Bovis Lend Lease Limited

Directors' report and financial statements

Registered number 467006

30 June 2008

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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 2008

Principal activities

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

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 6 October 2008

Business review

The Company continued its organic growth in the financial year to 30 June 2008 This growth is reflected in turnover of £1,342,588,000 *(2007 £1,184,888,000)* and has resulted from the Company's ongoing success in winning and delivering large and complex projects across a variety of business sectors

In the year to 30 June 2008 the Company reported a profit on ordinary activities before taxation of £2,164,000 *(2007 £11,475,000)*

The growth in the current year was driven by projects in the public sector and education, notably with work at the University of Sheffield and in our ongoing relationship with the MoD through the SLAM and SW Prime initiatives Growth in the Commercial and Retail sectors was minimal although these sectors continue to provide the most significant markets for the Company's services

Global economic market conditions have adversely affected the Company's core commercial and retail market sectors This market wide slow down has been mitigated by the ongoing portfolio of work being performed by the Company at Stratford City, the site for the 2012 Olympic Village and a strong pipeline of work through the Building Schools for the Future program in the North of England The Capital value of the Company's order backlog remains stable at £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, and 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 loss of £5,095,000 *(2007 profit £3,217,000)*

During the year the Company's net assets increased to £26,552,000 *(2007 £23,695,000)*

Dividend

The directors do not recommend a final dividend for the year *(2007 £nil)* and no interim dividend was paid during the year *(2007 £nil)*

Directors' report *(continued)*

Directors and directors' interests

The directors who served during the year are listed below

M Coleman
J Daniel
P Jacobs
P Johnson
A Lenehan (appointed 21st January 2008)
H Mursell
C N Pollard (appointed 1st November 2007)
J Spanswick
P Varga
R Vining

Subsequent to the year end Mr R Vining resigned as director, effective 14th July 2008 and Mr H Mursell resigned, effective 8th September 2008 Mr B Dew was appointed as director, effective 8th September 2008

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

Sustainability is a guiding principle for Bovis Lend Lease The Company embarked upon an issues-based target-driven three year work programme launched in November 2007 The programme described in a corporate strategic action plan includes corporate targets on carbon management, waste, procurement of materials, design and training and employment, many of which are industry leading The Company's 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 8 days *(2007 5 days)*

Political and charitable donations

The Company made no political contributions during the year *(2007 £nil)* Donations to UK charities amounted to £11,375 *(2007 £61,800)*

By order of the board

A Cutts
Secretary

142 Northolt Road
Harrow
Middlesex
HA2 0EE

6 October 2008

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 2008 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 2008 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

6/10/08

KPMG LLP
Chartered Accountants
Registered Auditor

8 Salisbury Square
London
EC4Y 8BB

Income statement

For the year ended 30 June 2008

	Notes	2008 £000	2007 £000
Revenue		**1,342,588**	1,184,888
Cost of sales		**(1,301,450)**	(1,142,235)
Gross profit		**41,138**	42,653
Administrative expenses		**(46,233)**	(39,436)
Operating (loss)/profit		**(5,095)**	3,217
Finance income	7	**8,793**	8,668
Finance costs	8	**(1,534)**	(410)
Profit before taxation	3	**2,164**	11,475
Taxation	9	**351**	(4,190)
Profit for the year	21	**2,515**	7,285

No operations were acquired or discontinued during the year *(2007 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 2008

	Notes		**2008**		2007
		£000	**£000**	£000	£000
Non-current assets					
Property, plant and equipment	*10*		**9,577**		9,137
Investments	*11*		**1,003**		1,000
Deferred tax assets	*14*		**8,636**		8,792
			19,216		18,929
Current assets					
Trade and other receivables	*12*	**242,266**		259,257	
Cash and cash equivalents		**46,045**		42,406	
		288,311		301,663	
Total assets			**307,527**		320,592
Current liabilities					
Trade and other payables	*15*	**(237,257)**		(239,337)	
Provision for liabilities and charges	*16*	**(7,461)**		(15,628)	
		(244,718)		254,965	
Net current assets		**43,593**		46,698	
Total assets less current liabilities			**62,809**		65,627
Non-current liabilities					
Trade and other payables	*17*		**(36,257)**		(41,932)
Net assets			**26,552**		23,695
Equity					
Ordinary shares	*18*		**33,101**		33,101
Share premium account	*19*		**24,999**		24,999
Other reserves	*20*		**342**		-
Retained earnings	*21*		**(31,890)**		(34,405)
Total equity			**26,552**		23,695

