

Bovis Lend Lease Limited
(formerly Bovis Construction Limited)

Directors' report
and financial statements
Registered number 467006
18 month period ended 30 June 2000



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Directors' report

The directors present their annual report and the audited financial statements for the 18 month period ended 30 June 2000.

Principal activities

The company's principal activity is as a provider of project solutions in the construction industry. The company has branches in Belgium, Ireland, Romania and South Africa.

On the 29 October 1999 the company's ultimate parent company, The Peninsular and Oriental Steam Navigation Company ("P&O"), sold its entire interest in the share capital of Bovis Group plc to Lend Lease Projects Europe Limited.

On 6 December 1999 the company changed its year end to be consistent with that of its new parent company. The company has therefore prepared financial statements for the 18 month period to 30 June 2000. On 1 February 2000 Bovis Construction Limited changed its name to Bovis Lend Lease Limited.

Business review

The company continues to trade successfully with a different turnover mix which at the increased level of £1,100,501,000 (1998: £874,305,000) generated a profit on ordinary activities after taxation of £5,283,000 (1998: £9,942,000).

Proposed dividend

The directors do not recommend the payment of a final dividend for the period (1998: *£nil*) but interim dividends of £16,361,000 were paid during the period (1998: £6,888,000) to P&O.

Directors and directors' interests

Set out below are the directors who served at the period end together with their beneficial interest in the deferred stock of P&O at the start of the period. As the company is no longer a subsidiary of P&O such interests as exist at the end of the period are not disclosable.

	At 31 December 1998	
	Deferred	Deferred stockholding
	stockholding	options
	No	No
JHF Anderson	37,954	45,480
D Bate	4,610	44,039
L Chatfield	912	10,700
Sir F Lampl	78,782	23,262
J McCloy	1,448	5,700
A Ring	6,025	10,256
JE Spanswick	12,732	32,498
M Temple	1,389	14,981

The other directors who served during the period are listed below:

RA Phillips (resigned 30 June 2000)

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

No other directors served during the period.

Subsequent to the period end JHF Anderson (19 July 2000) and J McCloy (31 December 2000) have resigned. AD Silverbeck was appointed director on 1 July 2000.

Directors' report (*continued*)

Employees

Disabled persons

It is the company's policy to give full and fair consideration to applications for employment made by disabled persons having regard to their aptitudes and abilities. The company also uses its best endeavours to provide continuing employment for employees who are disabled whilst they are employed by the company and, where appropriate, provides facilities for training and retraining and opportunities for career development and promotion.

Employees and their involvement in group business

The company is part of the Bovis Lend Lease group and closely identifies with the group's corporate identity and activities and also those of the ultimate Australian parent undertaking, Lend Lease Corporation Limited.

A profit sharing scheme is being introduced that enables employees, through share ownership, to identify more closely with the group's performance and to share common objectives with shareholders.

The company is committed to enlisting staff involvement, and staff at all levels are kept informed on a regular basis of both the group's and the company's important business contracts and activities through the media of:

- the company's regular news sheets: the "Bovis Lend Lease World" newspaper; "Interlink", the Lend Lease Corporation magazine; and "E-dition", an electronic magazine.
- 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, organisational structures and financial matters.
- the intranet site, the "Hive", which regularly publishes detailed information on Bovis Lend Lease and Lend Lease Corporation.

Meetings are held regularly with relevant employees for information and consultation relating to the company's past performance, future objectives and proposed changes.

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.

The Bovis Lend Lease group's core values are published widely. They promote a culture of integrity and performance. The seven core values are: 'Integrity', 'Respect For People And Cultures', 'Client Satisfaction', 'Teamwork', 'Do It Better', 'Corporate Citizenship' and 'Safety'.

Creditor payment policy

The company's policy is to pay suppliers in accordance with terms and conditions agreed when orders are placed. Where payment terms have not been specifically agreed, then the invoices received each calendar month are paid close to the end of the following month. This policy is understood by the purchasing and financing departments. The company has procedures for dealing promptly with complaints and disputes.

