residential development in Stratford); and the award winning regeneration of Elephant & Castle, London.

Operationally in the year, the gross profit was up on the prior year at £42.6m (2016: £37.2m), this combined with a reduction in administration expenses has significantly improved profitability compared to the prior year with profit after tax at £20.2m (£2016: £0.7m). The Company recorded an operating cash outflow of (£8.4m) (2016: (£33.9m)) for the year, a significant improvement on the prior year. The balance sheet remains solid with £60m (2016: £69m) of cash on hand at year end and no external borrowings, which provides the Company with a strong financial position heading into the financial year 2018.

Outlook

Client sentiment remains mixed in relation to the future post Brexit and there is significant uncertainty with forecasts predicting a slowdown in growth to remain for the medium term. Despite this, the Company enters into the new financial year with a strong external pipeline, which is supported by the opportunities provided by the development business and large-scale developments under negotiation.

Certainty of supply continues to be a focus in a constrained supplier market, with health and safety a key focus for the business. If projects are delayed or cancelled, this may reduce cost pressures and assist margins on the projects that have already been secured. However, as with the prior year the directors expect the main contractor market to remain competitive for new work.

Lendlease Construction (Europe) Limited

Strategic Report for the year ended 30 June 2017 (continued)

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.
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.

Lendlease Construction (Europe) Limited

Strategic Report for the year ended 30 June 2017 (continued)

Risk Area	Impact	Mitigation
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.
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.

Lendlease Construction (Europe) Limited

Strategic Report for the year ended 30 June 2017 (continued)

Key performance indicators

The following table provides an outline of how management measures financial performance of the business:

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.

Health & safety

Mental health and wellbeing

Creating a better future for people is at the heart of our vision 'to create the best places.' That includes actively caring for our employees' physical and mental health, as well as their safety. In support of this vision, we have established and implemented a health and wellbeing framework. Supporting healthier minds is a key pillar of this framework. Lendlease is at the forefront of leading the construction industry in tackling mental health and our approach focuses on breaking the culture of silence that exists and providing appropriate support to our people. This includes but is not limited to:

- Building awareness in leaders, managers, and employees through campaigns, general training and access to mental health resources
- Providing a readily accessible suite of prevention, early and active intervention options, and support programmes that are available to all employees
- Ensuring an approach to recovery and maintenance of positive mental health by embedding Mental Health People Manager training
- Leading the development of mentally healthy workplaces in our industry

Lendlease Construction (Europe) Limited

Strategic Report for the year ended 30 June 2017 (continued)

Health and safety (continued)

Lendlease have been externally recognised for our commitment to promoting mental health and workplace wellbeing, receiving a silver award in Mind's inaugural 2016 Workplace Wellbeing Index, the only Construction company to receive such recognition. The silver award recognises our demonstrable achievements in promoting staff mental health, taking action across a number of key areas and demonstrating progress over time. This includes:

- Training over 500 mental health first aiders
- Introduction of wellbeing days for staff
- Introduction of mental health first aid light training for all new starters
- Signing the Time for Change pledge
- Supporting Time to Talk Days
- Hosted a MATES in Construction pilot for over 700 site supervisors and operatives
- Developed people manager Mental Health training

Physical health and safety

The Lendlease company aim is simple; a culture where any incident or injury is unacceptable. This is reinforced by ensuring that health & 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.

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 to better identify, assess and manage risks. We have established accountability for the implementation of these standards and established leading indicators for 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.

Health & Safety is a critical issue both on site and in our offices. With this in mind, Incident & Injury Free (IIF) was launched in 2002 and it continues to be the bedrock of our approach to encourage people to consider the safety and welfare of others as well as themselves. The IIF programme 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.

Lendlease goes far beyond just measuring statutory reporting, as part of our relentless focus to continue to make Lendlease both a great and safe place to work. We actively measure and investigate all lost time injuries. A lost time injury being defined as the injured party is unable to return for the next shift. In addition we measure and investigate near miss events known as critical incidents in Lendlease. A critical incident is anything with the potential to cause permanently disabling injuries or worse.

At Lendlease we also take the time to celebrate our success, rewarding and thanking our staff, and the supply chain who help us towards achieving our vision.

Lendlease Construction (Europe) Limited

Strategic Report for the year ended 30 June 2017 (continued)

Environmental matters

Lendlease is committed to making significant long term contributions to the environmental, social and economic fabric of the communities in which it operates.

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 uses its best endeavours to provide continuing employment for employees who are disabled whilst the Company employs them, and commits to providing reasonable adjustments as required. The Company also provides facilities for training and retraining, as well as opportunities for career development and promotion.

Lendlease Construction (Europe) Limited

Strategic Report for the year ended 30 June 2017 (continued)

Employees (continued)

Employee involvement

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 Limited, 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:

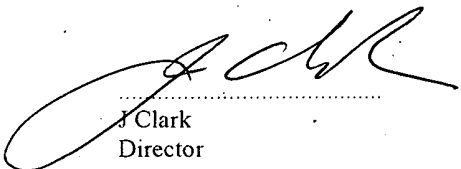
- "Pulse", the group's intranet site, which is updated with daily news on the activities taking place within the group, both regionally and globally, and regularly publishes detailed information on Lendlease Construction (Europe) Limited and Lendlease Corporation Limited.
- "The Word", Lendlease Europe publication.
- "Global Update", annual employee update meetings.
- "Regional Employee Update", a regional employee update meeting held quarterly.
- "People Team Manager Talks", regional leadership team members share key messages and actions with people managers.
- "Need to Know", timely emails informing employees of important information.
- "The Wrap", email newsletter celebrating Lendlease achievements and informing employees of annual cycles.
- "Ten at Ten", at which directors and senior leaders meet with 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 24 August 2017 and signed on its behalf by:



J Clark
Director

Lendlease Construction (Europe) 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 20 Triton Street, Regent's Place, London, NW1 3BF.