These financial statements were approved by the board of directors on 6 October 2008 and were signed on its behalf by

B Dew
Director

M Coleman
Director

Statement of changes in shareholders' equity

For the year ended 30 June 2008

	Notes	Ordinary share capital £000	Ordinary share premium £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 30 June 2006		8,101	24,999	-	(41,690)	(8,590)
Ordinary shares issued		25,000	-	-	-	25 000
Retained profit for the year		-	-	-	7,285	7,285
Balance at 30 June 2007		**33,101**	**24,999**	**-**	**(34,405)**	**23,695**
Exchange differences on translating foreign operations	20	-	-	342	-	342
Retained profit for the year	21	-	-	-	2,515	2,515
Balance at 30 June 2008		**33,101**	**24,999**	**342**	**(31,890)**	**26,552**

Cash flow statement

For the year ended 30 June 2008

	Notes	2008 £000	2007 £000
Cash flows from operating activities			
Cash generated from operations	22	**(22,291)**	(19,381)
Interest received		**8,793**	8 668
Interest paid		**(1,534)**	(410)
Corporation tax received		**20,401**	553
Net cash inflow/(outflow) from operating activities		**5,369**	(10,570)
Cash flows from investing activities			
Property plant and equipment acquisitions		**(1,727)**	(1,025)
Investment acquisitions		**(3)**	-
Proceeds from sale of property plant and equipment		-	14
Net cash used in investing activities		**(1,730)**	(1,011)
Net increase/(decrease) in cash and cash equivalents		**3,639**	(11,581)
Cash and cash equivalents at beginning of year		**42,406**	53,987
Cash and cash equivalents at end of year		**46,045**	42,406

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 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

Investments

Equity investments in subsidiary and associated undertakings, including joint controlled entities, are stated at cost less impairment Adjustments are made to the carrying value to reflect the net realisable value of the investment where these are lower than cost Management conducts impairment reviews annually

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 in respect of foreign operations are taken to equity through the Translation reserve When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale

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

Share-based payments

The Company operates a share-based incentive plan for certain employees The shares issued are in the Company's ultimate parent, Lend Lease Corporation The fair value of these shares at the date of grant is recognised through the income statement on a straight line basis over the vesting period

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

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 policies (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

3 Profit before taxation

	2008 £000	2007 £000
Profit before taxation is stated after charging/(crediting)		
Auditors' remuneration charged to the Income Statement		
Audit of the financial statements of the Company	206	196
Audit of the financial statements of other group companies	172	161
Tax services	-	61
All other services	9	18
Depreciation of tangible fixed assets (note 10)	1,201	1,087
Rentals payable under operating leases		
Land and buildings	1,316	1,769
Other	1,961	1,917
Loss on sale of fixed assets	86	4
Staff costs (note 5)	130,015	124,781
Trade receivable impairment	(192)	20

Notes to the financial statements *(continued)*

4 Remuneration of directors

Directors' emoluments

	2008 £000	2007 £000
Aggregate emoluments	2,402	2,001
Aggregate amounts (excluding shares) received under long term incentive schemes	182	405
Compensation for loss of office	-	753
Company contributions to money purchase pension schemes	200	188
	2,784	3,347

Retirement benefits are accruing to five directors *(2007 five directors)* under a defined benefit scheme and two directors *(2007 no directors)* under a defined contribution scheme

Highest paid director

	2008 £000	2007 £000
Total amount of emoluments and amounts receivable under long-term incentive schemes	583	433
Defined benefit pension scheme		
Accrued benefit at end of year	-	-
	583	433

5 Staff numbers and costs

The average number of employees engaged in the activity of providing project solutions in the construction industry was 1,937 *(2007 1,875)* The aggregate payroll costs of these employees were as follows

	2008 £000	2007 £000
Wages and salaries	107,234	103,483
Social security costs	9,734	9,053
Other pension costs (see note 26)	13,047	12,245
	130,015	124,781

