

Bovis Lend Lease Limited
Directors' report and
financial statements
Registered number 467006
30 June 2007

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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 2007

Principal activities

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

During the year, the company has elected to apply International Financial Reporting Standards (IFRS) in its financial statements

The Company is a limited liability company incorporated and domiciled in the United Kingdom. The address of its registered office is 142 Northolt Road, Harrow, Middlesex, HA2 0EE

These financial statements were authorised for issue by the Board of Directors on 3 October 2007

Business review

The Company continued its organic growth in the financial year to 30 June 2007. This growth is reflected in turnover of £1,184,888,000 (2006 £1,134,991,000) and has resulted from the Company's ongoing success in winning and delivering large and complex projects across a variety of business sectors

The year to 30 June 2007 also represented a return to profitability for the Company with a profit on ordinary activities before taxation of £11,475,000 (2006 loss £51,738,000) being declared. The prior year loss primarily reflected contract loss provisions taken on the Manchester Joint Hospital PFI and Leeds Bridgewater projects

The commercial sector continues to underpin the business with projects such as Bankside and Old Broad Street in London and a number of projects in the Spinningfields Development in Manchester contributing significantly to turnover. The retail sector also continued its strong performance notably at the Golden Square development in Warrington where Lend Lease is in partnership with Warrington Retail Partnership Limited as developer

The Company's order book continues to increase across all business sectors with significant contract wins in the year including Building Schools for the Future and Waste PFI contracts in Lancashire and a large number of commercial property contracts in the City of London. The company is currently managing over 20 major commercial office developments in and around London. The capital value of the company's order book continues to grow and currently stands in excess of £5 billion

In addition to the Company's external order book commented on above, the internal Lend Lease pipeline includes opportunities at Elephant and Castle and Greenwich Peninsula in London where the wider Lend Lease organisation has been selected as prime developer. The Olympic Delivery Authority (ODA) and London Continental Railways have also selected Lend Lease as the preferred Development Partner for the regeneration of Stratford City, London, the site of the 2012 Olympic Village. The Company anticipates playing a key role in these regeneration projects over the coming years

The Company reported an operating profit of £3,217,000 (2006 loss £52,478,000)

During the year the Company issued £25,000,000 of share capital which, combined with the retained profit of £7,285,000 (2006 loss £36,535,000), increased the Company's net assets to £23,695,000 (2006 liabilities £8,590,000)

Dividend

The directors do not recommend a final dividend for the year (2006 £nil) and no interim dividend was paid during the year (2006 £nil)

Directors' report *(continued)*

Directors and directors' interests

The directors who served during the year are listed below

D Chalmers	(resigned 20 June 2007)
M Coleman	(appointed 12 July 2006)
J Daniel	(appointed 20 March 2007)
P Hopson	(resigned 29 June 2007)
M Howes	(resigned 17 November 2006)
P Jacobs	
P Johnson	(appointed 11 September 2006)
J Millett	(resigned 31 July 2006)
H Mursell	(appointed 7 November 2006)
A Panayi	(resigned 7 November 2006)
B Perkins	(resigned 30 September 2006)
J Spanswick	
R Thompson	(resigned 25 September 2006)
P Varga	(appointed 12 June 2007)
R Vining	
P Wade	(resigned 17 November 2006)

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

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

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 Lend Lease Corporation Limited, an Australian property development, investment and construction business

Employees benefit from a profit sharing scheme that enables them to identify more closely with the group's performance and to share common objectives with shareholders. This spirit of involvement in the group is encouraged through access to a variety of media, and staff at all levels are regularly advised of the group's and individual companies' achievements

Directors' report *(continued)*

Employees *(continued)*

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 magazine
- "Global Update", annual employee update meetings
- "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 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.

Bovis Lend Lease is strategically and culturally committed to sustainability. It seeks, through its actions, to achieve economic development, social enrichment, and environmental protection – the three components of sustainable development. In 2007, a corporate strategic action plan for sustainability has been implemented, and as a wholly owned subsidiary of Lend Lease Corporation Limited, BLL became founding members of the UK Green Building Council, a new initiative to improve the construction sectors sustainability performance. Elsewhere its work in sustainability has been independently recognised by various national awards.