Directors' of the company

The directors, who held office during the year, were as follows:

A Bates

J Clark (appointed 6 February 2017)

S Gorski

N Martin

V Quinlan

G Ray

M 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.

Results

The company made a profit after tax for the year of £20.2m (2016: £0.7m).

Dividends

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

Political donations

The Company made no political donations or incurred any political expenditure during the year (2016: £nil).

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

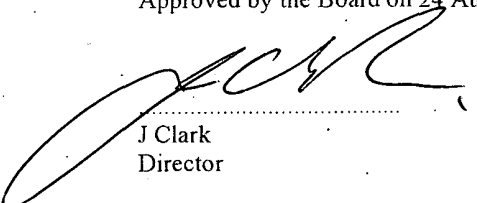
Other Information

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.

Reappointment of auditors

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.

Approved by the Board on 24 August 2017 and signed on its behalf by:



J Clark
Director

Lendlease Construction (Europe) Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual 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 both the 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 the 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 group or the parent 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 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 (Europe) Limited

Opinion

We have audited the financial statements of Lendlease Construction (Europe) Limited (the 'Company') for the year ended 30 June 2017, which comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies in note 2.

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 its profit for the year then ended;
- have been properly prepared in accordance with International Financial reporting Standards as adopted by the European Union; 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

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 the 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.

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.

Independent Auditor's Report to the Members of Lendlease Construction (Europe) Limited (continued)

Director's responsibilities

As explained more fully in their statement set out on page 9, 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 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.

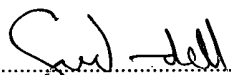
Auditor's responsibilities

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 for the audit of the financial statements is located on the Financial Reporting Council'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

Date: 24 August 2017

Lendlease Construction (Europe) Limited

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2017

	Note	2017 £ 000	2016 £ 000
Revenue		636,263	603,785
Cost of sales		<u>(593,644)</u>	<u>(566,547)</u>
Gross profit		42,619	37,238
Administrative expenses		(24,147)	(39,841)
Other gains	8	<u>-</u>	<u>421</u>
Operating profit/(loss)		<u>18,472</u>	<u>(2,182)</u>
Finance income		4,826	3,646
Finance costs		<u>(1,915)</u>	<u>(491)</u>
Net finance income	9	<u>2,911</u>	<u>3,155</u>
Profit before tax		21,383	973
Income tax expense	10	<u>(1,144)</u>	<u>(239)</u>
Profit for the year		20,239	734
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Effective portion of changes in fair value of cash flow hedges		<u>(3,027)</u>	<u>3,530</u>
Total comprehensive income for the year		<u><u>17,212</u></u>	<u><u>4,264</u></u>

The above results were derived from continuing operations.

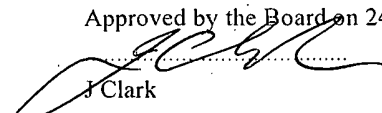
The notes on pages 17 to 43 form an integral part of these financial statements.

Lendlease Construction (Europe) Limited

Statement of Financial Position as at 30 June 2017

	Note	2017 £ 000	2016 £ 000
Assets			
Non-current assets			
Property, plant and equipment		330	414
Intangible assets		73	260
Investments in subsidiaries, joint ventures and associates	15	103	53
Other non-current financial assets	14	-	388
Deferred tax assets	10	12,567	12,819
Other non current assets		<u>17,647</u>	<u>10,905</u>
Total non-current assets		<u>30,720</u>	<u>24,839</u>
Current assets			
Inventories	12	52,574	31,082
Trade and other receivables	13	299,112	248,751
Income tax receivable		-	444
Cash and cash equivalents	11	60,208	68,979
Other current financial assets	14	<u>566</u>	<u>3,736</u>
Total current assets		<u>412,460</u>	<u>352,992</u>
Total assets		<u>443,180</u>	<u>377,831</u>
Liabilities			
Non-current liabilities			
Provisions	17	(6,302)	(3,600)
Deferred tax liabilities	10	<u>(118)</u>	<u>(821)</u>
Total non-current liabilities		<u>(6,420)</u>	<u>(4,421)</u>
Current liabilities			
Trade and other payables	16	(265,592)	(207,493)
Income tax liability		(660)	-
Deferred income	12	(43,931)	(54,180)
Provisions	17	<u>(4,477)</u>	<u>(6,849)</u>
Total current liabilities		<u>(314,660)</u>	<u>(268,522)</u>
Total liabilities		<u>(321,080)</u>	<u>(272,943)</u>
Net assets		<u>122,100</u>	<u>104,888</u>
Equity			
Share capital	20	1	1
Cash flow hedging reserve		503	3,530
Retained earnings		<u>121,596</u>	<u>101,357</u>
Total equity		<u>122,100</u>	<u>104,888</u>

Approved by the Board on 24 August 2017 and signed on its behalf by:


J Clark

Director

Company registration number: 00467006

The notes on pages 17 to 43 form an integral part of these financial statements.