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

Notes to the financial statements *(continued)*

6 Share based payment arrangements

Short Term Incentives (STI)
The STI plan is an annual bonus scheme where executives receive benefits based upon individual personal targets and achievement of the financial targets of the Company The total value of the potential benefit (target opportunity) varies by executive, but is generally linked to salary

The STI comprises a cash element and a deferred element The deferred element represents Lend Lease Corporation (LLC), the Company's ultimate parent company, shares based on share price at the date of determination of the bonuses The shares are then held in trust on behalf of the executive for the deferred period For executives to receive the full deferral they must be employed by the Group at the date of vesting, which will usually be one year from the date of grant

Long Term Incentives (LTI)
LTIs are settled in cash or LLC shares, with settlement occurring upon vesting if performance hurdles are met Grants depend on personal contribution and potential, and are designed to retain and motivate high performing and key executives The LTI grants are 'invested' in performance shares over time to deliver value depending on the performance of the LLC group, and whether the executive remains within the group The grant will lapse should an executive resign before vesting

For awards granted on 1 July 2005, the performance hurdles are based on the total shareholder return (TSR) of LLC against a basket of international comparator companies The award did not vest at 30 June 2008 as the performance hurdle was not achieved

For the June 2007 and June 2008 financial year awards, new performance hurdles were set to align interests between the participant and shareholders and for consistency with a new STI structure These are now based on two equal measures long term profitability as measured by earnings per share, and external TSR compared to that of other ASX100 listed companies

Retention Awards
Certain employees are incentivised to remain with the Company the granting of a retention award These awards are settled in shares and are dependent upon service to vesting date

Summary of LTI and Retention Awards

		2008 Number of shares				
Grant date	Vesting date	Opening balance	Granted	Lapsed	Exercised	Closing balance
STI awards						
Aug 2007	Aug 2008	-	21,179	-	-	21,179
		-	21,179	-	-	21,179
LTI awards						
Jul 2005	Jun 2008	56,533	-	(56,533)	-	-
Jul 2006	Jun 2009	74,614	-	(5,833)	(4,672)	64,109
Jul 2007	Jun 2010	-	69,718	-	-	69 718
		131,147	69,718	(62,366)	(4,672)	133,827
Retention awards						
Jul 2007	Jun 2010	-	80,214	-	-	80,214
Jan 2008	Jan 2011	-	11,152	-	-	11,152
		-	91,366	-	-	91,366
Total		131,147	182,263	(62,366)	(4,672)	246,372

Notes to the financial statements *(continued)*

6 Share based payment arrangements *(continued)*

Summary of LTI and Retention Awards

		2007 Number of shares				
Grant date	Vesting date	Opening balance	Granted	Lapsed	Exercised	Closing balance
LTI awards						
Jul 2004	Jun 2007	95,889	-	(58,824)	(37,065)	-
Jul 2005	Jun 2008	184,294	-	(118,746)	(9,015)	56,533
Jul 2006	Jun 2009	-	134,152	(57,763)	(1,775)	74,614
Total		280,183	134,152	(235,333)	(47,855)	131,147

Amounts recognised in the financial statements
LTI awards are valued using the Monte-Carlo simulation methodology where the share price can be projected based on the assumptions underlying the Black-Scholes formula Retention awards are valued by discounting the share price by the expected dividends assumed to be paid from the valuation date until vesting date (if applicable) The model inputs include the LLC share price, a risk free interest rate, expected volatility and dividend yield

In August 2007 the rules of the 1 July 2006 LTI were modified such that it now vests in shares rather than cash, other than for certain specified executives or where share settlement is not practical The modified LTI was valued using a Monte-Carlo simulation methodology where the share price can be projected based on the assumptions underlying the Black-Scholes formula

The STI, 2006 and 2007 granted LTI's and Retention Awards represent awards in equity instruments of LLC that the Company has granted to its employees The awards are considered to be cash-settled share based payments in the Company's financial statements The Company reimburses LLC for the expense of the share settled awards LLC granted to the Company's employees during each financial year

Details of the amounts recognised in the financial statements and the fair values relating to the STI, LTI and Retention Awards for the years ended 30 June 2008 and 2007 are set out below