Creditor payment policy

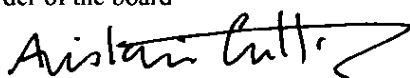
The Company's policy is to pay suppliers in accordance with terms and conditions agreed when orders are placed. Where payment terms have not been specifically agreed, then the invoices received each calendar month are paid close to the end of the following month. This policy is understood by the purchasing 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 5 days (2006 13 days)

Political and charitable donations

The Company made no political contributions during the year (2006 £nil). Donations to UK charities amounted to £61,800 (2006 £57,407).

By order of the board


A Cutts
Secretary

142 Northolt Road
Harrow
Middlesex
HA2 0EE

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable laws.

The financial statements are required by law to present fairly the financial position and the performance of the company. The Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state that the financial statements comply with IFRS as adopted by the European Union, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 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 of Bovis Lend Lease Limited ("the Company"), for the year ended 30 June 2007 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Shareholders' Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 30 June 2007 and of its profit for the year then ended
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



KPMG LLP
Chartered Accountants
Registered Auditor

8 Salisbury Square
London
EC4Y 8BB

4 October 2007

Income statement

For the year ended 30 June 2007

	Notes	2007 £000	2006 £000
Revenue		1,184,888	1,134,991
Cost of sales		(1,142,235)	(1,147,291)
Gross profit/(loss)		42,653	(12,300)
Administrative expenses		(39,436)	(40,178)
Operating profit/(loss)		3,217	(52,478)
Finance income	6	8,668	2,796
Finance costs	7	(410)	(2,056)
Profit/(loss) before taxation	3	11,475	(51,738)
Taxation	8	(4,190)	15,203
Profit/(loss) for the year	19	7,285	(36,535)

No operations were acquired or discontinued during the year (2006: none). There is no material difference between the results disclosed in the income statement and the result given on an unmodified historical cost basis.

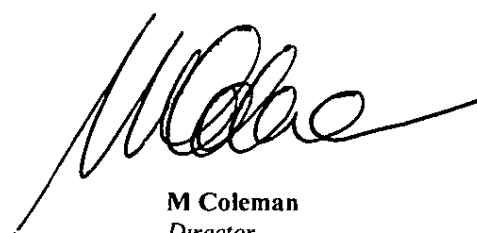
Balance sheet
As at 30 June 2007

	<i>Notes</i>	£000	2007 £000	£000	2006 £000
Non-current assets					
Property, plant and equipment	9		9,137		9,217
Investments	10		1,000		1,000
Deferred tax assets	13		8,792		11,814
			<u>18,929</u>		<u>22,031</u>
Current assets					
Trade and other receivables	11	259,257		251,882	
Cash and cash equivalents		42,406		53,987	
		<u>301,663</u>		<u>305,869</u>	
Total assets			320,592		327,900
Current liabilities					
Trade and other payables	14	(239,337)		(297,236)	
Provision for liabilities and charges	15	(15,628)		(31,324)	
		<u>254,965</u>		<u>328,560</u>	
Net current assets/(liabilities)		46,698		(22,691)	
Total assets less current liabilities			<u>65,627</u>		<u>(660)</u>
Non-current liabilities					
Trade and other payables	16		(41,932)		(7,930)
Net assets/(liabilities)			<u>23,695</u>		<u>(8 590)</u>
Equity					
Ordinary shares	17		33,101		8,101
Share premium account	18		24,999		24,999
Retained earnings	19		(34,405)		(41,690)
Total equity			<u>23,695</u>		<u>(8 590)</u>

These financial statements were approved by the board of directors on 3 October 2007 and were signed on its behalf by



H Mursell
Director



M Coleman
Director

Statement of changes in shareholders' equity

For the year ended 30 June 2007

	Notes	Ordinary share capital £000	Ordinary share premium £000	Retained earnings £000	Total equity £000
Balance at 30 June 2005		8,100	-	(5,155)	2,945
Ordinary shares issued	17, 18	1	24,999	-	25,000
Retained (loss) for the year	19	-	-	(36,535)	(36,535)
Balance at 30 June 2006		8,101	24,999	(41,690)	(8,590)
Ordinary shares issued	17	25,000	-	-	25,000
Retained profit for the year	19	-	-	7,285	7,285
Balance at 30 June 2007		33,101	24,999	(34,405)	23,695