The number of days billings from suppliers outstanding at the end of the financial period was 31 days (1998: 27).

Directors' report (*continued*)

Political and charitable donations

The company made no political contributions during the period (1998: *£nil*). Donations to UK charities amounted to £63,000 (1998: £52,000).

By order of the board



PR Chadwick
Company secretary

142 Northolt Road
Harrow
Middlesex
HA2 0EE

19 March 2001

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Report of the auditors, KPMG Audit Plc, to the members of Bovis Lend Lease Limited

We have audited the financial statements on pages 6 to 20.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2000 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

30 March

2001

Profit and loss account

18 month period ended 30 June 2000

	Note	18 month period ended 30 June 2000 £000	Year ended 31 December 1998 £000
Turnover	2	1,100,501	874,305
Cost of sales		(1,084,625)	(852,864)
Gross profit		15,876	21,441
Administrative expenses		(17,486)	(12,340)
Operating (loss)/profit		(1,610)	9,101
Income from shares in group undertakings		3,496	1,919
Interest receivable and similar income	6	4,315	4,869
Interest payable and similar charges	7	(252)	(1)
Profit on sale of subsidiaries		353	-
Profit on ordinary activities before taxation	3	6,302	15,888
Tax on profit on ordinary activities	8	(1,019)	(5,946)
Profit on ordinary activities after taxation		5,283	9,942
Dividends paid	9	(16,361)	(6,888)
Retained (loss)/profit for the financial period	16	(11,078)	3,054

No operations were acquired or discontinued during the period (1998: none). There is no material difference between the results disclosed in the profit and loss account and the result given on an unmodified historical cost basis.

Statement of recognised gains and losses

18 month period ended 30 June 2000

	18 month period ended 30 June 2000 £000	Year ended 31 December 1998 £000
Profit for the financial period	5,283	9,942
Unrealised deficit on revaluation of properties	-	(1,081)
Total recognised gains for the period	5,283	8,861
Prior year adjustment (see note 1)	-	(3,728)
Total recognised gains since last report	5,283	5,133

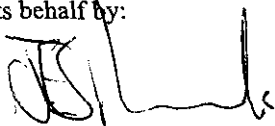
Balance sheet

As at 30 June 2000

	Note	30 June 2000		31 December 1998	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	10		8,350		8,892
Investments	11		1,691		1,761
			<u>10,041</u>		<u>10,653</u>
Current assets					
Debtors	12	112,119		153,602	
Short-term investments		-		5	
Cash at bank and in hand		16,837		12,801	
		<u>128,956</u>		<u>166,408</u>	
Creditors: amounts falling due within one year	13	<u>(136,297)</u>		<u>(163,045)</u>	
Net current (liabilities)/assets			<u>(7,341)</u>		<u>3,363</u>
Total assets less current liabilities			<u>2,700</u>		<u>14,016</u>
Creditors: amounts falling due after more than one year	14		<u>-</u>		<u>(238)</u>
Net assets			<u>2,700</u>		<u>13,778</u>
Capital and reserves					
Called up share capital	15		8,100		8,100
Revaluation reserve	16		-		(4,809)
Profit and loss account	16		(5,400)		10,487
			<u>2,700</u>		<u>13,778</u>
Equity shareholders' funds	17		<u>2,700</u>		<u>13,778</u>

These financial statements were approved by the board of directors on its behalf by:

19 March 2001 and were signed



JE Spanswick
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements except in relation to the changes in accounting policy described below.

The company has adopted the provisions of Financial Reporting Standard No.15 in the period and is following the transitional provisions of the Standard. The freehold land and buildings are being carried based on their valuation as at 31 December 1998 and the valuation has not been updated since.

Furthermore the adoption of FRS15 has led to the company depreciating its freehold buildings to their residual value at 2% per annum being the directors' estimate of their remaining useful economic life. Previously no depreciation has been charged.

