

Bovis Lend Lease Limited

**Directors' report and
financial statements**

Registered number 467006

30 June 2002



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Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2002.

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, South Africa and the Isle of Man. On 18 June 2002, the company sold its entire interest in the share capital of Bovis Lend Lease (Scotland) Limited to Bovis Lend Lease Holdings Limited, pursuant to an intra-group reorganisation.

Business review

The company continues to trade successfully with a different turnover mix which at the increased level of £761,332,000 (2001: £649,484,000) generated a profit on ordinary activities after taxation of £10,963,000 (2001: £11,672,000).

Proposed dividend

The directors recommend the payment of a final dividend for the year of £nil (2001: £4,000,000) and no interim dividends were paid during the year.

Directors and directors' interests

The directors who served during the year are listed below:

D Bate	
S Casari	(appointed 8 April 2002)
D Chalmers	(appointed 8 April 2002)
L Chatfield	
S Hockaday	(appointed 8 April 2002)
A Ring	
A Silverbeck	
J Spanswick	
M Temple	

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.

Auditors

Our auditors KPMG have indicated to the directors that their business has transferred to a limited liability partnership, KPMG LLP. Accordingly, they resigned as auditors of the company on 10 June 2002 and the directors appointed KPMG LLP to fill the casual vacancy arising. A resolution for the appointment of KPMG LLP as auditors of the company is to be proposed at a forthcoming General Meeting.

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 in place 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 is updated with daily news on the activities taking place within the group and 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 involvement and performance. The five core values are: 'Respect', 'Integrity', 'Innovation', 'Collaboration', 'Excellence'.

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 year was 24 days (2001: 25).

Directors' report *(continued)*

Political and charitable donations

The company made no political contributions during the year (2001: *£nil*). Donations to UK charities amounted to £5,922 (2001: £47,000).

By order of the board



PR Chadwick
Company secretary

142 Northolt Road
Harrow
Middlesex
HA2 0EE

16 December 2002

The second part of the document focuses on the results of the study. It presents a detailed analysis of the data collected, highlighting the key findings and trends. The text discusses the implications of these findings for the organization and provides recommendations for future actions. It also mentions the limitations of the study and the need for further research in this area.

The third part of the document concludes the report by summarizing the main points and reiterating the importance of the findings. It expresses the hope that the information provided will be useful to the organization and its stakeholders. The text also mentions the author's contact information for any further inquiries.

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 LLP
PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Independent auditors report to the members of Bovis Lend Lease Limited

We have audited the financial statements on pages 6 to 19.

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 1985. 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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'KPMG LLP'.

KPMG LLP
Chartered Accountants
Registered Auditor

18 December 2002

Profit and loss account

for the year ended 30 June 2002

	<i>Note</i>	Year ended 30 June 2002 £000	Year ended 30 June 2001 £000
Turnover	2	761,332	649,484
Cost of sales		(736,861)	(617,834)
Gross profit		24,471	31,650
Administrative expenses		(20,530)	(19,272)
Operating profit		3,941	12,378
Income from shares in group undertakings		16	2,500
Interest receivable and similar income	6	1,342	2,226
Interest payable and similar charges	7	(96)	(1,144)
Profit on sale of subsidiaries		8,800	-
Amounts written off investments	11	(1,205)	-
Profit on ordinary activities before taxation	3	12,798	15,960
Tax on profit on ordinary activities	8	(1,835)	(4,288)
Profit on ordinary activities after taxation		10,963	11,672
Dividends paid	9	-	(4,000)
Retained profit for the financial year	16	10,963	7,672

No operations were acquired or discontinued during the year (2001: 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.

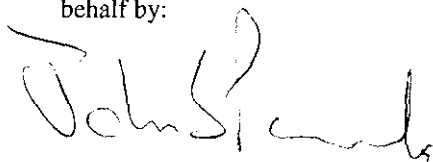
There were no gains or losses recognised in the year (2001: £nil) other than those shown above.