Cash flow statement

For the year ended 30 June 2007

	Notes	2007 £000	2006 £000
Cash flows from operating activities			
Cash generated from operations	20	(19,381)	(9,210)
Interest received		8,668	2,796
Interest paid		(410)	(2,056)
Corporation tax received/(paid)		553	(791)
Net cash from operating activities		(10,570)	(9,261)
Cash flows from investing activities			
Proceeds from sale of investments		-	161
Property plant and equipment acquisitions		(1,025)	(1,933)
Proceeds from sale of property plant and equipment		14	-
Net cash used in investing activities		(1,011)	(1,772)
Net decrease in cash and cash equivalents		(11,581)	(11,033)
Cash and cash equivalents at beginning of year		53,987	65,020
Cash and cash equivalents at end of year		42,406	53,987

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 with International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the European Union (IFRS) and with those parts of the Companies Act 1985 applicable to companies under IFRS

The 2007 financial statements are the Company's first financial statements prepared under IFRS, with a transition date of 1 July 2005. Consequently, the comparative figures for 2006 and the balance sheet as at 1 July 2005 have been restated to comply with IFRS. An explanation of the impact of the adoption on the comparative figures, and details of the exemptions taken under IFRS1 are included in note 27

The company is not required to prepare consolidated financial statements under section 228 of the Companies Act 1985 and IAS 27 – "Presentation of Consolidated Financial Statements" as it is a subsidiary of another entity that prepares consolidated financial statements. As such, the results presented here are for the company as an individual undertaking and not of its Group

The financial statements have been prepared under the historical cost convention

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business net of value added tax

Sales of goods are recognised when goods are delivered and title has passed. Revenue from construction contracts is recognised in accordance with the Company's accounting policy on construction contracts

Construction contracts

Where the outcome of the contract cannot be estimated reliably, contract revenue is recognised only to the extent that contract costs incurred are likely to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred

Where the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, revenue and cost are recognised over the period of the contract. The Company does not consider that the outcome of a construction contract can be reliably determined until it is at least 50% complete. Where it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately

The Company uses the "percentage of completion method" to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the actual contract costs incurred up to the balance sheet date as a percentage of the total estimated costs for each contract. Provision is made for losses incurred or foreseen in bringing the contract to completion as soon as they become apparent

The Company presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. Progress billings not yet paid by customers are included within trade and other receivables. The Company presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses)

Notes to the financial statements (continued)

1 Accounting policies (continued)

Property, plant & equipment and depreciation

Property, plant & equipment is stated at historical cost less 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% - 33% per annum, straight line
Motor vehicles	-	33% reducing balance

Investments

Investments are stated at cost with adjustments made to the carrying value to reflect net realisable amounts where these are lower than cost. Management conducts impairment reviews annually.

Joint controlled entities and associates

The Company's interest in joint controlled entities and associates are accounted for using the equity method. Under this method the Company's share of profits less losses of joint controlled entities and associates is included in the consolidated income statement and its interest in their net assets is included in investments in the consolidated balance sheet.

Foreign currencies

Transactions in currencies other than the entity's functional currency (foreign currencies) are initially recorded at the rates of exchange prevailing on the date of the transaction. At each subsequent balance sheet date assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial period. Foreign exchange differences are taken to the income statement in the period in which they arise. All exchange differences arising are dealt with in the income statement.

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.

The Company participates in a groupwide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by IAS 19 'Employee benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income statement represents the contributions payable to the scheme in respect of the accounting period.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date. Temporary differences are differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

Leased assets

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease. Lease incentives received are spread over the lease term.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment.

All receivables are regularly reviewed and a provision for impairment of trade receivables is established when there is objective evidence that all amounts may not be collectible according to the original terms of the sales transaction.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Share-based payments

The group issues cash-settled share-based payments to certain employees. These are measured at the fair value of the liability, which is re-measured at each balance sheet date and at the date of settlement, with changes in fair value recognised in profit or loss.

Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and credit risk) and liquidity risk. The Company's risk management programme seeks to minimise potential adverse effects on the Company's financial performance.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Market risk (including currency, fair value and price risk)

Foreign currency risk

The company operates predominantly within the UK such that its exposure to currency risk is considered to be minimal with only a small proportion of items both in terms of volume and value transacted in a foreign currency. As a result, there are no hedges in place with respect to any potential currency exposure.

Price risk

The Company does not have significant equity investments or investments in commodities and does not consider itself to be exposed to any significant equity, commodity or other price risk.

Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

Credit risk is managed by limiting the aggregate exposure to any one individual counterparty, taking into account its credit rating. Such counterparty exposures are regularly reviewed and adjusted as necessary. Accordingly, the possibility of material loss arising in the event of non-performance by counterparties is considered to be unlikely.

Critical judgements in applying the entity's accounting policies

The preparation of financial statements under IFRS requires management to make estimates and assumptions that affect amounts recognised for assets and liabilities at the balance sheet date and the amounts of revenue and expenses incurred during the reporting period. Actual outcomes may therefore differ from these estimates and assumptions.

The Company's revenue recognition and long-term contract accounting (set out above) are central to the way the Company values the work it has carried out in each financial year. These policies require forecasts to be made of the outcomes of long-term construction and service contracts, which require assessments and judgements to be made on profit recognition, recovery of pre-contract costs, changes in work scope, contract programmes and maintenance liabilities.

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 Profit/(loss) before taxation

	2007 £000	2006 £000
<i>Profit/(loss) before taxation is stated after charging</i>		
Auditors' remuneration changed to the Income Statement		
Audit of the financial statements of the Company	196	174
Audit of the financial statements of other group companies	161	143
Tax services	61	50
All other services	18	65
Depreciation of tangible fixed assets	1,087	886
Rentals payable under operating leases		
Land and buildings	1,769	1,768
Other	1,917	2,210
Loss on sale of fixed assets	4	-
Staff costs (note 5)	124,781	133,411
Trade receivable impairment	20	(62)

4 Remuneration of directors

Directors' emoluments

	2007 £000	2006 £000
Aggregate emoluments	2,001	1,711
Aggregate amounts (excluding shares) received under long term incentive schemes	405	367
Compensation for loss of office	753	-
Company contributions to money purchase pension schemes	188	191
	3,347	2,269

Retirement benefits are accruing to five directors (2006 *five directors*) under a defined benefit scheme and no directors (2006 *five directors*) under a defined contribution scheme

Highest paid director

	2007 £000	2006 £000
Total amount of emoluments and amounts receivable under long-term incentive schemes	433	446
Defined benefit pension scheme		
Accrued benefit at end of year	-	-
	433	446

Notes to the financial statements *(continued)*

5 Staff numbers and costs

The average number of employees engaged in the activity of providing project solutions in the construction industry was 1,875 (2006 1,974). The aggregate payroll costs of these employees were as follows:

	2007 £000	2006 £000
Wages and salaries	103,483	110,426
Social security costs	9,053	9,766
Other pension costs (see note 23)	12,245	13,219
	<u>124,781</u>	<u>133,411</u>

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

Share based payment arrangements

Certain employees of the company participate in the Lend Lease Corporation Limited Executive Long Term Incentive Plan (LTIP). The LTIP awards have a vesting period of three years and depend on the achievement of certain performance hurdles.

The LTIP has historically been settled in cash and is therefore treated as a cash settled scheme under IFRS 2. The following table shows the share based cost in the year:

Summary of the total cost of share-based compensation

	2007 £000	2006 £000
LTIP expense recognised (all cash-settled)	(434)	(1,514)

6 Finance income

	2007 £000	2006 £000
Bank and other interest	1,393	905
Interest receivable from parent and other group undertakings	7,275	1,891
	<u>8,668</u>	<u>2,796</u>

7 Finance costs

	2007 £000	2006 £000
Interest payable to parent and other group undertakings	410	2,056
	<u>410</u>	<u>2,056</u>

Notes to the financial statements *(continued)*

7 Finance costs *(continued)*

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.

8 Taxation

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

	2007 £000	2006 £000
Current tax		
UK corporation tax expense on profit/(loss) for the year at 30% (2006 30%)	1,219	(16,367)
Adjustments in respect of previous periods	-	(7,845)
Total current tax (note 8 (b))	1,219	(24,212)
Deferred tax		
Origination and reversal of temporary differences	(550)	5,364
Adjustment in respect of previous periods	-	7,845
Tax losses utilised/(recognised)	3,030	(4,200)
Effect of change of rate (note 8 (c))	491	-
Tax on profit/(loss) on ordinary activities	4,190	(15,203)

The prior year adjustment relates to the reclassification of contract provisions.

(b) Factors affecting tax charge/(credit) for year

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 30% (2006 30%).

The differences are explained below.