		2008			
Grant date	Vesting date	Fair value at grant date £	Fair value June 2008 £	Award fair value June 2008 £	Expense June 2008 £
STI awards					
Aug 2007	Aug 2008	178,108	4 29	90,813	178,108
		178,108		90,813	178,108
LTI awards					
Jul 2005	Jun 2008	544,475	-	-	(150,775)
Jul 2006	Jun 2009	580,952	4 29	274,893	132,001
Jul 2007	Jun 2010	360,456	4 29	298,945	120,152
		1,485,883		573,838	101,378
Retention awards					
Jul 2007	Jun 2010	673,491	4 29	343,949	224,907
Jan 2008	Jan 2011	74,462	4 29	47,819	12,365
		747,953		391,768	237,272
		2,411,944		1,056,419	516,758

Notes to the financial statements *(continued)*

6 Share based payment arrangements *(continued)*

Amounts recognised in the financial statements *(continued)*

			2007			
Grant date	**Vesting date**	**Fair value at grant date £**	**Fair value June 2007 £**	**Award fair value June 2007 £**	**Expense June 2007 £**	**Cash settled award liability at June 2007 £**
LTI awards						
Jul 2004	Jun 2007	214,895	4 18	235,587	134,262	235,587
Jul 2005	Jun 2008	492,329	3 62	204,502	74,539	136,335
Jul 2006	Jun 2009	525,312	6 01	448 635	163,720	149 545
		1,232,536		888,724	372,521	521,467

7 Finance income

	2008 £000	2007 £000
Bank and other interest	1,586	1 393
Interest receivable from parent and other group undertakings	7,207	7,275
	8,793	8,668

Foreign currency exchange gains for the year of £351,000 *(2007 £nil)* on the translation of foreign operations were recognised directly in equity through the translation reserve

8 Finance costs

	2008 £000	2007 £000
Interest payable to parent and other group undertakings	1,534	410
	1,534	410

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 the guarantee of a debt facility and a guarantee of performance

Notes to the financial statements *(continued)*

9 Taxation

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

	2008 £000	2007 £000
Current tax		
UK corporation tax expense on profit for the year at 29 5% (2007 30%)	(2,060)	1,219
Adjustments in respect of previous periods	1,553	-
Total current tax (credit)/charge	(507)	1,219
Deferred tax		
Accelerated capital allowances	(41)	(728)
Other timing differences	843	178
Adjustment in respect of previous periods	(646)	-
Tax losses utilised	-	3,030
Effect of change of rate	-	491
Tax on profit on ordinary activities (note 9 (b))	(351)	4,190

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

The tax (credit)/charge for the period is less than the profit/(loss) at the weighted average rate of corporation tax in the UK of 29 5% *(2007 30%)*

The differences are explained below

	2008 £000	2007 £000
Profit on ordinary activities before tax	2,165	11,475
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 29 5% (2007 30%)	639	3,442
Effects of		
Expenses not deductible for tax purposes	253	257
Other permanent differences	(2,105)	-
Adjustments in respect of previous periods	907	-
Effect of change of rate	(45)	491
Total tax (credit)/charge for year (note 9 (a))	(351)	4,190

(c) Factors that may affect future tax charges

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

Notes to the financial statements *(continued)*

10 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
Cost or valuation					
At beginning of year	6,320	859	2,327	2,973	12,479
Additions	-	3	1,690	34	1,727
Disposals	-	(204)	(934)	(297)	(1,435)
At end of year	6,320	658	3 083	2,710	12,771
Depreciation and diminution in value					
At beginning of year	601	292	1 175	1,274	3,342
Charge for year	71	83	747	300	1,201
Disposals	-	(139)	(930)	(280)	(1,349)
At end of year	672	236	992	1,294	3,194
Net book value					
At 30 June 2008	**5,648**	**422**	**2,091**	**1,416**	**9,577**
At 30 June 2007	5,719	567	1,152	1,699	9,137

11 Investments

	Shares in subsidiary undertakings £000	Other investments £000	Total £000
Cost			
At beginning of year	1,698	638	2,336
Additions	-	3	3
At end of year	1,698	641	2,339
Provision			
At beginning and end of year	698	638	1,336
Net book value			
At 30 June 2008	**1,000**	**3**	**1,003**
At 30 June 2007	1,000	-	1,000