Prior year adjustment

Due to a change in accounting policy in 1998, whereby the company carried its property at valuation rather than cost, a prior year adjustment in respect of cumulative revaluation deficits of some £3,728,000 was recorded in 1998.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain land and buildings.

The company is exempt from the requirement to prepare consolidated financial statements, by virtue of s228 of the Companies Act 1985. These financial statements present information about the company as an individual undertaking, and not its group.

Under Financial Reporting Standard No.1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

The related party transactions note included in the consolidated financial statements of the intermediary parent undertaking complies with the conditions of Financial Reporting Standard No.8 'Related Party Transactions'. The company is therefore exempt from the requirement to prepare a separate note.

Turnover

Turnover represents the chargeable value of work executed during the period, exclusive of value added tax.

Fixed assets and depreciation

Following the change in accounting policy described above, freehold and long leasehold properties are included at 31 December 1998 valuation under the transitional provisions of FRS15.

No depreciation has been provided on freehold land.

Direct costs incurred in the development of major IT systems are capitalised and depreciated over a period not exceeding 5 years, on a straight line basis.

Depreciation is provided by the company to write off the cost less the estimated residual value of other tangible fixed assets over their useful economic lives as follows:

Freehold buildings	-	2% per annum, straight line
Office improvements	-	Over remaining period of lease, straight line
Plant, machinery, furniture and fixtures	-	10%-25% per annum, straight line
Motor vehicles		33 1/3% per annum, on a reducing balance basis

Notes (continued)

1 Accounting policies (continued)

Investments

Fixed asset investments are stated at cost or cost less provision where there is a permanent diminution in value.

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses which are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts

Amounts recoverable on contracts are included at cost plus attributable profit estimated to be earned to date, less provision for foreseeable losses and less progress payments received and receivable.

Payments received on account

Any excess of progress payments received and receivable on contracts over cost plus attributable profit estimated to be earned to date, less provisions for foreseeable losses, is included in creditors.

Pension costs

Contributions in respect of defined benefit pension schemes are calculated as a percentage, agreed 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.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Leased assets

Rentals payable and receivable under operating leases are charged or credited to the profit and loss account on a straight line basis over the life of the lease.

2 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, primarily in the United Kingdom.

Notes (continued)

3 Profit on ordinary activities before taxation

	18 month period ended 30 June 2000 £000	Year ended 31 December 1998 £000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditor's remuneration and expenses for:		
Audit work	139	87
Non-audit work	68	-
Depreciation of tangible fixed assets	2,330	1,218
Rentals payable under operating leases:		
Hire of plant and machinery	11,962	7,480
Other rentals payable under operating leases	858	520
Loss on sale of fixed assets	5	44

4 Remuneration of directors

	18 month period ended 30 June 2000 £000	Year ended 31 December 1998 £000
Directors' emoluments	2,335	1,224
Pension contributions	312	231
	2,647	1,455

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £380,852 (1998: £257,000). He is a member of a defined benefit scheme, under which his accrued pension at the period end was £135,730 (1998: £85,809).

All pension contributions relate to defined benefit schemes (see note 20).

Notes (continued)

5 Staff numbers and costs

The average number of employees engaged in the activity of providing project solutions in the construction industry was 1,660 (1998: 1,734). The aggregate payroll costs of these persons were as follows:

	18 month period ended 30 June 2000 £000	Year ended 31 December 1998 £000
Wages and salaries	86,470	54,570
Social security costs	7,831	4,725
Other pension costs (see note 20)	9,467	4,641
	103,768	63,936

6 Interest receivable and similar income

	18 month period ended 30 June 2000 £000	Year ended 31 December 1998 £000
Bank and other interest	630	679
Interest receivable from parent undertaking	3,685	4,190
	4,315	4,869

7 Interest payable and similar charges

	18 month period ended 30 June 2000 £000	Year ended 31 December 1998 £000
Interest payable to group undertaking	248	-
Other interest payable	4	1
	252	1