Balance sheet

as at 30 June 2002

	Note	30 June 2002		30 June 2001	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	10		9,230		9,043
Investments	11		1,022		2,191
			<u>10,252</u>		<u>11,234</u>
Current assets					
Debtors	12	135,581		128,846	
Cash at bank and in hand		62,215		20,964	
		<u>197,796</u>		<u>149,810</u>	
Creditors: amounts falling due within one year	13	(185,406)		(150,488)	
Net current assets liabilities			<u>12,390</u>		<u>(678)</u>
Total assets less current liabilities			<u>22,642</u>		<u>10,556</u>
Creditors: amounts falling due after more than one year	14		(1,307)		(184)
Net assets			<u>21,335</u>		<u>10,372</u>
Capital and reserves					
Called up share capital	15		8,100		8,100
Profit and loss account	16		13,235		2,272
Equity shareholders' funds	17		<u>21,335</u>		<u>10,372</u>

These financial statements were approved by the board of directors on 16 December 2002 and were signed on its behalf by:



J Spanswick
Chief Executive



A Silverbeck
Finance 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.

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.

UITF 34 'Pre-contract costs' was adopted during the year as described under 'Pre-contract costs' below. The impact of applying UITF 34 as described has been to decrease current year profits and closing equity shareholders' funds by £629,000. The prior year results did not require restatement on adoption of UITF 34 due to the stage of completion of relevant contracts and the nature of the previous accounting policy.

The company has applied the provisions of FRS 19 'Deferred Tax' for the first time in the year. This has not resulted in a restatement of prior year figures.

Turnover

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

Fixed assets and depreciation

No depreciation has been provided on freehold land.

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% per annum, on a reducing balance basis

Investments

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

Notes (continued)

1 Accounting policies (continued)

Profits

Profits are brought to account:

- for property construction, progressively at an amount equivalent to general overheads or an amount equivalent to the value of work performed when the outcome of a contract can be reliably determined (the company does not consider that the outcome of a construction contract can be reliably determined until it is at least 50% complete);
- for goods and services, when such goods or services have been supplied or rendered.

Stage of completion is measured by reference to actual costs to date as a percentage of total forecast costs for each contract. Provision is made for losses incurred or foreseen in bringing the contract to completion as soon as they become apparent.

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.

Pre-contract costs

Costs associated with bidding for contracts are written off as incurred (pre-contract costs). When it is virtually certain that a contract will be awarded, usually when preferred bidder status has been secured, costs incurred from that date to the date of financial close are carried forward in the balance sheet.

When financial close is achieved on PFI contracts, costs are recovered from the PFI special purpose vehicle and pre-contract costs are credited to the profit and loss account except to the extent that the group retains a share in the special purpose vehicle. That element is deferred and recognised over the life of the construction contract to which the costs relate.

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 result for the year and takes into account deferred taxation. In accordance with FRS 19 'Deferred Tax', deferred taxation is provided fully and on a non discounted basis at future corporation tax rates in respect of timing differences between profits computed for taxation and accounts purposes.

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.

Notes (continued)

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.

3 Profit on ordinary activities before taxation

	Year ended 30 June 2002 £000	Year ended 30 June 2001 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditor's remuneration and expenses for:		
Audit work	226	144
Non-audit work	237	862
Depreciation of tangible fixed assets	1,119	1,910
Rentals payable under operating leases:		
Hire of plant and machinery	6,505	6,697
Other rentals payable under operating leases	750	530
Loss/(gain) on sale of fixed assets	2	(18)
	<u> </u>	<u> </u>

4 Remuneration of directors

	Year ended 30 June 2002 £000	Year ended 30 June 2001 £000
Directors' emoluments	1,201	1,232
Pension contributions	134	141
	<u> </u>	<u> </u>
	1,335	1,373
	<u> </u>	<u> </u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £266,404 (2001: £223,637). He is a member of a defined benefit scheme, under which his accrued pension at the year end was £135,496 (2001: £141,570).

