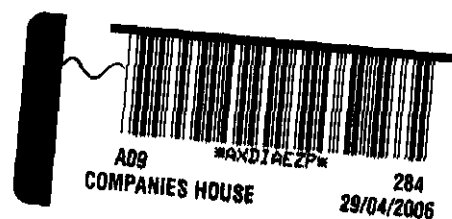


**Bovis Lend Lease Limited**  
**Directors' report and**  
**financial statements**  
Registered number 467006  
30 June 2005



## **Directors' report and financial statements**

### **Contents**

|                                                                        |        |
|------------------------------------------------------------------------|--------|
| Directors' report                                                      | 2 - 4  |
| Statement of directors' responsibilities                               | 5      |
| Independent auditors report to the members of Bovis Lend Lease Limited | 6      |
| Profit and loss account                                                | 7      |
| Balance sheet                                                          | 8      |
| Notes to the financial statements                                      | 9 - 20 |

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2005.

### Principal activities

The company's principal activity is as a provider of project solutions in the construction industry in the United Kingdom.

### Business review

The company has had another successful year from a workload perspective with a 50% increase in book turnover to £1,040,487,000 (2004: £695,072,000). The increase in turnover reflects the strong backlog of work held by Bovis Lend Lease Limited and the increased proportion of design and build contracts, for which the company reports the entire project value in turnover. Within the UK, the construction value of Bovis Lend Lease projects currently under management, reported within this statutory entity, totals circa £4 billion.

The commercial sector continues to be a major area of workload. Significant projects include BBC Broadcasting House and Bankside. The largest increase in activity came from the Healthcare sector with financial close on the Manchester and Leeds hospital PFI projects. Military housing activity increased in the year due to a larger workload from the SLAM and South West Prime PPP contracts with the Ministry of Defence. The retail sector continued its strong performance with projects such as Norwich Chapelfield, Drake Circus - Plymouth and Manchester Arndale making a significant contribution to gross profit. Major new projects secured in the year ended 30 June 2005 included the Leeds and Manchester PFI hospital projects which achieved financial close during the year and shopping centre development projects in Warrington and Cambridge. In addition, Bovis Lend Lease Limited has managed to secure a number of medium sized office projects such as Aldermanbury House, Project Horizon - Norwich, Basinghall Street and Coleman Street.

However the company generated an operating loss in the year of £19,505,000 (2004: profit £15,221,000). This loss was principally due to provisions booked on two projects which amounted to £20,350,000 and reorganisation costs principally due to the rationalisation of offices of £6,573,000. The project provisions were identified since 30 June 2005, but these financial statements have been adjusted to reflect these provisions in accordance with FRS 21: "Events after the balance sheet date". Excluding these provisions and reorganisation costs the company would have generated an operating profit of £7,418,000 (2004: profit £15,221,000). The like for like movement is principally due to the timing of profit take on large projects.

Following the recognition of exceptional project losses of £20,350,000 and the payment of dividend of £16,000,000 in the year the company finds itself in a reduced net asset position. Given the historic profitable and cash generative nature of the business and robust backlog and order book the directors believe that this is a temporary situation and that the company will return to a profitable trading position within the next financial year and beyond.

### Dividend

The directors do not recommend a final dividend for the year (2004 £4,000,000) and an interim dividend of £16,000,000 was paid during the year (2004: £nil). The interim dividend payment was made based on the interim financial information available at that time, prior to the project losses becoming apparent.

### Directors and directors' interests

The directors who served during the year are listed below:

S Casari  
D Chalmers  
S Hockaday  
M Howes  
P Jacobs  
J Millett  
A Silverbeck  
J Spanswick

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 A Panayi was appointed as a director effective 5 August 2005 and Mr S Casari resigned as a director effective 5 October 2005.

## Directors' report *(continued)*

### Auditors

A resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at a forthcoming General Meeting.

### 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 the company employs them 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 of companies and is a wholly owned subsidiary of the Australian property development, investment and construction business Lend Lease Corporation Limited.