Lendlease Construction (Europe) Limited

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

	Share capital £ 000	Share premium £ 000	Cash flow hedging reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 July 2015	33,101	24,999	-	(7,476)	50,624
Profit for the year	-	-	-	734	734
Other comprehensive income	-	-	3,530	-	3,530
Total comprehensive income	-	-	3,530	734	4,264
New share capital subscribed	50,000	-	-	-	50,000
Capital reduction	(83,100)	(24,999)	-	108,099	-
At 30 June 2016	1	-	3,530	101,357	104,888

	Share capital £ 000	Cash flow hedging reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 July 2016	1	3,530	101,357	104,888
Profit for the year	-	-	20,239	20,239
Other comprehensive income	-	(3,027)	-	(3,027)
Total comprehensive income	-	(3,027)	20,239	17,212
At 30 June 2017	1	503	121,596	122,100

The notes on pages 17 to 43 form an integral part of these financial statements.

Lendlease Construction (Europe) Limited

Statement of Cash Flows for the year ended 30 June 2017

	Note	2017 £ 000	2016 £ 000
Cash flows from operating activities			
Profit for the year		20,239	734
Depreciation, amortisation and impairment		277	606
Gain on sale of property, plant and equipment		-	(421)
Finance income	9	(4,826)	(3,646)
Finance expenses	9	1,915	491
Income tax expense	10	1,144	239
		<u>18,749</u>	<u>(1,997)</u>
(Increase) in trade and other receivables		(55,810)	(49,631)
(Decrease)/increase in inventories		(21,492)	8,715
Increase/(decrease) in trade and other payables		46,539	(142)
(Decrease)/increase in provisions		(170)	7,989
Tax paid		-	(1,257)
Interest received		4,826	2,645
Interest paid		(1,011)	(272)
Net cash used in operating activities		<u>(8,369)</u>	<u>(33,950)</u>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	749
Acquisition of other intangible assets		-	(138)
Acquisition of property, plant and equipment		(4)	(131)
Acquisition of investments		(52)	(50)
Net cash from investing activities		<u>(56)</u>	<u>430</u>
Cash flows from financing activities			
FX gains/(losses)		(346)	1,001
Proceeds from issuance of shares		-	50,000
Net cash from financing activities		<u>(346)</u>	<u>51,001</u>
Net (decrease)/increase in cash and cash equivalents		<u>(8,771)</u>	<u>17,481</u>
Cash and cash equivalents at beginning of the year	11	68,979	51,498
Cash and cash equivalents at end of year		<u><u>60,208</u></u>	<u><u>68,979</u></u>

The notes on pages 17 to 43 form an integral part of these financial statements.

Lendlease Construction (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017

1 General information

Lendlease Construction (Europe) Limited (the "Company") is a private company limited by share capital incorporated and domiciled in the United Kingdom.

The address of its registered office is:
20 Triton Street
Regent's Place
London
NW1 3BF
United Kingdom

Basis of preparation

The Company is exempt by virtue of section 400 of the Companies Act 2006 and IAS 27 - "Consolidated and Separate Financial Statements" requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The Company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRSs") and under historical cost accounting rules.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

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.

Going concern

The financial statements have been prepared on a going concern basis.

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.

Lendlease Construction (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

2 Accounting policies (continued)

Expenses

Operating lease payments

Payments made under operating leases are recognised in the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Profit and Loss and Other Comprehensive Income as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Financing income and expense

Financing expenses comprise interest payable and finance leases recognised in the Statement of Profit or Loss and Other Comprehensive Income using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the Statement of Profit or Loss and Other Comprehensive Income (see foreign currency accounting policy). Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in the Statement of Profit or loss and Other Comprehensive Income as it accrues, using the effective interest method. Dividend income is recognised in the Statement of Profit or Loss and Other Comprehensive Income on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Tax

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 Other 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 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.

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.

Lendlease Construction (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

2 Accounting policies (continued)

Foreign currency transactions and balances

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Profit or Loss and Other Comprehensive Income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

All exchange differences arising in respect of foreign operations are taken to equity through the Translation reserve. When a foreign operation is sold, such exchange differences are recognised in the Statement of Profit or Loss and Other Comprehensive Income as part of the gain or loss on sale.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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).

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.

Trade and other 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.

Lendlease Construction (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

2 Accounting policies (continued)

Non-derivative financial instruments (continued)

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments

Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

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

Share-based payment transactions

The Company operates a share-based incentive plan for certain employees. The shares issued are in the Company's ultimate parent, Lendlease Corporation Limited. The fair value of these shares at the date of grant is recognised through the Statement of Profit or Loss and Other Comprehensive Income on a straight line basis over the vesting period.

Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Derivative financial instruments and hedging activities

Cashflow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement when the hedged item will affect profit or loss (for instance, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Lendlease Construction (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

2 Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses.

Depreciation is charged to the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings - 2% per annum, straight line

Office improvements - Over remaining period of lease, straight line

Intangible assets

Research and development

Expenditure on research activities is recognised in the Statement of Profit or Loss and Other Comprehensive Income as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the Statement of Profit or Loss and Other Comprehensive Income as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

IT software systems

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs directly associated with producing identifiable and unique software products where it is probable that they will generate economic benefits exceeding costs beyond one year, are recognised as intangible asset. Direct costs include software development, employee costs and an appropriate portion of relevant overheads.