Notes (continued)

8 Taxation

	18 month period ended 30 June 2000 £000	Year ended 31 December 1998 £000
UK corporation tax at 30.2% (1998: 31.5%) on the profit for the period on ordinary activities	3,827	6,066
Prior year (over)/under provision	(368)	1,098
Deferred taxation (credit)	(2,485)	(1,218)
Overseas taxation	45	-
	<u>1,019</u>	<u>5,946</u>

9 Dividends

	18 month period ended 30 June 2000 £000	Year ended 31 December 1998 £000
Interim dividends paid	16,361	6,888
	<u>16,361</u>	<u>6,888</u>

The interim dividends were paid as follows: £9,611,000 on 17 May 1999 and £6,750,000 on 6 September 1999. These dividends were supported by management accounts prepared at those dates showing sufficient distributable reserves.

Notes (continued)

10 Tangible fixed assets

	Freehold land and buildings £000	Improvements to leasehold buildings £000	Plant, machinery and vehicles £000	Furniture and fixtures £000	Total £000
Cost or valuation					
At beginning of period	5,669	131	4,527	1,616	11,943
Exchange difference	-	-	(2)	-	(2)
Additions	651	-	971	231	1,853
Disposals	-	(31)	(1,778)	(443)	(2,252)
At end of period	6,320	100	3,718	1,404	11,542
Depreciation and diminution in value					
At beginning of period	-	65	2,041	945	3,051
Charge for period	110	16	1,939	265	2,330
On disposals	-	(31)	(1,715)	(443)	(2,189)
At end of period	110	50	2,265	767	3,192
Net book value					
At 30 June 2000	6,210	50	1,453	637	8,350
At 31 December 1998	5,669	66	2,486	671	8,892

The historical cost of freehold land and buildings at 30 June 2000 was £11,444,258 (1998: £10,794,428).

As described in Note 1, freehold land and buildings are held at the directors' valuation as at 31 December 1998 based on existing use value in accordance with the transitional provisions of FRS 15.

Notes (continued)

11 Fixed asset investments

	Shares in subsidiary undertakings £000	Other investments £000	Total £000
Cost			
At beginning of period	1,761	732	2,493
Additions	-	31	31
Disposals	(8)	-	(8)
At end of period	1,753	763	2,516
Provision			
At beginning of period	-	732	732
Provided during period	63	30	93
At end of period	63	762	825
Net book value			
At 30 June 2000	1,690	1	1,691
At 31 December 1998	1,761	-	1,761

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

Subsidiary and associated undertakings	Country of registration or incorporation	Principal activity	Percentage of ordinary shares held
Construction Engineering Management Limited	England and Wales	Project solutions	100
Bovis Lend Lease (Scotland) Limited	Scotland	Project solutions	100
Bovis Engineering Limited	England and Wales	Project solutions	100
Bovis Ireland Limited	Eire	Project solutions	100
Bovis Construction North Western Limited	England and Wales	Project solutions	100
Catalyst Healthcare Management Limited	England and Wales	Management services	33

In the opinion of the directors the investments in and amounts due from the company's subsidiary and associated undertakings are worth at least the amounts at which they are stated in the balance sheet.

The company transferred its interest in Bovis Lelliott Limited during the period to its immediate parent undertaking at nominal value. The company also transferred its interest in Bovis Construction Europe SA to Bovis Lend Lease Overseas Holdings BV, a fellow group undertaking, which gave rise to a profit of £344,000.

Notes *(continued)*

12 Debtors

	30 June 2000	31 December 1998
	£000	£000
Trade debtors	58,565	65,760
Amounts recoverable on contracts	15,583	20,575
Amounts owed by group undertakings:		
Parent and fellow subsidiary undertakings	22,535	52,495
Subsidiary undertakings	2,840	72
Other debtors	2,380	4,454
Prepayments and accrued income	3,370	4,855
Deferred taxation asset	6,846	5,391
	112,119	153,602

Included within other debtors is an amount recoverable in more than one year of £nil (1998: £2,939).