	2007 £000	2006 £000
Profit/(loss) on ordinary activities before tax	11,475	(51,738)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	3,442	(15,521)
Effects of		
Expenses not deductible for tax purposes	257	242
Origination and reversal of temporary differences	550	(5,288)
Adjustments in respect of previous periods	-	(7,845)
Tax losses (utilised)/recognised	(3,030)	4,200
Total tax charge/(credit) for year (note 8 (a))	1,219	(24,212)

Notes to the financial statements *(continued)*

8 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

The statutory tax rate is due to change on 1 April 2008 from 30% to 28%. The deferred tax asset has been restated at the new rate, where appropriate, resulting in a reduction of £491,000

9 Property, plant and equipment

	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	931	1,628	2,950	11,829
Additions	-	-	779	246	1,025
Disposals	-	(72)	(80)	(223)	(375)
At end of year	6,320	859	2,327	2,973	12,479
<i>Depreciation and diminution in value</i>					
At beginning of year	531	298	589	1,194	2,612
Charge for year	70	66	648	303	1,087
Disposals	-	(72)	(62)	(223)	(357)
At end of year	601	292	1,175	1,274	3,342
<i>Net book value</i>					
At 30 June 2007	5,719	567	1,152	1,699	9,137
At 30 June 2006	5,789	633	1,039	1,756	9,217

Notes to the financial statements *(continued)*

10 Investments

	Shares in subsidiary undertakings £000	Other investments £000	Total £000
Cost			
At beginning and end of year	1,698	638	2,336
Provision			
At beginning and end of year	698	638	1,336
Net book value			
At 30 June 2007	1,000	-	1,000
At 30 June 2006	1,000	-	1,000

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
Be Onsite	England and Wales	Jobs and training	100
Bovis Engineering Limited	England and Wales	Project solutions	100
Bovis Ireland Limited	Ireland	Project solutions	100
Bovis Construction North Western Limited	England and Wales	Project solutions	100
BLS Warwick Limited	England and Wales	Project solutions	50
BLS St Martins Limited	England and Wales	Project solutions	50
BLS KEC Limited	England and Wales	Project solutions	50
BLS Regent Limited	England and Wales	Project solutions	50
BLS Blackfriars Limited	England and Wales	Project solutions	50
BLFB Limited	England and Wales	Project solutions	50
Catalyst Brescia Srl	Italy	PFI company	50
Coleman Street Developments Limited	England and Wales	Project solutions	50
Debut Services Limited	England and Wales	Project solutions	85
Debut Services (South West) Limited	England and Wales	Project solutions	50
Waste 2 Resources Project Lancashire LLP	England and Wales	PFI company	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

The share of profit and net assets in Associates and Joint Ventures is £nil (2006 £nil)

Notes to the financial statements *(continued)*

11 Trade and other receivables

	2007 £000	2006 £000
Trade receivables	43,319	53,013
Construction contract work in progress	20,954	43,937
Amounts due from related parties	147,971	120,005
Other debtors	28,703	14,038
Prepayments and accrued income	2,708	3,566
Corporation tax	15,602	17,323
	<u>259,257</u>	<u>251,882</u>

12 Construction contracts

	2007 £000	2006 £000
Contracts in progress at the balance sheet date		
- amounts due from contract customers	20,954	43,937
- current amounts due to contract customers	(175,950)	(223,336)
- non-current amounts due to contract customers	(35,705)	-
Net amounts due from contract customers	<u>(190,701)</u>	<u>(179,399)</u>

During the year ended 30 June 2007, all revenue recognised in the income statement is derived from construction contracts

At 30 June 2007, retentions held by customers for contract work amounted to £23,155,000 (2006 £6,508,000). Contract advances received amounted to £211,655,000 (2006 £223,336,000).

Notes to the financial statements (continued)

13 Deferred taxation

The deferred tax amounts are recognised as follows

	2007 £000	2007 £000
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	8,792	11,814

Deferred tax assets	Provisions £000	Tax losses £000	Decelerated capital allowances £000	Total £000
At 1 July 2005	18,703	-	2,120	20,823
Charged/(credited) to the income statement	(14,309)	4,200	1,100	(9,009)
	4,394	4,200	3,220	11,814
At 30 June 2006				
Charged/(credited) to the income statement	(178)	(3,030)	677	(2,531)
Effect of change of rate (note 8 (c))	(212)	(19)	(260)	(491)
As at 30 June 2007	4,004	1,151	3,637	8,792