Acquired computer software licences and computer software development costs recognised as assets are amortised over their estimated useful lives as follows:

Acquired computer software licences - 20% - 33% per annum, straight line

Developed computer software - 20% - 33% per annum, straight line

Lendlease Construction (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

2 Accounting policies (continued)

Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through the Statement of Profit or Loss and Other Comprehensive Income is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Statement of Profit or Loss and Other Comprehensive Income.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Defined contribution pension obligation

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 Other 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.

Defined benefit pension obligation

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 Other 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 2016.

Lendlease Construction (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

2 Accounting policies (continued)

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.

New standards, interpretations and amendments not yet effective

The following Adopted IFRSs have been issued but have not been applied in these financial statements. The effect of these Adopted IFRSs on these financial statements has not yet been determined:

- IFRS 9 Financial Instruments (effective date 1 January 2018).
- IFRS 15 Contracts with Customers (effective date 1 January 2018).
- Annual Improvements to IFRSs - 2012-2014 Cycle (effective date to be confirmed).
- Disclosure Initiative - Amendments to IAS 1 (effective date to be confirmed).
- IFRS 16 Leases (effective date 1 January 2019).

3 Segmental 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 in the United Kingdom. Lendlease Construction (Europe) 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.

4 Expenses and auditor's remuneration

	2017 £000	2016 £000
Included in operating profit/(loss) are the following:		
Depreciation of tangible fixed assets	(88)	(380)
Amortisation of intangible assets	(187)	(226)
Staff costs	(61,207)	(54,547)
Management charge from Lendlease Europe Limited	(8,479)	(10,520)
Rentals payable under operating leases:		
Land and buildings	(330)	(518)
Vehicles	(273)	(418)
	<u>(70,564)</u>	<u>(66,609)</u>
 <i>Auditor's remuneration:</i>		
	2017 £ 000	2016 £ 000
Audit of financial statements	<u>(115)</u>	<u>(116)</u>

Lendlease Construction (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

5 Staff numbers and costs

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	<u>742</u>	<u>719</u>

	2017 £	2016 £
Wages and Salaries	(50,645)	(47,588)
Social Security Costs	(5,661)	(5,378)
Other Pension Costs	<u>(4,901)</u>	<u>(4,581)</u>
	<u>(61,207)</u>	<u>(57,547)</u>

The staff numbers and costs exclude staff who are seconded to other companies.

6 Directors' remuneration

The directors' remuneration for the year was as follows:

	2017 £ 000	2016 £ 000
Remuneration	(2,160)	(2,020)
Company contributions to defined contribution pension schemes	<u>(102)</u>	<u>(132)</u>
	<u>(2,262)</u>	<u>(2,152)</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2017 No.	2016 No.
Accruing shares under long term incentive schemes	5	7
Accruing benefits under defined contribution pension schemes	<u>5</u>	<u>6</u>

In respect of the highest paid director:

	2017 £ 000	2016 £ 000
Aggregate remuneration including amounts receivable under long term incentive schemes	<u>(1,023)</u>	<u>(812)</u>

Lendlease Construction (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

6 Directors' remuneration (continued)

These directors of the company are employees of the following entities:

- V Quinlan: Lendlease Europe Limited

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

7 Share-based payments

Short term incentives (STI)

The STI plan is an annual bonus scheme where executives receive benefits based upon individual personal targets and achievements of the financial targets of the Company. The total value of the potential benefit (target opportunity) varies by executive, but is generally linked to salary.

The STI comprises a cash element and a deferred element. The deferred element represents Lendlease Corporation Limited (LLC), the Company's ultimate parent company, shares based on the share price at the date of determination of the bonuses. The shares are then held in trust on behalf of the executive for the deferred period. For executives to receive the full deferral they must be employed by the Group at the date of vesting, which will usually be one year from the date of grant.

Long term incentives (LTI)

LTIs are settled in cash or LLC shares, with settlement occurring upon vesting if performance hurdles are met. Grants depend on personal contribution and potential, and are designed to retain and motivate high performing and key executives. The LTI grants are 'invested' in performance shares over time to deliver value depending on the performance of the LLC group, and whether the executive remains within the group. The grant will lapse should an executive resign before vesting.

Performance hurdles have been set to align interests between the participant and shareholders and for consistency with a new STI structure. They are based on two equal measures: long term profitability as measured by earnings per share, and external TSR compared to that of other ASX100 listed companies.

Retention awards

Certain employees are incentivised to remain with the Company through the granting of a retention award. These awards are settled in shares and are dependent upon service to vesting date.