Employees benefit from a profit sharing scheme that enables them, through share ownership, 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:

- "Hive", 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 Bovis Lend Lease and Lend Lease Corporation.
- "Interlink", Lend Lease Corporation's quarterly magazine.
- Regular employee update meetings, such as "Global Update".
- "Reporter", a monthly email newsletter for UK and European employees.
- "Coffee talks" – at which senior directors meet with small 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, organisational structures 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.

Lend Lease Corporation's core values are published widely. They encourage a culture of involvement and performance. The five core values are: 'Respect', 'Integrity', 'Innovation', 'Collaboration' 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 Lend Lease'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.

## Directors' report *(continued)*

### **Creditor payment policy**

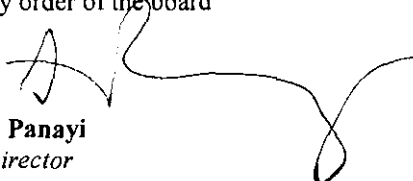
The company's policy is to pay suppliers in accordance with terms and conditions agreed when orders are placed. Where payment terms have not been specifically agreed, then the invoices received each calendar month are paid close to the end of the following month. This policy is understood by the purchasing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

The number of day's billings from suppliers outstanding at the end of the year was 3 days (2004: 13). This figure is lower than last year due to further improvement in the payment process although this calculation can be distorted by the exact timing of payments.

### **Political and charitable donations**

The company made no political contributions during the year (2004: £nil). Donations to UK charities amounted to £41,424 (2004: £20,100).

By order of the board

  
**A Panayi**  
Director

142 Northolt Road  
Harrow  
Middlesex  
HA2 0EE

19 April 2006

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial period that 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 685  
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 5, 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 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP  
Chartered Accountants  
Registered Auditor

8 Salisbury Square  
London  
EC4Y 8BB

2006

**Profit and loss account**  
*For the year ended 30 June 2005*

|                                                             | Note | 2005                    | 2004          |
|-------------------------------------------------------------|------|-------------------------|---------------|
|                                                             | 8    | (Restated – see note 8) |               |
|                                                             |      | £000                    | £000          |
| <b>Turnover</b>                                             | 2    | 1,040,487               | 695,072       |
| Cost of sales                                               |      | (1,028,500)             | (659,577)     |
| <b>Gross profit</b>                                         |      | <u>11,987</u>           | <u>35,495</u> |
| Administrative expenses                                     | 3    | (31,492)                | (20,274)      |
| <b>Operating (loss)/profit</b>                              |      | <u>(19,505)</u>         | <u>15,221</u> |
| Interest receivable and similar income                      | 7    | 1,670                   | 983           |
| Interest payable and similar charges                        | 8    | (6,033)                 | (3,032)       |
| <b>(Loss)/profit on ordinary activities before taxation</b> | 4    | <u>(23,868)</u>         | <u>13,172</u> |
| Tax on profit on ordinary activities                        | 9    | 6,693                   | (3,888)       |
| <b>(Loss)/profit on ordinary activities after taxation</b>  |      | <u>(17,175)</u>         | <u>9,284</u>  |
| Dividend paid/proposed                                      |      | (16,000)                | (4,000)       |
| <b>Retained (loss)/profit for the financial year</b>        | 16   | <u>(33,175)</u>         | <u>5,284</u>  |

No operations were acquired or discontinued during the year (2004: 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 (2004: £nil) other than those shown above.

**Balance sheet**  
*as at 30 June 2005*

|                                                                | Notes | 2005<br>£000        | 2004<br>£000         |
|----------------------------------------------------------------|-------|---------------------|----------------------|
| <b>Fixed assets</b>                                            |       |                     |                      |
| Tangible assets                                                | 10    | 8,170               | 8,209                |
| Investments                                                    | 11    | 1,161               | 1,271                |
|                                                                |       | <u>9,331</u>        | <u>9,480</u>         |
| <b>Current assets</b>                                          |       |                     |                      |
| Debtors                                                        | 12    | 200,500             | 208,421              |
| Cash at bank and in hand                                       |       | 65,020              | 26,327               |
|                                                                |       | <u>265,520</u>      | <u>234,748</u>       |
| <b>Creditors: amounts falling due within one year</b>          | 13    | (261,603)           | (205,785)            |
| <b>Net current assets</b>                                      |       | <u>3,917</u>        | <u>28,963</u>        |
| <b>Total assets less current liabilities</b>                   |       | <u>13,248</u>       | <u>38,443</u>        |
| <b>Creditors: amounts falling due after more than one year</b> | 14    | (10,093)            | (2,113)              |
| <b>Net assets</b>                                              |       | <u><u>3,155</u></u> | <u><u>36,330</u></u> |
| <b>Capital and reserves</b>                                    |       |                     |                      |
| Called up share capital                                        | 15    | 8,100               | 8,100                |
| Profit and loss account                                        | 16    | (4,945)             | 28,230               |
| <b>Equity shareholders' funds</b>                              | 17    | <u><u>3,155</u></u> | <u><u>36,330</u></u> |