14 Current trade and other payables

	2007 £000	2006 £000
Amounts due to customers for construction work	175,950	223,336
Trade payables	14,200	37,748
Amounts due to related parties	14,213	13,117
Other creditors including taxation and social security		
Corporation tax	-	-
Taxation and social security	5,742	6,093
Other creditors	25,570	12,915
	31,312	19,008
Accruals and deferred income	3,662	4,027
	239,337	297,236

Notes to the financial statements *(continued)*

15 Provisions for liabilities and charges

	Design provision £000	Other provision £000	Total £000
At 1 July 2006	29,245	2,079	31,324
Charged to the income statement			
- Additional provisions	5,090	2,358	7,448
- Unused amounts reversed	(12,414)	(1,921)	(14,335)
Used during the year	(8,809)	-	(8,809)
At 30 June 2007	<u>13,112</u>	<u>2,516</u>	<u>15,628</u>

The design provision reflects the Company's warranty and contractual obligations under design and construction forms of contract. This is released or utilised on a contract by contract basis.

16 Non-current trade and other payables

	2007 £000	2006 £000
Amounts due to customers for construction work	35,705	-
Amounts due to related parties	5,905	7,586
Employee long term incentive plans	322	344
	<u>41,932</u>	<u>7,930</u>

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

17 Called up share capital

	2007 Number of shares		2006 Number of shares	
	000's	£000	000's	£000
Authorised				
Ordinary shares of £1 each	33,150	33,150	8,150	8,150
Allotted, called up and fully paid				
Ordinary shares of £1 each	33,101	33,101	8,101	8,101

Notes to the financial statements *(continued)*

18 Share premium account

	2007 £000	2006 £000
At beginning of year	24,999	-
Premium on share issue	-	24,999
At end of year	<u>24,999</u>	<u>24,999</u>

19 Retained earnings

	2007 £000	2006 £000
At beginning of year	(41,690)	(5,155)
Profit/(loss) for the year	7,285	(36,535)
At end of year	<u>(34,405)</u>	<u>(41,690)</u>

20 Cash flows from operating activities

	2007 £000	2006 £000
Cash flows from operating activities		
Net Profit/(Loss)	7,285	(36,535)
Adjustments for		
Tax charge	4,190	(15,203)
Finance cost	410	2,056
Investment income	(8,668)	(2,796)
Depreciation	1,087	886
Loss on sale of property plant and equipment	4	-
Changes in working capital		
Decrease in trade and other receivables	18,012	3,768
Decrease in prepayments	858	62
Increase in amounts due from related parties	(2,966)	(33,712)
Decrease in trade and other payables	(70,934)	91,753
Decrease in amounts due to related parties	(585)	503
Increase in accruals and other liabilities	31,926	(19,992)
Cash generated from operations	<u>(19,381)</u>	<u>(9,210)</u>

Notes to the financial statements (continued)

21 Commitments

Operating leases

The future aggregate minimum lease payments under non-cancellable operating leases are as follows

	2007		2006	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire				
Within one year	1,344	1,430	1,216	1,537
Between one and five years	2,825	873	2,892	1,087
Over five years	1,856	-	2,402	-
	<u>6,025</u>	<u>2,303</u>	<u>6,510</u>	<u>2,624</u>

Capital commitments

As at 30 June 2007, the company was contractually committed to pay £194,000 (2006 £nil)
Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows

	2007 £000	2006 £000
Intangible assets	194	-
	<u>194</u>	<u>-</u>

22 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.

23 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 scheme is a group plan for which there is no contractual agreement or stated policy for charging the costs for the plan as a whole. In accordance with IAS 19 the net defined benefit cost is recognised in the financial statements of Bovis Lend Lease Holdings Limited, the legal sponsor for the plan. Accordingly the scheme is accounted for as a defined contribution scheme in the accounts of 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 IAS 19, 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, Maundy, Cardiff.

Notes to the financial statements *(continued)*

23 Pension scheme *(continued)*

The latest full actuarial valuation was carried out at 31 March 2005 and was updated for IAS 19 purposes to 30 June 2007 by a qualified independent actuary who was an employee of Hewitt Bacon & Woodrow Limited. There exists a pension deficit in the scheme as at 30 June 2007 (2006 deficit). It has been agreed that an employer contribution rate of 16% of pensionable pay will apply in future years.