		2017 Number of shares				
Grant date	Vesting date	Opening balance	Granted	Lapsed	Exercised	Closing balance
Sep-16	Sep-18	-	28,731	(2,931)	-	25,800
Sep-16	Sep-17	-	51,573	(3,439)	-	48,134
Sep-15	Sep-17	28,985	-	(3,436)	-	25,549
Sep-15	Sep-16	62,888	-	-	(62,888)	-
Sep-14	Sep-16	18,710	-	-	(18,710)	-
Total		<u>110,583</u>	<u>80,304</u>	<u>(9,806)</u>	<u>(81,598)</u>	<u>99,483</u>

Lendlease Construction (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

7 Share-based payments (continued)

Grant date	Vesting date	Opening balance	2016 Number of shares			Closing balance
			Granted	Lapsed	Exercised	
Sep-15	Sep-17	-	28,985	-	-	28,985
Sep-15	Sep-16	-	63,697	(809)	-	62,888
Sep-14	Sep-16	18,710	-	-	-	18,710
Sep-14	Sep-16	38,343	-	(2,331)	(36,012)	-
Sep-13	Sep-15	19,423	-	-	(19,423)	-
Total		<u>76,476</u>	<u>92,682</u>	<u>(3,140)</u>	<u>(55,435)</u>	<u>110,583</u>

Amounts recognised in the financial statements

LTI awards are valued using the Monte-Carlo simulation methodology where the share price can be projected based on the assumptions underlying the Black-Scholes formula. Retention awards are valued by discounting the share price by the expected dividends assumed to be paid from the valuation date until vesting date (if applicable). The model inputs include the LLC share price, a risk free interest rate, expected volatility and dividends yield.

8 Other gains

The analysis of the company's other gains and losses for the year is as follows:

	2017 £ 000	2016 £ 000
Gain on disposal of property, plant and equipment	-	421

9 Finance income and costs

	2017 £ 000	2016 £ 000
Finance income		
Interest receivable on group undertakings	4,826	2,645
Net foreign exchange gain	-	1,001
Total finance income	<u>4,826</u>	<u>3,646</u>
Finance costs		
Net foreign exchange loss	(346)	-
Ineffective portion of changes in fair value of cash flow hedge	(58)	(219)
Interest payable (including interest on group undertakings)	(1,011)	(272)
Other finance costs	(500)	-
Total finance costs	<u>(1,915)</u>	<u>(491)</u>
Net finance income	<u>2,911</u>	<u>3,155</u>

Interest payable includes (£1.0m) of interest and guarantee fees payable to the parent and other group undertakings (2016: (£0.3m)). The two types of guarantee fees Lendlease Construction (Europe) Limited pay relate to the guarantee of a debt facility and a guarantee of performance.

Lendlease Construction (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

10 Income tax

Tax (charged) in the income statement

	2017 £ 000	2016 £ 000
Current tax		
Current year	(659)	157
Adjustments for prior years	(444)	(3,210)
Total current tax	<u>(1,103)</u>	<u>(3,053)</u>
Deferred tax		
Origination and reversal of temporary differences	(1,998)	1,850
Reduction in tax rate	76	(674)
Adjustment in respect of previous periods	1,881	1,638
Total deferred tax	<u>(41)</u>	<u>2,814</u>
Total tax charge	<u><u>(1,144)</u></u>	<u><u>(239)</u></u>

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 profit before tax.

The differences are reconciled below:

	2017 £ 000	2016 £ 000
Profit before tax	<u>21,383</u>	<u>973</u>
Corporation tax at standard rate	(4,223)	(195)
Adjustments in respect of previous periods	1,437	(1,572)
Non deductible expenses	(54)	(113)
Permanent difference on change of tax rate	76	(674)
Pension contributions	1,620	2,315
Total tax charge	<u><u>(1,144)</u></u>	<u><u>(239)</u></u>

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%).

Lendlease Construction (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

10 Income tax (continued)

Deferred tax

Deferred tax assets and liabilities

	Asset £ 000	Liability £ 000	Net deferred tax £ 000
2017			
Provisions	717	-	717
Tax losses carry-forwards	5,791	-	5,791
Share-based payment	172	-	172
Accelerated tax depreciation	5,153	-	5,153
Revaluation of cash flow hedges	-	(118)	(119)
Pension benefit obligations	734	-	734
Other items	-	-	-
	<u>12,567</u>	<u>(118)</u>	<u>12,448</u>

	Asset £ 000	Liability £ 000	Net deferred tax £ 000
2016			
Provisions	104	-	104
Tax losses carry-forwards	4,930	-	4,930
Share-based payment	216	-	216
Accelerated tax depreciation	6,097	-	6,097
Revaluation of cash flow hedges	-	(814)	(814)
Pension benefit obligations	1,472	-	1,472
Other items	-	(7)	(7)
	<u>12,819</u>	<u>(821)</u>	<u>11,998</u>

Deferred tax movement during the year:

	At 1 July 2016 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 30 June 2017 £ 000
Provisions	104	613	-	717
Tax losses carry-forwards	4,930	861	-	5,791
Share-based payment	216	(44)	-	172
Accelerated tax depreciation	6,097	(944)	-	5,153
Revaluation of cash flow hedges	(814)	204	491	(119)
Pension benefit obligations	1,472	(738)	-	734
Other items	(7)	7	-	-
Net tax assets/(liabilities)	<u>11,998</u>	<u>(41)</u>	<u>491</u>	<u>12,448</u>

Lendlease Construction (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

10 Income tax (continued)

Deferred tax movement during the prior year:

	At 1 July 2015 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 30 June 2016 £ 000
Provisions	42	62	-	104
Tax losses carry-forwards	4,496	434	-	4,930
Share-based payment	169	47	-	216
Accelerated tax depreciation	5,135	962	-	6,097
Revaluation of cash flow hedges	-	(156)	(658)	(814)
Pension benefit obligations	-	1,472	-	1,472
Other items	-	(7)	-	(7)
Net tax assets/(liabilities)	<u>9,842</u>	<u>2,814</u>	<u>(658)</u>	<u>11,998</u>

11 Cash and cash equivalents

	2017 £ 000	2016 £ 000
Cash at bank	<u>60,208</u>	<u>68,979</u>

12 Construction contracts

	2017 £ 000	2016 £ 000
Contracts in progress at the balance sheet date:		
Amounts due from contract customers	52,574	31,082
Current amounts due to contract customers	<u>(43,931)</u>	<u>(54,180)</u>
	<u>8,643</u>	<u>(23,098)</u>

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.