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

19 April 2006 and were signed on

  
**A Panayi**  
Director

  
**J Millett**  
Director

## Notes to 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.

#### *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<br>and fixtures | - | 10% - 33% per annum, straight line            |
| Motor vehicles                              | - | 33% reducing balance                          |

#### *Investments*

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

#### *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 based on the stage of completion, 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.

## **Notes to the financial statements (continued)**

### **1 Accounting policies (continued)**

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.

#### ***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 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.

#### ***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.

### **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 to the financial statements *(continued)*

### 3 Administrative expenses

During the year ended 30 June 2005, the company incurred costs of £6,573,000 in a re-organisation of its operations. The costs included costs of rationalisation of office space which will enable the Project Management, Construction and PFI businesses to work within one office environment and therefore provide a more focused service offering to clients, this involved the closure of 4 offices. A top up contribution was also made to the defined benefit scheme. This is included within administrative expenses.

### 4 (Loss)/profit on ordinary activities before taxation

|                                                                                                   | 2005<br>£000 | 2004<br>£000 |
|---------------------------------------------------------------------------------------------------|--------------|--------------|
| <i>(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting):</i> |              |              |
| Auditor's remuneration and expenses for:                                                          |              |              |
| Audit work                                                                                        | 232          | 238          |
| Non-audit work                                                                                    | 114          | 198          |
| Depreciation of tangible fixed assets                                                             | 505          | 1,064        |
| Rentals payable under operating leases                                                            | 3,936        | 3,728        |
| Loss/(profit) on sale of fixed assets                                                             | 12           | (44)         |
|                                                                                                   | <hr/>        | <hr/>        |

### 5 Remuneration of directors

|                                 | 2005<br>£000 | 2004<br>£000 |
|---------------------------------|--------------|--------------|
| Directors' emoluments           | 1,988        | 2,166        |
| Compensation for loss of office | -            | 113          |
|                                 | <hr/>        | <hr/>        |
|                                 | 1,988        | 2,279        |
|                                 | <hr/>        | <hr/>        |

The aggregate of emoluments of the highest paid director was £407,505 (2004: £399,109).

## Notes to the financial statements *(continued)*

### 6 Staff numbers and costs

The average number of employees engaged in the activity of providing project solutions in the construction industry was 2,084 (2004: 1,742). The aggregate payroll costs of these employees were as follows:

|                                   | 2005<br>£000   | 2004<br>£000  |
|-----------------------------------|----------------|---------------|
| Wages and salaries                | 88,340         | 75,334        |
| Social security costs             | 7,991          | 6,748         |
| Other pension costs (see note 20) | 10,624         | 10,336        |
|                                   | <u>106,955</u> | <u>92,418</u> |

### 7 Interest receivable and similar income

|                                                              | 2005<br>£000 | 2004<br>£000 |
|--------------------------------------------------------------|--------------|--------------|
| Bank and other interest                                      | 1,595        | 797          |
| Interest receivable from parent and other group undertakings | 75           | 186          |
|                                                              | <u>1,670</u> | <u>983</u>   |

### 8 Interest payable and similar charges

|                                                         | 2005<br>£000 | 2004<br>(Restated)<br>£000 |
|---------------------------------------------------------|--------------|----------------------------|
| Other interest payable                                  | -            | 1                          |
| Interest payable to parent and other group undertakings | 6,033        | 3,031                      |
|                                                         | <u>6,033</u> | <u>3,032</u>               |

Interest payable to parent and other group undertakings consist of guarantee fees. The two types of guarantee fees Bovis Lend Lease Limited pay relate to guarantee of debt facility and guarantee of performance. This has resulted in a reclassification of £3,031,000 costs from cost of sales to interest payable in the prior period.

