

**Bovis Lend Lease Holdings Limited**

**Directors' report and financial  
statements**

**Registered number 231889**

**30 June 2004**



## **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 2004.

### Principal activities, future developments and review of the business

The company's principal activity is to act as a holding company for the Bovis Lend Lease group.

### Results

The company profit for the year after taxation amounted to £8,471,000 (2003: loss of £5,940,000). The directors do not recommend the payment of a final dividend (2003: *£nil*). No interim dividend was paid during the year (2003: *£nil*).

### Directors and directors' interests

Set out below are the directors who served during the year:

R Caven	(appointed 8 September 2003)
P Chadwick	(appointed 8 September 2003, resigned 7 May 2004)
A Chamberlain	(appointed 3 November 2003)
L Chatfield	(resigned 13 February 2004)
J Millett	(appointed 8 September 2003)
A Ring	(resigned 8 April 2004)
J Spanswick	
B Soller	(resigned 8 September 2003)

None of the directors who held office at the end of the year had any disclosable interest in group undertakings as recorded in the register of directors' interests.

### Political and charitable contributions

There were no donations of a political or charitable nature made during the year (2003: £14,852).

### Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



**N Martin**  
Company secretary

142 Northolt Road  
Harrow  
Middlesex  
HA2 0EE

16 December 2004

## Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

8 Salisbury Square  
London  
EC4Y 8BB  
United Kingdom

## **Independent auditors' report to the members of Bovis Lend Lease Holdings Limited**

We have audited the financial statements on pages 4 to 18.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in the auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions that we have formed.

### ***Respective responsibilities of directors and auditors***

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

### ***Basis of audit opinion***

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### ***Opinion***

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP  
Chartered Accountants  
Registered Auditor

8 Salisbury Square  
London  
EC4Y 8BB

17 December 2004

**Profit and loss account**  
*for the year ended 30 June 2004*

	<i>Note</i>	<b>Year ended 30 June 2004 £000</b>	<b>Year ended 30 June 2003 £000</b>
<b>Turnover</b>	<i>1</i>	<b>5</b>	18
Cost of sales		<b>(83)</b>	(8,642)
<b>Operating loss</b>		<b>(78)</b>	(8,624)
Amortisation of intangible fixed assets		<b>(21)</b>	(19)
Profit on disposal of fixed assets		<b>7</b>	15
Income from shares in group undertakings		<b>7,000</b>	-
Income from participating interests		<b>750</b>	-
Foreign exchange gain		<b>169</b>	-
<b>Profit / (loss) on ordinary activities before interest</b>		<b>7,827</b>	(8,628)
Interest receivable and similar income	<i>6</i>	<b>1,244</b>	575
Interest payable and similar charges	<i>7</i>	<b>(90)</b>	(201)
<b>Profit / (loss) on ordinary activities before taxation</b>	<i>3</i>	<b>8,981</b>	(8,254)
Tax on profit / (loss) on ordinary activities	<i>8</i>	<b>(510)</b>	2,314
<b>Profit / (loss) for the financial year</b>		<b>8,471</b>	(5,940)

No operations were acquired or discontinued during the year (2003: none).

There is no material difference between the result disclosed in the profit and loss account and the result given on an unmodified historical cost basis.

There were no gains or losses recognised in the year (2003: £nil) other than those shown above.

The notes to and forming part of these financial statements are set out on pages 6 to 18.

**Balance sheet**  
*as at 30 June 2004*

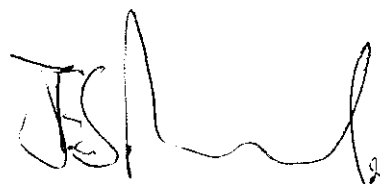
	Note	30 June 2004		30 June 2003	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	9		123		159
Investments	10		79,729		79,231
			<u>79,852</u>		<u>79,390</u>
<b>Current assets</b>					
Debtors	11	159,837		152,542	
Cash at bank and in hand		9,344		8,956	
		<u>169,181</u>		<u>161,498</u>	
<b>Creditors: amounts falling due within one year</b>	12	(50,886)		(51,212)	
<b>Net current assets</b>			<u>118,295</u>		<u>110,286</u>
<b>Net assets</b>			<u>198,147</u>		<u>189,676</u>
<b>Capital and reserves</b>					
Called up share capital	13		25,218		25,218
Share premium account	14		73,817		73,817
Revaluation reserve	14		34		34
Profit and loss account	14		99,078		90,607
<b>Equity shareholders' funds</b>	15		<u>198,147</u>		<u>189,676</u>

The notes to and forming part of these financial statements are set out on pages 6 to 18.

These financial statements were approved by the board of directors on 16 December 2004 and were signed on its behalf by:

  
Director

Director



## Notes to the financial statements

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain fixed assets.

The company is exempt from the requirement to prepare consolidated financial statements, by virtue of s228 of the Companies Act 1985. These financial statements present information about the company as an individual undertaking, and not its group.

