

Bovis Lend Lease Limited

**Directors' report and
financial statements**

Registered number 467006

30 June 2003



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 2003.

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.

Business review

The company continues to trade successfully with a different turnover mix which at the reduced level of £578,048,000 (2002: £761,332,000) generated a profit on ordinary activities after taxation of £9,711,000 (2002: £10,963,000).

Proposed dividend

The directors do not recommend the payment of a final dividend for the year (2002: *£nil*) 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
D Chalmers
L Chatfield
S Hockaday
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.

Subsequent to the year end Mr P Jacobs was appointed as director on 1 September 2003 and Messrs P Chadwick and J Millett were appointed as directors on 8 September 2003. It was noted Mr N Martin was appointed secretary on 8 September 2003 and Mr P Chadwick resigned as secretary on that date.

Auditors

A resolution for the re-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 including "Interlink", the Lend Lease Corporation 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.
- regular employee update meetings, such as "Global Update".

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'.

In September 2002 the company launched Incident & Injury Free. This is a global programme that states our commitment to a safe working environment and leads all stakeholders to the changes in belief and behaviour that can make this a reality.

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 33 days (2002: 24).

Directors' report *(continued)*

Political and charitable donations

The company made no political contributions during the year (2002: *Nil*). Donations to UK charities amounted to £30,918 (2002: £5,922).

By order of the board



NC Martin
Company secretary

142 Northolt Road
Harrow
Middlesex
HA2 0EE

19 November, 2003

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 7 to 20.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 the auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept 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 that we have formed.

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.

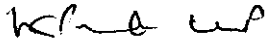
Basis of opinion

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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG LLP
Chartered Accountants
Registered Auditor

21 November 2003

Profit and loss account

for the year ended 30 June 2003

	<i>Note</i>	Year ended 30 June 2003 £000	Year ended 30 June 2002 £000
Turnover	2	578,048	761,332
Cost of sales		(545,804)	(736,861)
Gross profit		32,244	24,471
Administrative expenses		(18,952)	(20,530)
Operating profit		13,292	3,941
Income from shares in group undertakings		121	16
Interest receivable and similar income	6	1,052	1,342
Interest payable and similar charges	7	(344)	(96)
Profit on sale of subsidiaries		-	8,800
Amounts written off investments		-	(1,205)
Profit on ordinary activities before taxation	3	14,121	12,798
Tax on profit on ordinary activities	8	(4,410)	(1,835)
Retained profit for the financial year	15	9,711	10,963

No operations were acquired or discontinued during the year (2002: 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 (2002: £nil) other than those shown above.

Balance sheet

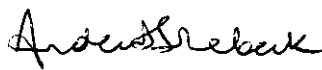
as at 30 June 2003

	Note	30 June 2003		30 June 2002	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	9		8,603		9,230
Investments	10		1,271		1,022
			9,874		10,252
Current assets					
Debtors	11	188,434		135,581	
Cash at bank and in hand		25,141		62,215	
		213,575		197,796	
Creditors: amounts falling due within one year	12	(190,983)		(185,406)	
Net current assets			22,592		12,390
Total assets less current liabilities			32,466		22,642
Creditors: amounts falling due after more than one year	13		(1,420)		(1,307)
Net assets			31,046		21,335
Capital and reserves					
Called up share capital	14		8,100		8,100
Profit and loss account	15		22,946		13,235
Equity shareholders' funds	16		31,046		21,335

These financial statements were approved by the board of directors on 19 November 2003 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.

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 and UITF 34

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.

Foreign Currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the period end exchange rates. Exchange differences are taken to the profit and loss account.

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 2003 £000	Year ended 30 June 2002 £000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditor's remuneration and expenses for:		
Audit work	316	226
Non-audit work	243	237
Depreciation of tangible fixed assets	1,282	1,119
Rentals payable under operating leases:		
Hire of plant and machinery	4,725	6,505
Other rentals payable under operating leases	674	750
Loss on sale of fixed assets	46	2

4 Remuneration of directors

	Year ended 30 June 2003 £000	Year ended 30 June 2002 £000
Directors' emoluments	2,259	1,201
Compensation for loss of office	338	-
	2,597	1,201

The aggregate of emoluments of the highest paid director was £596,000 (2002: £266,000).

All pension contributions relate to defined benefit schemes (see note 19). All nine directors (2002: all nine) are members of the Lend Lease UK Pension Scheme, a defined benefit scheme.

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 1,850 (2002: 1,851). The aggregate payroll costs of these persons were as follows:

	Year ended 30 June 2003	Year ended 30 June 2002
		£000
	£000	
Wages and salaries	76,403	74,023
Social security costs	7,167	7,163
Other pension costs (see note 19)	9,000	8,613
	<u>92,570</u>	<u>89,799</u>

6 Interest receivable and similar income

	Year ended 30 June 2003	Year ended 30 June 2002
		£000
	£000	
Bank and other interest	755	1,183
Interest receivable from parent and other group undertakings	297	159
	<u>1,052</u>	<u>1,342</u>

7 Interest payable and similar charges

	Year ended 30 June 2003	Year ended 30 June 2002
		£000
	£000	
Other interest payable	344	96

Notes (continued)

8 Taxation

(a) Analysis of charge in year

	Year ended 30 June 2003 £000	Year ended 30 June 2002 £000
Current tax:		
UK corporation tax expense/(credit) on profits for the year at 30%	4,957	(2,813)
Foreign tax	(72)	92
Adjustments in respect of previous periods	307	(2)
Total current tax (note 8 (b))	5,192	(2,723)
Deferred tax:		
Origination and reversal of timing differences (note 8 (d))	(782)	4,558
Tax on profit on ordinary activities	4,410	1,835

The current tax credit in 2002 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 higher than the standard rate of corporation tax in the UK (30%).