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 1,851 (2001: 1,751). The aggregate payroll costs of these persons were as follows:

	Year ended 30 June 2002 £000	Year ended 30 June 2001 £000
Wages and salaries	74,023	65,355
Social security costs	7,163	5,918
Other pension costs (see note 20)	8,613	7,793
	89,799	79,066

6 Interest receivable and similar income

	Year ended 30 June 2002 £000	Year ended 30 June 2001 £000
Bank and other interest	1,183	63
Interest receivable from parent and other group undertakings	159	2,163
	1,342	2,226

7 Interest payable and similar charges

	Year ended 30 June 2002 £000	Year ended 30 June 2001 £000
Interest payable to group undertaking	-	62
Other interest payable	96	1,082
	96	1,144

Notes *(continued)*

8 Taxation

(a) Analysis of charge in year

	Year ended 30 June 2002 £000	Year ended 30 June 2001 £000
Current tax:		
UK corporation tax (credit)/expense on profits for the year at 30%	(2,813)	6,377
Foreign tax	92	104
Adjustments in respect of previous periods	(2)	1,239
Total current tax (note 8 (b))	(2,723)	7,720
Deferred tax:		
Origination and reversal of timing differences (note 8 (d))	4,558	(3,432)
Tax on profit on ordinary activities	1,835	4,288

The corporation tax credit represents the amount receivable by the company in respect of losses carried back to the previous year or surrendered to other group companies.

Notes (continued)

(b) Factors affecting tax charge for year

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%).

The differences are explained below:

	Year ended 30 June 2002 £000	Year ended 30 June 2001 £000
Profit on ordinary activities before tax	12,798	15,960
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	3,839	4,788
Effects of:		
Expenses not deductible for tax purposes	189	407
Origination and reversal of timing differences	(4,558)	1,932
Profit on transfer of subsidiary not taxable	(2,640)	-
Dividend income not taxable	(5)	(750)
Foreign tax	92	104
Adjustments in respect of previous periods	(2)	1,239
Amounts written off investments not deductible	362	-
Current tax charge for year (note 8 (a))	(2,723)	7,720

(c) Factors that may affect future tax charges

Future effective tax rates may vary due to short term timing differences and dividends from subsidiaries.

(d) Deferred taxation

The amounts provided for deferred taxation are set out below:

	30 June 2002 £000	30 June 2001 £000
Depreciation in excess of capital allowances	2,117	2,029
Short term timing differences	3,603	8,249
Deferred tax asset (note 12)	5,720	10,278
Deferred tax asset at start of year	10,278	
Deferred tax charge in profit and loss account for period (note 8 (b))	(4,558)	
Deferred tax asset at end of year	5,720	

Notes (continued)

9 Dividends

	Year ended 30 June 2002 £000	Year ended 30 June 2001 £000
Final dividends proposed	-	4,000

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
<i>Cost or valuation</i>					
At beginning of year	6,320	334	4,469	1,421	12,544
Exchange difference	-	-	(6)	(1)	(7)
Additions	-	-	894	568	1,462
Disposals	-	(49)	(1,544)	(99)	(1,692)
At end of year	6,320	285	3,813	1,889	12,307
<i>Depreciation and diminution in value</i>					
At beginning of year	177	54	2,705	565	3,501
Exchange difference	-	-	(6)	(1)	(7)
Charge for year	71	29	815	204	1,119
On disposals	-	(12)	(1,424)	(100)	(1,536)
At end of year	248	71	2,090	668	3,077
<i>Net book value</i>					
At 30 June 2002	6,072	214	1,723	1,221	9,230
At 30 June 2001	6,143	280	1,764	856	9,043

The historical cost of freehold land and buildings at 30 June 2002 was £11,444,258 (2001: £11,444,258).