As at 30 June 2017, retentions held by customers for contract work amounted to £29.1m (2016: £24.3m). Contract retentions held back from suppliers amounted to £24.9m (2016: £22.1m).

Lendlease Construction (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

13 Trade and other receivables

	2017 £ 000	2016 £ 000
Trade receivables	20,339	43,025
Provision for impairment of trade receivables	(360)	(645)
Net trade receivables	19,979	42,380
Receivables due from related parties	264,601	191,365
Prepayments	925	684
Retentions	11,677	13,444
Other receivables	1,930	878
Total current trade and other receivables	<u>299,112</u>	<u>248,751</u>

The ageing of trade receivables at the reporting date was:

	2017 £ 000	2016 £ 000
Not past due	14,701	32,263
Past due 0-90 days	3,459	7,021
Past due more than 90 days	2,179	3,741
	<u>20,339</u>	<u>43,025</u>

The Company's exposure to credit risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in note 24 "Financing arrangements and financial instruments".

Trade receivables above include amounts that are past due at the end of the reporting period and for which an allowance for doubtful debts has not been recognised. The directors believe that no further impairment allowance is necessary as the amounts are still considered recoverable.

The provision for impairment of trade receivables (analysed below) is the difference between the carrying value and the present value of the expected proceeds.

Age of impaired trade receivables

	2017 £ 000	2016 £ 000
Over 1 year	<u>(360)</u>	<u>(645)</u>

Lendlease Construction (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

14 Other financial assets

	2017 £ 000	2016 £ 000
Non-current financial assets		
Forward exchange contracts (cash flow hedge)	-	388
	2017 £ 000	2016 £ 000
Current financial assets		
Forward exchange contracts (cash flow hedge)	563	3,736
Other forward exchange contracts	3	-
	<u>566</u>	<u>3,736</u>

15 Investments

	Investments in group companies and associates £000
Investments at cost	
Balance as at 1 July 2015	3
Acquired during the period	<u>50</u>
Balance as at 30 June 2016	53
Acquired during the period	<u>52</u>
Balance as at 30 June 2017	<u>105</u>
Provision	
Balance as at 1 July 2015 and 30 June 2016	-
Provisions made during the year	<u>(2)</u>
Balance as at 30 June 2017	<u>(2)</u>
Net book value	
Balance as at 1 July 2015	<u>3</u>
Balance as at 30 June 2016	<u>53</u>
Balance as at 30 June 2017	<u>103</u>

Lendlease Construction (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

15 Investments (continued)

Subsidiaries

Details of the subsidiaries as at 30 June 2017 are as follows:

Name of subsidiary	Registered office Country of incorporation	Proportion of ownership interest and voting rights held	
		2017	2016
Lendlease Construction North Western Limited	20 Triton Street, London NW1 3BF United Kingdom	100%	100%
Lendlease Construction Management Services (One) Ltd.	20 Triton Street, London NW1 3BF United Kingdom	100%	100%
BLFB Limited	20 Triton Street, London NW1 3BF United Kingdom	100%	100%
Debut Services (Contracts) Limited	20 Triton Street, London NW1 3BF United Kingdom	91%	91%
Debut Services Limited	20 Triton Street, London NW1 3BF United Kingdom	85%	85%

Associates

Details of the associates as at 30 June 2017 are as follows:

Name of associate	Registered office Company of incorporation	Proportion of ownership interest and voting rights held	
		2017	2016
Ospedal Grando SRL	Via Rismondo Francesco 2/E 35131 Padova PD Italy	2.5%	2.5%

Lendlease Construction (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

15 Investments (continued)

Joint ventures

Details of the joint ventures as at 30 June 2017 are as follows:

Name of Joint-ventures	Registered office Country of incorporation	Proportion of ownership interest and voting rights held	
		2017	2016
H1 Developments Limited	55 Station Road Buckinghamshire HP9 1QL United Kingdom	50%	50%
Waste 2 Resources Project Lancashire LLP	20 Triton Street, London NW1 3BF United Kingdom	50%	50%
Debut Services (South West) Limited	20 Triton Street, London NW1 3BF United Kingdom	50%	50%
BLS Regent Limited	55 Station Road Buckinghamshire HP9 1QL United Kingdom	50%	50%
BLS Blackfriars Limited	55 Station Road Buckinghamshire HP9 1QL United Kingdom	50%	50%
St Swithins Developments Limited	55 Station Road Buckinghamshire HP9 1QL United Kingdom	50%	50%
Coleman Street Developments Limited	55 Station Road Buckinghamshire HP9 1QL United Kingdom	50%	50%
B6 Developments Limited	55 Station Road Buckinghamshire HP9 1QL United Kingdom	50%	50%
BLS Warwick Limited (Dissolved)	United Kingdom	0%	50%
BLS St Martins Limited (Dissolved)	United Kingdom	0%	50%
BLS KEC Limited (Dissolved)	United Kingdom	0%	50%

Lendlease Construction (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

16 Trade and other payables

	2017 £ 000	2016 £ 000
Trade payables	(16,827)	(13,814)
Amounts due to related parties	(95,890)	(47,480)
Accrued expenses	(108,470)	(81,086)
Other payables	(19,536)	(42,977)
Retentions	(24,869)	(22,136)
	<u>(265,592)</u>	<u>(207,493)</u>

Amounts due to related parties are unsecured and have no fixed repayment terms. Included within trade and other payables is £nil expected to be settled in greater than 12 months (2016: £nil).