## Notes to financial statements *(continued)*

### 9 Taxation

#### (a) Analysis of (credit)/charge in year

|                                                                 | 2005<br>£000   | 2004<br>£000 |
|-----------------------------------------------------------------|----------------|--------------|
| Current tax:                                                    |                |              |
| UK corporation tax expense on (loss)/profit for the year at 30% | 4,706          | 6,571        |
| Adjustments in respect of previous periods                      | 207            | (290)        |
| Total current tax (note 9 (b))                                  | <u>4,913</u>   | <u>6,281</u> |
| Deferred tax:                                                   |                |              |
| Origination and reversal of timing differences (note 9 (d))     | (11,429)       | (2,393)      |
| Adjustment in respect of previous periods (note 9 (d))          | (177)          | -            |
| Tax on (loss)/profit on ordinary activities                     | <u>(6,693)</u> | <u>3,888</u> |

#### (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 of 30% (2004: 30%).

The differences are explained below:

|                                                                                                      | 2005<br>£000    | 2004<br>£000  |
|------------------------------------------------------------------------------------------------------|-----------------|---------------|
| (Loss)/profit on ordinary activities before tax                                                      | <u>(23,868)</u> | <u>13,172</u> |
| (Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% | (7,160)         | 3,952         |
| Effects of:                                                                                          |                 |               |
| Expenses not deductible for tax purposes                                                             | 437             | 226           |
| Origination and reversal of timing differences                                                       | 11,429          | 2,393         |
| Adjustments in respect of previous periods                                                           | 207             | (290)         |
| Current tax charge for year (note 9 (a))                                                             | <u>4,913</u>    | <u>6,281</u>  |

## Notes to the financial statements *(continued)*

### 9 Taxation *(continued)*

#### (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:

|                                                                       | 2005<br>£000  | 2004<br>£000 |
|-----------------------------------------------------------------------|---------------|--------------|
| Depreciation in excess of capital allowances                          | 2,120         | 1,933        |
| Short term timing differences                                         | 18,703        | 6,998        |
| Deferred tax asset (note 12)                                          | <u>20,823</u> | <u>8,931</u> |
| Deferred tax asset at start of year                                   | 8,931         | 6,502        |
| Deferred tax credit in profit and loss account for period (note 9(a)) | 11,429        | 2,393        |
| Adjustments in respect of previous periods                            | 177           | -            |
| Transferred intra-group                                               | 286           | 36           |
| Deferred tax asset at end of year                                     | <u>20,823</u> | <u>8,931</u> |

## Notes to the financial statements (continued)

### 10 Tangible fixed assets

|                                                 | Freehold<br>land and<br>buildings<br>£000 | Improvements<br>to leasehold<br>buildings<br>£000 | Plant,<br>Machinery<br>and vehicles<br>£000 | Furniture<br>and fixtures<br>£000 | Total<br>£000 |
|-------------------------------------------------|-------------------------------------------|---------------------------------------------------|---------------------------------------------|-----------------------------------|---------------|
| <i>Cost or valuation</i>                        |                                           |                                                   |                                             |                                   |               |
| At beginning of year                            | 6,320                                     | 402                                               | 2,422                                       | 2,134                             | 11,278        |
| Additions                                       | -                                         | 435                                               | 471                                         | 260                               | 1,166         |
| Disposals                                       | -                                         | (10)                                              | (2,204)                                     | (144)                             | (2,358)       |
| At end of year                                  | 6,320                                     | 827                                               | 689                                         | 2,250                             | 10,086        |
| <i>Depreciation and<br/>diminution in value</i> |                                           |                                                   |                                             |                                   |               |
| At beginning of year                            | 389                                       | 143                                               | 1,630                                       | 907                               | 3,069         |
| Charge for year                                 | 71                                        | 53                                                | 150                                         | 231                               | 505           |
| Disposals                                       | -                                         | (10)                                              | (1,504)                                     | (144)                             | (1,658)       |
| At end of year                                  | 460                                       | 186                                               | 276                                         | 994                               | 1,916         |
| <i>Net book value</i>                           |                                           |                                                   |                                             |                                   |               |
| At 30 June 2005                                 | 5,860                                     | 641                                               | 413                                         | 1,256                             | 8,170         |
| At 30 June 2004                                 | 5,931                                     | 259                                               | 792                                         | 1,227                             | 8,209         |