The amounts provided for deferred taxation are set out below:

	30 June 2000	31 December 1998
	£000	£000
Deferred tax on accelerated capital allowances	1,833	1,025
Other short term timing differences	5,013	4,366
	6,846	5,391

There is no unprovided deferred tax.

Notes *(continued)*

13 Creditors: amounts falling due within one year

	30 June 2000		31 December 1998	
	£000	£000	£000	£000
Payments received on account		44,104		72,417
Trade creditors		58,850		54,951
Amounts owed to group undertakings:				
Parent and fellow subsidiary undertakings		10,902		1,100
Subsidiary undertakings		8,664		13,735
Other creditors including taxation and social security:				
Corporation tax	3,817		7,308	
Taxation and social security	3,042		4,670	
Other creditors	1,408		3,946	
		8,267		15,924
Accruals and deferred income		5,510		4,918
		136,297		163,045

14 Creditors: amounts falling due after more than one year

	30 June 2000	31 December 1998
	£000	£000
Employee long term incentive plan	-	238

Notes (continued)

15 Called up share capital

	30 June 2000 £000	31 December 1998 £000
<i>Authorised, allotted, called up and fully paid:</i>		
Ordinary shares of £1 each	8,100	8,100

16 Reserves

	Revaluation reserve £000	Profit and loss account £000
At beginning of period	(4,809)	10,487
Revaluation reserve transfer	4,809	(4,809)
Retained loss for the period	-	(11,078)
At end of period	-	(5,400)

The deficit on the revaluation reserve as at 31 December 1998 has been transferred to the profit and loss account reserve on the adoption of FRS 15 by the company in the current financial period.

17 Reconciliation of movement in equity shareholders' funds

	18 month period ended 30 June 2000 £000	Year ended 31 December 1998 £000
Profit on ordinary activities after taxation	5,283	9,942
Dividends paid	(16,361)	(6,888)
Deficit on revaluation	-	(1,081)
Net movement in equity shareholders' funds	(11,078)	1,973
Opening equity shareholders' funds	13,778	11,805
Closing equity shareholders' funds	2,700	13,778

Notes (continued)

18 Commitments

Operating leases

Annual commitments under non-cancellable operating leases are as follows:

	18 month period ended 30 June 2000		Year ended 31 December 1998	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	4	705	264	822
Between one and five years	488	2,530	170	2,958
Over five years	139	-	139	-
	631	3,235	573	3,780

Capital commitments

As at 30 June 2000, the company was contractually committed to pay £nil (1998: £650,000).

19 Contingent liabilities

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

20 Pension scheme

The company participates in the Bovis UK Pension Scheme in respect of its employees. Details of this defined benefits scheme, including the level of solvency and the basis on which the future contribution rate is determined, are set out in the accounts of Bovis Lend Lease Holdings Limited (the company's parent company), which sponsors the scheme.

For the 10 months ended 31 October 1999 the company participated in the P&O Pension Scheme. The company contributions paid to this scheme were £5,198,417 (1998: £4,622,000).

For the 8 months ended 30 June 2000 the company contributions paid to the Bovis UK Pension Scheme were £4,252,934.

Note 5 to the financial statements shows the total cost to the company of the main schemes operating during the period. This includes contributions made to a local scheme in South Africa. Total amounts contributed to local schemes in the period were £15,768 (1998: £19,000).

Notes (continued)

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

The company is a subsidiary undertaking of Bovis Lend Lease Holdings Limited (formerly Bovis Limited) which is registered in England and Wales. Its ultimate parent undertaking is Lend Lease Corporation Limited, which is incorporated in Australia.

The largest group in which the results of the company are consolidated is that headed by Lend Lease Corporation Limited. The consolidated financial statements of this group may be obtained from Level 46, Australia Square, George Street, Sydney, Australia.

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