Notes (continued)

11 Fixed asset investments

	Shares in subsidiary undertakings £000	Other investments £000	Total £000
Cost			
At beginning of year	2,204	683	2,887
Additions	19	17	36
At end of year	2,223	700	2,923
Provision			
At beginning of year	13	683	696
Provided during year	1,205	-	1,205
At end of year	1,218	683	1,901
Net book value			
At 30 June 2002	1,005	17	1,022
At 30 June 2001	2,191	-	2,191

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 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	100

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.

On 18 June 2002, the company sold its entire interest in the share capital of Bovis Lend Lease (Scotland) Limited to Bovis Lend Lease Holdings Limited, pursuant to an intra-group reorganisation.

Notes (continued)

12 Debtors

	30 June 2002 £000	30 June 2001 £000
Trade debtors	60,360	58,448
Amounts recoverable on contracts	8,675	10,044
Amounts owed by group undertakings:		
Parent and other group undertakings	34,511	28,147
Subsidiary undertakings	15,203	16,111
Other debtors	7,066	978
Prepayments and accrued income	4,046	4,840
Deferred taxation asset (note 8 (d))	5,720	10,278
	<u>135,581</u>	<u>128,846</u>

13 Creditors: amounts falling due within one year

	30 June 2002 £000	30 June 2001 £000
Payments received on account	86,752	82,831
Trade creditors	61,342	36,005
Amounts owed to group undertakings:		
Parent and other group undertakings	17,132	7,765
Subsidiary undertakings	1,052	37
Other creditors including taxation and social security:		
Corporation tax	2,546	10,066
Taxation and social security	4,827	47
Other creditors	1,732	3,996
	<u>9,105</u>	<u>14,109</u>
Accruals and deferred income	10,023	5,741
Dividend proposed	-	4,000
	<u>185,406</u>	<u>150,488</u>

14 Creditors: amounts falling due after more than one year

	30 June 2002 £000	30 June 2001 £000
Employee long term incentive plans	1,307	184

During the year, additional amounts have been provided for additional three-year rolling employee long term incentive plans.

Notes (continued)

15 Called up share capital

	30 June 2002 £000	30 June 2001 £000
<i>Authorised, allotted, called up and fully paid:</i>		
Ordinary shares of £1 each	8,100	8,100
	<u> </u>	<u> </u>

16 Reserves

	Profit and loss account £000
At beginning of year	2,272
Retained profit for the year	10,963
	<u> </u>
At end of year	13,235
	<u> </u>

17 Reconciliation of movement in equity shareholders' funds

	Year ended 30 June 2002 £000	Year ended 30 June 2001 £000
Profit on ordinary activities after taxation	10,963	11,672
Dividends	-	(4,000)
	<u> </u>	<u> </u>
Net movement in equity shareholders' funds	10,963	7,672
Opening equity shareholders' funds	10,372	2,700
	<u> </u>	<u> </u>
Closing equity shareholders' funds	21,335	10,372
	<u> </u>	<u> </u>

Notes (continued)

18 Commitments

Operating leases

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

	Year ended 30 June 2002		Year ended 30 June 2001	
	Land and buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire:				
Within one year	38	497	31	732
Between one and five years	528	2,418	563	2080
Over five years	63	-	63	-
	<u>629</u>	<u>2,915</u>	<u>657</u>	<u>2,812</u>

Capital commitments

As at 30 June 2002, the company was contractually committed to pay £nil (2001: £nil).

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. Contributions paid to the scheme are based on pension costs across the companies within the Bovis UK Pension Scheme as a whole. The assets and liabilities of the scheme cannot be accurately allocated to the company. Details of this defined benefits scheme, including the level of solvency and the basis on which the future contribution rate is determined and the disclosures required under the transitional arrangements of FRS 17, are set out in the financial statements of Bovis Lend Lease Holdings Limited (the company's immediate parent undertaking), which sponsors the scheme.

For the year ended 30 June 2002, the company contributions paid to the Bovis UK Pension Scheme were £8,591,000 (2001: £7,770,342)

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 local schemes in South Africa and Belgium. Total amounts contributed to local schemes in the year were £22,000 (2001: £22,437).

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, 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.