The historical cost of freehold land and buildings at 30 June 2005 was £11,444,258 (2004: £11,444,258).

## Notes to the financial statements (continued)

### 11 Fixed asset investments

|                                  | Shares in<br>subsidiary<br>undertakings<br>£000 | Other<br>investments<br>£000 | Total<br>£000 |
|----------------------------------|-------------------------------------------------|------------------------------|---------------|
| <b>Cost</b>                      |                                                 |                              |               |
| At beginning and end of the year | 2,223                                           | 949                          | 3,172         |
| Disposals                        | (5)                                             | (150)                        | (155)         |
| At end of year                   | 2,218                                           | 799                          | 3,017         |
| <b>Provision</b>                 |                                                 |                              |               |
| At beginning of year             | 1,218                                           | 683                          | 1,901         |
| Disposals                        | -                                               | (45)                         | (45)          |
| At end of year                   | 1,218                                           | 638                          | 1,856         |
| <b>Net book value</b>            |                                                 |                              |               |
| At 30 June 2005                  | 1,000                                           | 161                          | 1,161         |
| At 30 June 2004                  | 1,005                                           | 266                          | 1,271         |

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

| Subsidiary and associated<br>undertakings                                                    | Country of<br>registration or<br>incorporation | Principal activity  | Percentage of<br>ordinary shares<br>held |
|----------------------------------------------------------------------------------------------|------------------------------------------------|---------------------|------------------------------------------|
| Bovis Engineering Limited                                                                    | England and<br>Wales                           | Project solutions   |                                          |
| Bovis Ireland Limited                                                                        | Ireland                                        | Project solutions   |                                          |
| Bovis Construction North Western<br>Limited                                                  | England and<br>Wales                           | Project solutions   |                                          |
| Catalyst Lend Lease Limited<br>(formerly known as Catalyst<br>Healthcare Management Limited) | England and<br>Wales                           | Management services |                                          |
| BLS Warwick Limited                                                                          | England and<br>Wales                           | Project solutions   |                                          |
| BLS St Martins Limited                                                                       | England and<br>Wales                           | Project solutions   |                                          |
| BLS KEC Limited                                                                              | England and<br>Wales                           | Project solutions   |                                          |
| BLS Regent Limited                                                                           | England and<br>Wales                           | Project solutions   |                                          |
| BLS Blackfriars Limited                                                                      | England and<br>Wales                           | Project solutions   |                                          |
| Debut Services Limited                                                                       | England and<br>Wales                           | Project solutions   |                                          |
| Debut Services (South West)<br>Limited                                                       | England and<br>Wales                           | Project solutions   |                                          |

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 the 30 August 2005, Bovis Lend Lease Limited sold its investment in Catalyst Lend Lease Limited to Bovis Lend Lease Holdings Limited for a consideration of £1.

## Notes to the financial statements (continued)

### 12 Debtors

|                                      | 2005<br>£000   | 2004<br>£000   |
|--------------------------------------|----------------|----------------|
| Trade debtors                        | 70,102         | 113,167        |
| Amounts recoverable on contracts     | 40,075         | 12,834         |
| Amounts owed by group undertakings   | 61,293         | 69,732         |
| Other debtors                        | 4,579          | 659            |
| Prepayments and accrued income       | 3,628          | 3,098          |
| Deferred taxation asset (note 9 (d)) | 20,823         | 8,931          |
|                                      | <u>200,500</u> | <u>208,421</u> |