Under Financial Reporting Standard No.1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly-owned subsidiary undertaking.

As the company is a wholly owned subsidiary of Lend Lease Corporation Limited, whose consolidated financial statements are available to the public, the company has taken advantage of the exemption in FRS 8 and has not disclosed any transactions or balances with other Lend Lease Corporation group companies or investees of the group. Details of the ultimate parent company are shown in note 19.

#### *Fixed assets and depreciation*

Depreciation is provided by the company to write off the cost of tangible fixed assets over their useful economic lives as follows:

Freehold buildings	-	2% per annum on a straight line basis
Motor vehicles	-	33% per annum on a reducing balance basis
Fixtures and fittings	-	10% - 25% per annum on a straight line basis
Office machinery and equipment	-	10% - 25% per annum on a straight line basis

No depreciation has been provided on freehold land.

#### *Investments*

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

#### *Foreign currencies*

Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### *Leased assets*

Rentals under operating leases are charged or credited to the profit and loss account on a straight line basis over the life of the lease.

#### *Post retirement benefits*

Contributions in respect of defined benefit pension schemes are calculated as a percentage, agreed on actuarial advice, of the pensionable salaries of employees. The cost of providing pensions is charged to the profit and loss account over the periods benefiting from the services of employees.

The company continues to apply the transitional arrangements of FRS 17. These are set out in note 18.



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

### 1 Accounting policies *(continued)*

#### *Taxation*

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

#### *Turnover*

Turnover represents the amounts (excluding value added tax) derived from sales to third parties and management charges receivable from subsidiary and group undertakings.

### 2 Segmental information

The company is a parent undertaking in the United Kingdom and accordingly all of its results are in that one segment.

### 3 Profit/(loss) on ordinary activities before taxation

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
<i>Profit / (loss) on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration and expenses for:		
Audit work	15	50
Non audit work	-	4
Depreciation of tangible fixed assets	39	54
Payroll costs	-	5,228
	<u>          </u>	<u>          </u>

### 4 Remuneration of directors

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Directors' emoluments	-	1,034
	<u>          </u>	<u>          </u>

The directors did not receive any emoluments in respect of their services to the company during the year. In 2003, the highest paid director received emoluments excluding pension contributions of £479,805.

No pension contributions have been made into any defined benefit schemes on behalf of any directors during the year (2003: one).

## Notes to the financial statements (continued)

### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	Year ended 30 June 2004	Year ended 30 June 2003
Management	-	11
Operational	-	21
	<hr/>	<hr/>
	-	32
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Wages and salaries	-	4,128
Social security costs	-	408
Other pension costs	-	692
	<hr/>	<hr/>
	-	5,228
	<hr/>	<hr/>

During the year, the employment of members of staff was transferred to Lend Lease (UK) Management Services Limited.

### 6 Interest receivable and similar income

	Year ended 30 June 2004	Year ended 30 June 2003
Receivable from parent and other group undertakings	3	6
Receivable from associated undertakings and joint ventures	1,093	348
Bank interest	145	221
Other	3	-
	<hr/>	<hr/>
	1,244	575
	<hr/>	<hr/>

### 7 Interest payable and similar charges

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Payable to group undertakings	90	201
	<hr/>	<hr/>

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

### 8 Tax on profit on ordinary activities

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

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
<i>Current tax:</i>		
UK corporation tax on profit / (loss) of the year	155	(2,428)
Adjustments in respect of previous periods	(7)	804
	<hr/>	<hr/>
Total current tax (note 8 (b))	148	(1,624)
<i>Deferred tax:</i>		
Origination and reversal of timing differences (note 8 (d))	355	(690)
Adjustments in respect of previous periods (note 8 (d))	7	-
	<hr/>	<hr/>
Tax charge / (credit) on profit / (loss) on ordinary activities	<u>510</u>	<u>(2,314)</u>

#### (b) Factors affecting tax charge for period

The tax assessed differs from the application of the standard rate of corporation tax in the UK (30%) to the company's accounting profit / (loss) before taxation for the following reasons:

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Profit / (loss) on ordinary activities before tax	8,981	(8,254)
	<hr/>	<hr/>
Profit / (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	2,694	(2,476)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	6	60
Non-taxable income	(2,325)	-
Tax on overseas subsidiary profit in previous year	-	102
Origination and reversal of timing differences	(355)	(12)
Withholding tax write-off	135	-
Adjustment in respect of previous periods	(7)	702
	<hr/>	<hr/>
Current tax charge / (credit) for the year (note 8 (a))	<u>148</u>	<u>(1,624)</u>

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

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

### 8 Tax on profit on ordinary activities *(continued)*

#### (c) Factors that may affect future tax charges

The effective rate of taxation will vary as a result of any dividends paid by subsidiaries.