The Company's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in note 24 "Financing arrangements and financial instruments".

17 Provisions

	Specific provision £000	Defects provision £000	Loss provision £000	Total £000
Balance at 1 July 2016	(5,700)	(4,313)	(436)	(10,449)
Provisions made during the year	(500)	-	(3,703)	(4,203)
Provisions utilised during the year	2,100	1,438	335	3,873
Balance at 30 June 2017	<u>(4,100)</u>	<u>(2,875)</u>	<u>(3,804)</u>	<u>(10,779)</u>

	Specific provision £000	Defects provision £000	Loss provision £000	Total £000
Non-current provisions	(3,000)	-	(3,302)	(6,302)
Current provisions	(1,100)	(2,875)	(502)	(4,477)
	<u>(4,100)</u>	<u>(2,875)</u>	<u>(3,804)</u>	<u>(10,779)</u>

18 Commitments

Capital commitments

The Company has no capital commitments (2016: £nil).

Lendlease Construction (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

19 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2017 Land and Buildings £000	Other £000	2016 Land and Buildings £000	Other £000
Less than one year	(135)	(120)	(638)	(210)
Between one and five years	(323)	(38)	(457)	(152)
	<u>(458)</u>	<u>(158)</u>	<u>(1,095)</u>	<u>(362)</u>

Land and buildings have been considered separately for lease classification.

During the year £0.6m was recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income in respect of operating leases (2016: £0.9m).

20 Share capital

Allotted, called up and fully paid shares

	2017 No. 000	£ 000	2016 No. 000	£ 000
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

Share Premium

	2017 £ 000	2016 £ 000
At beginning of year	-	24,999
Capital reduction	-	(24,999)
At end of the year	<u>-</u>	<u>-</u>

On the 24th June 2016 the Company reduced its share capital and share premium accounts per resolution of the board of directors. the excess capital value was transferred to retained earnings at this time.

Lendlease Construction (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

21 Reserves

The changes to each component of equity resulting from items of other comprehensive income were as follows:

	2017 Hedge reserve £000	2016 Hedge reserve £000
At the beginning of the year	3,530	-
Other comprehensive income	(3,027)	3,530
At the end of the year	<u>503</u>	<u>3,530</u>

22 Retained Earnings

	2017 £000	2016 £000
At the beginning of the year	101,357	(7,476)
Profit for the year	20,239	734
Capital reduction	-	108,099
At the end of the year	<u>121,596</u>	<u>101,357</u>

On the 24th of June 2016, the Company reduced its share capital and share premium accounts per resolution of the board of directors. The excess capital value was transferred to retained earnings at this time.

23 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, the outcome will not have a material effect on the Company's financial position.

24 Financing arrangements and financial instruments

Foreign currency risk

The Group's policy is to manage currency risk so as to minimise any adverse impact of this risk and associated costs on the result. The Group's exposure is primarily to the Euro (EUR). The Asset and Liability Committee oversees this risk in line with the Group Treasury Policy.

Foreign currency translation

Income and expenses denominated in Euro have been translated to GBP at an average exchange rate of 1.15 (2016: 1.32) for the period. Assets and liabilities denominated in Euro have been revalued to GBP using a spot rate of 1.14 (2016: 1.19).

Lendlease Construction (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

24 Financing arrangements and financial instruments (continued)

Foreign currency translation (continued)

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

	2017	2017	2016	2016
	Local currency	Functional currency	Local currency	Functional currency
	€000	£000	€000	£000
Net asset exposure	2,024	1,781	11,567	9,680

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 majority of forward exchange contracts hedge specific foreign currency exposures including receivables, payables, revenues, expenses and intercompany transactions and loans. Net assets which are hedged (although not hedge accounted) have been excluded from the net asset exposure analysed in the above table. The contracts are converted using forward rates at the statement of financial position date with unrealised gains and losses recorded in the income statement or the hedge reserve when the derivative is used in a hedging relationship that satisfies IAS 39 'Financial Instruments: Recognition and Measurement' criteria. Exchange gains and losses on these contracts are accounted for in accordance with the Company's accounting policy for foreign currency (refer to Note 1 Accounting Policy).

Foreign currency hedges

The Company's foreign currency derivative contracts held at reporting date to hedge specific foreign currency exposures are as follows:

	Weighted average exchange rate		Receivable under contracts	
	2017	2016	2017	2016
			'000s	'000s
Buy Euro	0.831	0.711	12,069	35,026
Total GBP			10,031	24,896

Sensitivity analysis

The Company is mainly exposed to EUR. The following table details the Company's sensitivity to a 5% increase and decrease in GBP against the EUR. The sensitivity analysis includes only outstanding foreign denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. This analysis assumes that all other variables, in particular interest rates remain constant.