### 13 Creditors: amounts falling due within one year

|                                                         | 2005<br>£000   | 2004<br>£000   |
|---------------------------------------------------------|----------------|----------------|
| Payments received on account                            | 161,312        | 111,113        |
| Trade creditors                                         | 8,019          | 24,972         |
| Amounts owed to group undertakings                      | 12,755         | 10,636         |
| Dividend payable                                        | -              | 4,000          |
| Other creditors including taxation and social security: |                |                |
| Corporation tax                                         | 7,680          | 11,956         |
| Taxation and social security                            | 4,265          | 4,963          |
| Other creditors                                         | 57,061         | 24,133         |
|                                                         | <u>69,006</u>  | <u>41,052</u>  |
| Accruals and deferred income                            | 10,511         | 14,012         |
|                                                         | <u>261,603</u> | <u>205,785</u> |

### 14 Creditors: amounts falling due after more than one year

|                                    | 2005<br>£000  | 2004<br>£000 |
|------------------------------------|---------------|--------------|
| Amounts owed to group undertakings | 7,445         | -            |
| Employee long term incentive plans | 2,648         | 2,113        |
|                                    | <u>10,093</u> | <u>2,113</u> |

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

## Notes to the financial statements *(continued)*

### 15 Called up share capital

|                                                        | 2005<br>£000 | 2004<br>£000 |
|--------------------------------------------------------|--------------|--------------|
| <i>Authorised, allotted, called up and fully paid:</i> |              |              |
| Ordinary shares of £1 each                             | <u>8,100</u> | <u>8,100</u> |

### 16 Profit and loss account

|                                     | 2005<br>£000    | 2004<br>£000  |
|-------------------------------------|-----------------|---------------|
| At beginning of year                | 28,230          | 22,946        |
| Retained (loss)/profit for the year | <u>(33,175)</u> | <u>5,284</u>  |
| At end of year                      | <u>(4,945)</u>  | <u>28,230</u> |

### 17 Reconciliation of movement in equity shareholders' funds

|                                                      | 2005<br>£000    | 2004<br>£000  |
|------------------------------------------------------|-----------------|---------------|
| Retained (loss)/profit for the year                  | (33,175)        | 5,284         |
| Net movement in equity shareholders' (deficit)/funds | <u>(33,175)</u> | <u>5,284</u>  |
| Opening equity shareholders' funds                   | 36,330          | 31,046        |
| Closing equity shareholders' funds                   | <u>3,155</u>    | <u>36,330</u> |

## Notes to the financial statements *(continued)*

### 18 Commitments

#### *Operating leases*

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

|                                | 2005                          |               | 2004                          |               |
|--------------------------------|-------------------------------|---------------|-------------------------------|---------------|
|                                | Land and<br>Buildings<br>£000 | Other<br>£000 | Land and<br>Buildings<br>£000 | Other<br>£000 |
| Operating leases which expire: |                               |               |                               |               |
| Within one year                | 308                           | 434           | 326                           | 340           |
| Between one and five years     | 481                           | 1,431         | 145                           | 1,995         |
| Over five years                | 590                           | -             | 573                           | -             |
|                                | <u>1,379</u>                  | <u>1,865</u>  | <u>1,044</u>                  | <u>2,335</u>  |

#### *Capital commitments*

As at 30 June 2005, the company was contractually committed to pay £nil (2004: £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 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. The consolidated financial statements of this group may be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff.

For the year ended 30 June 2005 the company contributions paid to the Lend Lease UK Pension Scheme were £10,618,000 (2004: £10,313,000).

Note 6 to the financial statements show 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 £6,000 (2004: £23,000).

## Notes to the financial statements *(continued)*

### **21 Post balance sheet events**

On the 18 August 2005, Catalyst Healthcare Management Limited changed its name to Catalyst Lend Lease Limited.

On the 30 August 2005, Bovis Lend Lease Limited sold its investment in Catalyst Lend Lease Limited to Bovis Lend Lease Holdings Limited for a consideration of £1.

The financial statements have been adjusted to reflect project losses which were identified since 30 June 2005.

### **22 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 4, 30 The Bond, 30 Hickson Road, Millers Point, New South Wales, Australia, 2000 or from its website at [www.lendlease.com.au](http://www.lendlease.com.au).

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.