For the year ended 30 June 2007 the company contributions paid to the Lend Lease UK Pension Scheme were £12,245,000 (2006 £13,219,000).

Note 5 to the financial statements show the total cost to the company of the main schemes operating during the year.

24 Related party transactions

The following transactions were carried out with related parties:

a) Sale of goods and services

	2007 £000	2006 £000
Sale of goods to		
- Associates	267,255	312,686
Recharge of services to		
- The ultimate parent (legal and administration services)	1,653	4,587
- Associates	33,957	20,198
	<u>302,865</u>	<u>337,471</u>

Goods are sold based on the price lists in force and terms that would be available to third parties. Recharges of services are negotiated with related parties on a cost-plus basis, allowing a margin reflecting standard commercial terms.

b) Purchases of goods and services

	2007 £000	2006 £000
Purchases of goods from		
- Associates	522	7
Recharge of services by		
- Associates	2,443	11,033
- the immediate parent	13,094	21,103
	<u>16,059</u>	<u>32,143</u>

Goods and services are bought from associates on normal commercial terms and conditions. Management services are recharged from the immediate, intermediate and ultimate parent on a cost-plus basis, allowing a margin reflecting standard commercial terms.

Notes to the financial statements *(continued)*

24 Related party transactions *(continued)*

c) *Key management compensation/directors*

Refer to note 4

d) *Year-end balances arising from sales/purchases of goods/services*

	2007	2006
	£000	£000
Receivables from related parties (note 11)		
- Associates	8,425	15,120
- The ultimate and immediate parent	13	9
	<u>8,438</u>	<u>15,129</u>
Payables to related parties (notes 14 and 16)		
- Immediate parent	4	16
- Associates	359	1,231
	<u>363</u>	<u>1,247</u>

The receivables from related parties arise mainly from sale transactions and are due 1 month after the date of sales. The receivables are unsecured in nature and bear no interest.

The payables arise mainly from purchase transactions and are due 1 month after the date of purchase. The payables bear no interest.

The above disclosures exclude all short and long term funding between the Company and its associates, including transactions paid by the Company and recharged to the relevant party. The total of these balances are included within the disclosures of note 11, 14 and 16.

25 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.

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, Mandy, Cardiff.

Notes to the financial statements *(continued)*

26 Post balance sheet event

The financial statements have been adjusted to reflect project losses which were identified since 30 June 2007

27 Transition to IFRS

The company reported under UK GAAP in its previous financial statements for the year ended 30 June 2006

The company has restated its financial statements at 1 July 2005. Presented below are restated balance sheets and income statements at 1 July 2005 and 30 June 2006 as a result of the transition to IFRS. The principal changes relate to the inclusion of holiday pay accruals, and the presentation of a cash flow statement in these accounts.

Until the adoption of IFRS, Bovis Lend Lease Limited's financial statements were based on UK accounting standards (UK GAAP). The following explanatory notes and reconciliations show the difference between IFRS and UK GAAP reporting.

IFRS 1 exemptions

IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the procedures that the Company must follow when it adopts IFRS for the first time as the basis for preparing its financial statements.

The Company is required to establish its IFRS accounting policies as at 30 June 2007 and, in general, apply these retrospectively to determine the IFRS opening balance sheet at its date of transition, 1 July 2005.

This standard provides a number of optional exceptions to this general principle. The most significant of these are set out below, together with a description in each case of the exception adopted by the Company.

Business combinations that occurred before the opening IFRS balance sheet date

The Company has elected not to apply IFRS 3 retrospectively to business combinations that took place before the date of transition.

Fair value/re-valued amounts as deemed cost

The Company has elected not to restate business combinations that took place prior to the transition to IFRS. Consequently, business combinations remain in the balance sheet at historical cost as stated under UK GAAP at 30 June 2005.

Assets and liabilities of subsidiaries, associates and joint ventures

The Company has elected to use the carrying amounts as at date of transition.

Leases

The Company has reviewed arrangements existing at the date of transition to IFRS on whether they contain leases, and no embedded leases have been noted.

Presentation of financial statements

The primary statements within the financial information contained in this document have been presented substantially in accordance with IAS 1 "Presentation of Financial Statements". However, this format and presentation may require modification in the event that further guidance is issued and as practice develops.