Notes to the financial statements *(continued)*

11 Investments *(continued)*

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
Debut Services (Contracts) Limited	England and Wales	Dormant	91
Debut Services Limited	England and Wales	Project solutions	85
Waste 2 Resources Project Lancashire LLP	England and Wales	Project solutions	50
Debut Services (South West) Limited	England and Wales	Project solutions	50
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
H1 Development Limited	England and Wales	Project solutions	50
St Swithins Developments Limited	England and Wales	Project solutions	50
Catalyst Brescia Srl	Italy	PFI company	50
Coleman Street Developments Limited	England and Wales	Project solutions	50
East Leeds Initiative Limited	England and Wales	Project solutions	50

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

12 Trade and other receivables

	2008 £000	2007 £000
Trade receivables	37,210	43,319
Amounts due from related parties	128,459	147,971
Other debtors	27,850	28,703
Loans and receivables	193,519	219,993
Construction contract work in progress	47,084	20,954
Prepayments and accrued income	1,663	2,708
Corporation tax	-	15,602
	242,266	259,257

Notes to the financial statements *(continued)*

12 Trade and other receivables *(continued)*

The ageing of trade receivables at the reporting date was

	2008 Gross £000	2008 Impairment £000	2007 Gross £000	2007 Impairment £000
Not past due	34,603	-	31,716	-
Past due 0-90 days	2,194	-	10,901	-
More than 90 days	1,209	796	1,690	988
	38,006	796	44,307	988

The movement in the allowance for impairment in respect of trade receivables during the year was as follows

	2008 £000	2007 £000
Balance as at 1 July	988	968
Impairment loss/(gain) recognised	(192)	20
Balance as at 30 June	796	988

The directors believe that no impairment allowance is necessary in respect of trade receivables not past due

13 Construction contracts

	2008 £000	2007 £000
Contracts in progress at the balance sheet date		
- amounts due from contract customers	47,084	20,954
- current amounts due to contract customers	(139,059)	(175,950)
- non-current amounts due to contract customers	(30,352)	(35,705)
Net amounts due from contract customers	(122,327)	(190,701)

During the year ended 30 June 2008, all revenue recognised in the income statement is derived from construction contracts

At 30 June 2008, retentions held by customers for contract work amounted to £26,534,000 *(2007 £23,155,000)* Contract advances received amounted to £169,411,000 *(2007 £211,655,000)*

Notes to the financial statements *(continued)*

14 Deferred taxation

The deferred tax amounts are recognised as follows

	2008 £000	2007 £000
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	**8,636**	8,792

Deferred tax assets	Provisions £000	Construction contract loss provisions £000	Tax losses £000	Decelerated capital allowances £000	Total £000
At 1 July 2006	4 394	-	4,200	3,220	11,814
Charged/(credited) to the income statement	(178)	-	(3,030)	677	(2,531)
Change in tax rate (note 9 (c))	(212)	-	(19)	(260)	(491)
At 30 June 2007	4,004	-	1,151	3,637	8,792
Charged/(credited) to the income statement	(2,496)	4 055	(800)	(915)	(156)
At 30 June 2008	**1,508**	**4,055**	**351**	**2,722**	**8,636**

15 Current trade and other payables

	£000	2008 £000	£000	2007 £000
Payments received on account for construction work		**139,059**		175,950
Trade payables		**27,313**		14,200
Amounts due to related parties		**17,822**		14,213
Other creditors including taxation and social security				
Corporation tax	**4,292**		-	
Taxation and social security	**6,452**		5,742	
Other creditors	**34,730**		25,570	
		45,474		31,312
Accruals and deferred income		**7,589**		3,662
		237,257		239,337

Amounts due to related parties are unsecured, have no fixed repayment terms and bear no interest

Notes to the financial statements *(continued)*

16 Provisions for liabilities and charges

	Design provision £000	Other provision £000	Total £000
At 1 July 2007	13,112	2,516	15,628
Charged to the income statement			
- Additional provisions	1,608	1,340	2,948
- Unused amounts reversed	(6,681)	(51)	(6,732)
Used during the year	(2,811)	(1,572)	(4,383)
At 30 June 2008	**5,228**	**2,233**	**7,461**

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

17 Non-current trade and other payables

	2008 £000	2007 £000
Payments received on account for construction work	30,352	35,705
Amounts due to related parties	5,905	5,905
Employee long term incentive plans	-	322
	36,257	41 932