	Euro impact	Euro impact
	2017	2016
	£000	£000
Strengthening of 5%	(27)	(18)
Weakening of 5%	30	20

There will be a corresponding impact on equity for the above movement.

Lendlease Construction (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

24 Financing arrangements and financial instruments (continued)

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 12 days (2016: 26 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.

Capital 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.

Lendlease Construction (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

24 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. The only financial instruments that the Company holds which are subject to interest rate risk are financial assets in the form of loans to other Group companies which do not have specified repayment terms.

	Effective interest rate 2017	Floating interest rate 2017 £000	Effective interest rate 2016	Floating interest rate 2016 £000
Cash	0.00%	60,208	0.00%	68,979
Amounts due from related parties	1.78%	261,450	1.46%	180,611
Amounts due to related parties	1.58%	(89,383)	0.41%	(47,480)

At 30 June 2017, it is estimated that a decrease of one percentage point in interest rates would have decreased the Company's profit before tax by approximately £2.3m (2016: £1.2m).

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 2017:

	Carrying amount 2017 £000	Less than 12 mths 2017 £000	Carrying amount 2016 £000	Less than 12 mths 2016 £000
<i>Non-derivative financial liabilities</i>				
Trade and other payables - current	(265,593)	(265,593)	(207,493)	(207,493)
Total	<u>(265,593)</u>	<u>(265,593)</u>	<u>(207,493)</u>	<u>(207,493)</u>

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.

Lendlease Construction (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

25 Related party transactions

Summary of transactions with other related parties

The following transactions were carried out with related parties:

(a) Sale of goods and services:

	2017 £000	2016 £000
Sale of goods and services to:		
Stratford City Business District Limited	204,532	65,905
Lendlease Residential (CG) Plc	48,965	89,351
Lendlease Development (Europe) Limited	48,016	21,145
SCBD Residential Limited	14,976	51,762
Debut Services Limited	9,574	32,852
Lendlease Deptford Ltd	3,466	3,281
Lendlease (Elephant and Castle) Ltd	2,062	2,491
East Lancashire LEP Company Limited	950	651
Lendlease Communities Limited	-	7,083
Lendlease Residential (BH) Plc	-	1,248
Lendlease Development Limited	(490)	1,357
Lendlease Retail Partnership	278	-
Lendlease Europe Limited	79	75
H1 Developments	-	345
Lendlease Europe GP Limited	2	124
	<u>332,410</u>	<u>277,670</u>
Recharge of services to:		
Other group companies	3,496	3,888
	<u>335,906</u>	<u>281,558</u>

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.

Lendlease Construction (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

25 Related party transactions (continued)

(b) Purchase of goods and services:

	2017 £000	2016 £000
Purchase of goods and services from:		
Lendlease Consulting (Europe) Limited	(378)	(269)
Lendlease Residential (CG) PLC	(609)	-
Lendlease Europe Limited	(123)	(69)
Lendlease SRL Limited	(55)	-
Other related parties	(18)	-
	<u>(1,183)</u>	<u>(338)</u>
Recharge of services by:		
The ultimate parent	(844)	(935)
Other group companies	(19,475)	(22,101)
	<u>(21,502)</u>	<u>(23,374)</u>

Goods and services are purchased from other group companies under 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/directors compensation

Refer to Note 6.

(d) Related party receivables

	2017 £000	2016 £000
Lendlease Europe Finance	242,187	171,438
Lendlease Development (Europe) Limited	3,072	687
Lendlease Europe Limited	-	12,000
Debut Services Limited	581	2,140
Lendlease Construction (Scotland) Limited	7,154	1,125
Lendlease Consulting (Europe) Limited	7,448	2,763
Lendlease Real Estate Investments (Europe) Limited	1,845	862
Lendlease Residential (CG) PLC	414	-
Stratford City Business District Limited	1,688	-
Other related parties	212	350
	<u>264,601</u>	<u>191,365</u>

Amounts owed by all the entities listed above are inter-group balances for general working capital purposes and can be recalled at any time. The balances accrue interest at a rate of LIBOR + 2.45%

Lendlease Construction (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

25 Related party transactions (continued)

(e) Payables to related parties:

	2017 £000	2016 £000
Lendlease Europe Holdings Limited	-	(4,769)
Lendlease Europe Limited	(58,957)	-
Lendlease Construction Holdings (Europe) Limited	(32,069)	(34,280)
Lendlease Bluewater Limited	-	(4,999)
Lendlease Overseas Holdings Limited	(1,286)	(2,832)
Other related parties	(398)	(600)
Lendlease (Elephant and Castle) Ltd	(3,180)	-
	<u>(95,890)</u>	<u>(47,480)</u>

Amounts owed to all the entities listed above are inter-group balances for general working capital purposes and can be recalled at any time. The balances accrue interest at a rate of LIBOR + 2.45%

26 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 Statement of Profit or Loss and Other Comprehensive Income 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.

For the year ended 30 June 2017 the total Company contributions paid to the Defined Benefit Section of the Lend Lease UK Pension Scheme was £2.5m (2016: £2.3m). All other contributions made during 2017 were made by Lendlease Construction Holdings (Europe) Limited.

Lendlease Construction (Europe) Limited

Notes to the Financial Statements for the year ended 30 June 2017 (continued)

27 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 Lendlease 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, Australia 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.

28 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.