The differences are explained below:

	Year ended 30 June 2003 £000	Year ended 30 June 2002 £000
Profit on ordinary activities before tax	14,121	12,798
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	4,238	3,839
Effects of:		
Expenses not deductible for tax purposes	281	189
Origination and reversal of timing differences	475	(4,558)
Profit on transfer of subsidiary not taxable	-	(2,640)
Dividend income not taxable		(5)
	(37)	
Foreign tax		92
	(72)	
Adjustments in respect of previous periods	307	(2)
Amounts written off investments not deductible	-	362
Current tax charge/(credit) for year (note 8 (a))	5,192	(2,723)

(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 2003 £000	30 June 2002 £000
Depreciation in excess of capital allowances	2,200	2,117
Short term timing differences	4,302	3,603
Deferred tax asset (note 11)	6,502	5,720
Deferred tax asset at start of year	5,720	10,278
Deferred tax (charge)/credit in profit and loss account for period (note 8(a))	782	(4,558)
Deferred tax asset at end of year	6,502	5,720

Notes (continued)

9 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	285	3,813	1,889	12,307
Exchange difference	-	-	11	1	12
Additions	-	44	643	70	757
Disposals	-	-	(1,080)	(120)	(1,200)
At end of year	6,320	329	3,387	1,840	11,876
<i>Depreciation and diminution in value</i>					
At beginning of year	248	71	2,090	668	3,077
Exchange difference	-	-	6	-	6
Charge for year	71	33	967	211	1,282
On disposals	-	-	(972)	(120)	(1,092)
At end of year	319	104	2,091	759	3,273
<i>Net book value</i>					
At 30 June 2003	6,001	225	1,296	1,081	8,603
At 30 June 2002	6,072	214	1,723	1,221	9,230

The historical cost of freehold land and buildings at 30 June 2003 was £11,444,258 (2002: £11,444,258).

Notes (continued)

10 Fixed asset investments

	Shares in subsidiary undertakings £000	Other investments £000	Total £000
Cost			
At beginning of year	2,223	700	2,923
Additions	-	249	249
At end of year	2,223	949	3,172
Provision			
At beginning of year	1,218	683	1,901
Provided during year	-	-	-
At end of year	1,218	683	1,901
Net book value			
At 30 June 2003	1,005	266	1,271
At 30 June 2002	1,005	17	1,022

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
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
Catalyst Brescia s.r.l	Italy	Project solutions	50

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.

Notes (continued)

11 Debtors

	30 June 2003 £000	30 June 2002 £000
Trade debtors	80,349	60,360
Amounts recoverable on contracts	8,567	8,675
Amounts owed by group undertakings:		
Parent and other group undertakings	33,944	34,511
Subsidiary undertakings	49,458	15,203
Other debtors	6,013	7,066
Prepayments and accrued income	3,601	4,046
Deferred taxation asset (note 8 (d))	6,502	5,720
	<u>188,434</u>	<u>135,581</u>

12 Creditors: amounts falling due within one year

	30 June 2003 £000	30 June 2002 £000
Payments received on account	80,305	86,752
Trade creditors	58,059	61,342
Amounts owed to group undertakings:		
Parent and other group undertakings	16,750	17,132
Subsidiary undertakings	1,046	1,052
Other creditors including taxation and social security:		
Corporation tax	9,446	2,546
Taxation and social security	6,331	4,827
Other creditors	685	1,732
	<u>16,462</u>	<u>9,105</u>
Accruals and deferred income	18,361	10,023
	<u>190,983</u>	<u>185,406</u>

13 Creditors: amounts falling due after more than one year

	30 June 2003 £000	30 June 2002 £000
Employee long term incentive plans	1,420	1,307
	<u>1,420</u>	<u>1,307</u>

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

Notes (continued)

14 Called up share capital

	30 June 2003	30 June 2002
	£000	£000
<i>Authorised, allotted, called up and fully paid:</i>		
Ordinary shares of £1 each	8,100	8,100
	<u> </u>	<u> </u>

15 Profit and Loss Account

	30 June 2003	30 June 2002
	£000	£000
At beginning of year	13,235	2,272
Retained profit for the year	9,711	10,963
	<u> </u>	<u> </u>
At end of year	22,946	13,235
	<u> </u>	<u> </u>

16 Reconciliation of movement in equity shareholders' funds

	Year ended 30 June 2003 £000	Year ended 30 June 2002 £000
Profit on ordinary activities after taxation	9,711	10,963
	<u> </u>	<u> </u>
Net movement in equity shareholders' funds	9,711	10,963
Opening equity shareholders' funds	21,335	10,372
	<u> </u>	<u> </u>
Closing equity shareholders' funds	31,046	21,335
	<u> </u>	<u> </u>

Notes (continued)

17 Commitments

Operating leases

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

	Year ended 30 June 2003		Year ended 30 June 2002	
	Land and buildings	Other	Land and Buildings	Other
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	36	788	38	497
Between one and five years	304	1,920	528	2,418
Over five years	62	-	63	-
	<u>402</u>	<u>2,708</u>	<u>629</u>	<u>2,915</u>

Capital commitments

As at 30 June 2003, the company was contractually committed to pay £nil (2002: £nil).

18 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.

19 Pension scheme

The company participates in the Lend Lease UK Pension Scheme in respect of its employees. Contributions paid to the scheme are based on pension costs across the companies within the Lend Lease 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 2003 the company contributions paid to the Lend Lease UK Pension Scheme were £8,981,000 (2002: £8,591,000).

Note 5 to the financial statements shows the total cost to the company of the main schemes operating during the year. This includes contributions made to a local scheme in South Africa. Total amounts contributed to local schemes in the year were £19,000 (2002: £22,000).

Notes (continued)

20 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.