Amounts due to related parties are unsecured, have no fixed repayment terms and bear no interest

18 Called up share capital

	2008 Number of shares		2007 Number of shares	
	000's	£000	000's	£000
Authorised				
Ordinary shares of £1 each	33,150	33,150	33,150	33,150
Allotted, called up and fully paid				
Ordinary shares of £1 each	33,101	33,101	33,101	33,101

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company

Notes to the financial statements *(continued)*

19 Share premium account

	2008 £000	2007 £000
At beginning and end of year	24,999	24,999

20 Other reserves

	2008 £000	2007 £000
At beginning of year	-	-
Exchange gain on translating foreign operations	342	-
At end of year	342	-

21 Retained earnings

	2008 £000	2007 £000
At beginning of year	(34,405)	(41,690)
Profit for the year	2,515	7 285
At end of year	(31,890)	(34,405)

22 Cash flows from operating activities

	2008 £000	2007 £000
Cash flows from operating activities		
Net profit	2,515	7 285
Adjustments for		
Tax (credit)/charge	(351)	4,190
Finance cost	1,534	410
Investment income	(8,793)	(8 668)
Depreciation	1,201	1,087
Loss on sale of property, plant and equipment	86	4
Changes in working capital		
(Increase)/decrease in trade and other receivables	(19,168)	18,012
Decrease in prepayments	1,045	858
Decrease/(increase) in amounts due from related parties	19,854	(2,966)
Decrease in trade and other payables	(29,131)	(35 229)
Increase/(decrease) in amounts due to related parties	3,609	(585)
Increase/(decrease) in accruals and other liabilities	5,308	(3,779)
Cash generated from operations	(22,291)	(19 381)

Notes to the financial statements *(continued)*

23 Commitments

Operating leases

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

	2008		2007	
	Land and Buildings	**Other**	Land and Buildings	Other
	£000	**£000**	£000	£000
Operating leases which expire				
Within one year	**980**	**1,397**	1,344	1,430
Between one and five years	**1,192**	**1,029**	2,825	873
Over five years	**617**	**-**	1,856	-
	2,789	**2,426**	6,025	2,303

Capital commitments

As at 30 June 2008, the Company was contractually committed to incur capital expenditure of £nil *(2007 £194,000)*

	2008	2007
	£000	£000
Tangible assets	**-**	194
	-	194

24 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

25 Financial risk management

The Company's activities expose it to a variety of financial risks market risk (including foreign exchange risk, price risk), credit risk and liquidity risk The Company's risk management programme seeks to minimise potential adverse effects on the Company's financial performance, under the auspices of the Company's Risk Management Director working in concert with the Lend Lease Corporation risk management function

Foreign currency risk

Foreign currency risk is the risk that the value of a financial commitment, a recognised asset or liability will fluctuate due to changes in foreign currency rates

Notes to the financial statements *(continued)*

25 Financial risk management *(continued)*

Foreign currency risk *(continued)*

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

The Company's material exposure to foreign currency is set out below

30 June 2008	Local currency €000	Total £000
Net asset exposure	517	407

30 June 2007	Local currency €000	Total £000
Net asset exposure	1,654	1,125

The Company has carried out a sensitivity analysis and does not consider that it has material exposure to changes in the exchange rates at the year-end reporting date

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

Commodities are procured in the open market with fixed price contracts transferring the pricing risk to the subcontractor The maximum exposure is held between being awarded lump sum contracts and transferring the risk This is mitigated by the lump sums being covered by trade prices or having sufficient inflation contingency

Credit risk

The Company operates predominantly in the UK construction market and has no significant concentrations of credit risk on either a geographic or industry specific basis It has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history

Trade receivables are monitored on a daily and weekly basis to minimise the Company's exposure to credit risk, in particular, with reference to the Company's debtors days which for the current year was 10 days *(2007 13 days)*

Credit risk is also 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

The maximum exposure to credit risk at the balance sheet date on financial assets recognised in the balance sheet equals the carrying amount, net of any impairment

Notes to the financial statements *(continued)*

25 Financial risk management *(continued)*

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or future cash flow associated with the instrument will fluctuate due to changes in the market interest rates The only financial instruments that the Company holds and are subject to interest rate risk are financial assets in the form of loans to associated companies which do not have specified repayment terms