Notes to the financial statements *(continued)*

27 Transition to IFRS *(continued)*

Reconciliation of profit

For the period ending 30 June 2007

	UK GAAP Total £000	Effect of transition to IFRS Holiday pay accrual £000	IFRS Total £000
Revenue	1,184,888	-	1,184,888
Cost of sales	(1,142,235)	-	(1,142,235)
Gross profit	42,653	-	42,653
Administrative expenses	(39,403)	(33)	(39,436)
Operating profit	3,250	(33)	3,217
Finance income	8,668	-	8,668
Finance costs	(410)	-	(410)
Profit before taxation	11,508	(33)	11,475
Taxation	(4,200)	10	(4,190)
Profit for the year	7,308	(23)	7,285

Notes to the financial statements (continued)

27 Transition to IFRS (continued)

Reconciliation of equity

At 30 June 2007

	UK GAAP Total £000	Cumulative effect of transition to IFRS			IFRS Total £000
		Reclassification of deferred tax asset Total £000	Reclassification of provisions for liabilities and charges Total £000	Holiday pay accrual Total £000	
Non-current assets					
Property, plant and equipment	9,137	-	-	-	9,137
Investments	1,000	-	-	-	1,000
Deferred tax assets	-	8,792	-	-	8,792
	<u>10,137</u>	<u>8,792</u>	<u>-</u>	<u>-</u>	<u>18,929</u>
Current assets					
Trade and other receivables	268,049	(8,792)	-	-	259,257
Cash and cash equivalents	42,406	-	-	-	42,406
	<u>310,455</u>	<u>(8,792)</u>	<u>-</u>	<u>-</u>	<u>301,663</u>
Total assets	320,592	-	-	-	320,592
Current liabilities					
Trade and other payables	(290,416)	-	51,333	(254)	(239,337)
Provisions for liabilities and charges	-	-	(15,628)	-	(15,628)
	<u>(290,416)</u>	<u>-</u>	<u>35,705</u>	<u>(254)</u>	<u>(254,965)</u>
Non-current liabilities					
Trade and other payables	(6,227)	-	(35,705)	-	(41,932)
	<u>(6,227)</u>	<u>-</u>	<u>(35,705)</u>	<u>-</u>	<u>(41,932)</u>
Total liabilities	(296,643)	-	-	(254)	(296,897)
Net assets	23,949	-	-	(254)	23,695
Equity					
Ordinary shares	33,101	-	-	-	33,101
Share premium	24,999	-	-	-	24,999
Retained earnings	(34,151)	-	-	(254)	(34,405)
	<u>23,949</u>	<u>-</u>	<u>-</u>	<u>(254)</u>	<u>23,695</u>
Total equity	23,949	-	-	(254)	23,695

Notes to the financial statements *(continued)*

27 Transition to IFRS *(continued)*

Reconciliation of equity

At 1 July 2005

	UK GAAP Total £000	Effect of transition to IFRS			IFRS Total £000
		Reclassification of deferred tax asset Total £000	Reclassification of provisions for liabilities and charges Total £000	Holiday pay accrual Total £000	
Non-current assets					
Property, plant and equipment	8,170	-	-	-	8,170
Investments	1,161	-	-	-	1,161
	<u>9,331</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,331</u>
Current assets					
Trade and other receivables	200,500	(20,823)	-	-	179,677
Cash and cash equivalents	65,020	-	-	-	65,020
Deferred tax assets	-	20,823	-	-	20,823
	<u>265,520</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>265,520</u>
Total assets	274,851	-	-	-	274,851
Current liabilities					
Trade and other payables	(261,603)	-	40,821	(210)	(220,992)
Provisions for liabilities and charges	-	-	(40,821)	-	(40,821)
	<u>(261,603)</u>	<u>-</u>	<u>-</u>	<u>(210)</u>	<u>(261,813)</u>
Non-current liabilities					
Trade and other payables	(10,093)	-	-	-	(10,093)
	<u>(10,093)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,093)</u>
Total liabilities	(271,696)	-	-	(210)	(271,906)
Net assets	3,155	-	-	(210)	2,945
Equity					
Ordinary shares	8,100	-	-	-	8,100
Share premium	-	-	-	-	-
Retained earnings	(4,945)	-	-	(210)	(5,155)
	<u>3,155</u>	<u>-</u>	<u>-</u>	<u>(210)</u>	<u>(2,945)</u>
Total equity	3,155	-	-	(210)	(2,945)