Interest is charged based upon the average annual base rate, plus a margin as specified by Group treasury A sensitivity analysis has been performed and a 1% change in the average base rate for the year would have altered the Company's profit before taxation by £958,000 *(2007 £1,098,000)*

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as and when they fall due Liquidity risk is reduced through prudent cash management which ensures sufficient levels of cash are maintained to meet working capital requirements

The following are the contractual cash flow maturities of financial liabilities as at 30 June 2008

30 June 2008	Carrying Amount £000	Contractual Cash flows £000	6 mths or less £000	6-12 mths £000	1-2 years £000	2-5 years £000	More than 5 years £000
Non-derivative financial liabilities							
Trade and other payables – current	98,198	98,198	66 643	31,555	-	-	-
Trade and other payables – non current	5,905	5,905	-	-	5,905	-	-
Total	**104,103**	**104,103**	**66,643**	**31,555**	**5,905**	-	-

30 June 2007	Carrying Amount £000	Contractual Cash flows £000	6 mths or less £000	6-12 mths £000	1-2 years £000	2-5 years £000	More than 5 years £000
Non-derivative financial liabilities							
Trade and other payables – current	83,475	83,475	63,387	20,088	-	-	-
Trade and other payables – non current	5,905	5,905	-	-	5,905	-	-
Total	**89,380**	**89,380**	**63,387**	**20,088**	**5,905**	-	-

Net fair values of assets and liabilities

All financial instruments recognised on the balance sheet, including those instruments carried at amortised cost, are recognised at amounts that represent a reasonable approximation of fair value

Notes to the financial statements *(continued)*

25 Financial risk management *(continued)*

Capital management

When investing capital, the Company's objective is to deliver strong shareholder returns and to continue to generate high levels of liquid assets in line with the Lend Lease Corporation capital management goals

The Company actively manages the working capital on a daily basis with periodic narrative and recommendations prepared for senior management on movements, risk, exceptions and tracking against business targets The Company operates under a strict regime of contract billings and debtor payment cycle to maximise liquidity

There were no changes to the Company's approach to capital management during the year The Company is not subject to externally imposed capital requirements

26 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, Maindy, Cardiff

The latest full actuarial valuation was carried out at 31 March 2005 and was updated for IAS 19 purposes to 30 June 2008 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 2008 (2007 deficit) It has been agreed that an employer contribution rate of 16% of pensionable pay will apply in future years

Subsequent to the year end the scheme has been closed to the accrual of future benefits (note 29)

For the year ended 30 June 2008 the Company contributions paid to the Lend Lease UK Pension Scheme were £13,047,000 *(2007 £12,245,000)*

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

Notes to the financial statements *(continued)*

27 Related party transactions

The following transactions were carried out with related parties

a) Sale of goods and services

	2008 £000	2007 £000
Sale of goods to		
- Associates	**418,488**	267,255
Recharge of services to		
- The ultimate parent (legal and administration services)	**751**	1,653
- Associates	**37,613**	33,957
	456,852	302,865

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

	2008 £000	2007 £000
Purchases of goods from		
- Associates	**966**	522
Recharge of services by		
- Associates	**2,339**	2,443
- the immediate parent	**17,734**	13,094
	21,039	16,059

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

c) Key management compensation/directors

Refer to note 4

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

	2008 £000	2007 £000
Receivables from related parties (note 12)		
- Associates	**30,280**	8,425
- The ultimate and immediate parent	**-**	13
	30,280	8,438

Notes to the financial statements *(continued)*

27 Related party transactions *(continued)*

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

	2008 £000	2007 £000
Payables to related parties (notes 15 and 17)		
- Immediate parent	-	4
- Associates	385	359
	385	363

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 12,15 and 17

28 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, Maindy, Cardiff

29 Post balance sheet event

Subsequent to 30 June 2008 the terms of the Lend Lease UK Pension Scheme were amended to close the scheme to the accrual of future benefits with effect from 31 August 2008 An actuarial assessment of the benefit arising from the closure of the Scheme is disclosed in the financial statements of Bovis Lend Lease Holdings Limited (the Company's immediate parent undertaking) which is the legal sponsor of the scheme