#### (d) Deferred taxation

	30 June 2004 £000	30 June 2003 £000
Net deferred tax asset at start of year	690	-
(Charge) / credit for the year in the profit and loss account (note 8 (a))	(355)	690
Adjustments in respect of previous periods (note 8 (a))	(7)	-
Transferred to group undertaking	(301)	-
	<hr/>	<hr/>
Net deferred tax asset at end of year	27	690
	<hr/>	<hr/>

The amounts provided for deferred taxation are set out below:

	30 June 2004 £000	30 June 2003 £000
Depreciation in excess of capital allowances	6	-
Short term timing differences	21	690
	<hr/>	<hr/>
	27	690
	<hr/>	<hr/>

There is no unprovided deferred tax.

### 9 Tangible fixed assets

	Freehold land and buildings £000	Motor vehicles £000	Fixtures, fittings and equipment £000	Total £000
<b>Cost or valuation</b>				
At beginning of year	70	95	817	982
Additions	-	-	3	3
Disposals	-	(22)	-	(22)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	70	73	820	963
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At beginning of year	-	78	745	823
Charge for year	-	11	28	39
Disposals	-	(22)	-	(22)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	-	67	773	840
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 30 June 2004	70	6	47	123
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2003	70	17	72	159
	<hr/>	<hr/>	<hr/>	<hr/>

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

### 10 Fixed asset investments

	Shares in subsidiary undertakings	Other investments	Shares in joint ventures and associated undertakings	Total
	£000	£000	£000	£000
<b>Cost</b>				
At beginning of year	106,912	166	547	107,625
Additions	-	-	519	519
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	106,912	166	1,066	108,144
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Provisions / amortisation</b>				
At beginning of year	28,173	72	149	28,394
Amortised in the year	-	21	-	21
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	28,173	93	149	28,415
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 30 June 2004	<u>78,739</u>	<u>73</u>	<u>917</u>	<u>79,729</u>
At 30 June 2003	<u>78,739</u>	<u>94</u>	<u>398</u>	<u>79,231</u>

## Notes to the financial statements (continued)

### 10 Fixed asset 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
Bovis Lend Lease Limited	England and Wales	Project solutions	100%
Bovis Lend Lease International Limited	England and Wales	Project solutions	100%
Bovis Lend Lease (Scotland) Limited	Scotland	Project solutions	100%
Bovis Urban Renewal Limited	England and Wales	Urban redevelopment work	100%
Lehrer McGovern Bovis International Limited	England and Wales	Project solutions	100%
Lehrer McGovern International Limited	England and Wales	Project solutions	100%
Bovis Lelliott Limited	England and Wales	Project solutions	100%
Bovis Lend Lease Overseas Holdings Limited	England and Wales	Holding company	100%
Lend Lease Development Services (UK) Limited	England and Wales	Project solutions	100%
Bovis Tanvec Group Limited	England and Wales	Pharmaceutical consulting	100%
Catalyst Brescia Srl	Italy	PFI Company	50%
Catalyst Healthcare (Calderdale) Holdings Limited	England and Wales	PFI holding Company	19.9%
Catalyst Healthcare (Worcester) Holdings Limited	England and Wales	PFI holding Company	50%
Catalyst Healthcare (Hexham) Holdings Limited	England and Wales	PFI holding Company	50%
Catalyst Healthcare (Romford) Holdings Limited	England and Wales	PFI holding Company	50%
Catalyst Healthcare (Burnley) Holdings Limited	England and Wales	PFI holding Company	50%
Catalyst Healthcare (Roehampton) Holdings Limited	England and Wales	PFI holding Company	50%
Catalyst Healthcare (UK) Limited	England and Wales	Dormant	100%
Catalyst Healthcare Limited	England and Wales	Dormant	100%
FocusEducation Limited	England and Wales	PFI holding company	50%
Exchequer Partnership Holdings Limited	England and Wales	PFI holding company	50%
EP2 Limited	England and Wales	Dormant	42.5%
EP3 Holdings Limited	England and Wales	PFI holding company	50%
Exchequer Partnership (No2) Holdings Limited	England and Wales	PFI holding company	42.5%
EP Development Plc	England and Wales	Project solutions	42.5%
GOGGS Development Limited	England and Wales	Project solutions	42.5%

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

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

### 11 Debtors

	30 June 2004 £000	30 June 2003 £000
Trade debtors	-	272
Amounts owed by group undertakings:		
Subsidiary undertakings	1,687	1,725
Parent and other group undertakings	136,427	137,516
Group relief receivable	6,835	6,849
Dividend receivable	7,000	-
Amounts owed by associated undertakings and joint ventures	7,451	4,349
Other debtors	81	1,032
Prepayments and accrued income	329	109
Deferred tax asset (note 8 (d))	27	690
	<hr/> 159,837 <hr/>	<hr/> 152,542 <hr/>

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

	30 June 2004 £000	30 June 2003 £000
Amounts owed to group undertakings:		
Subsidiary undertakings	50,865	41,901
Other creditors	6	278
Accruals and deferred income	15	9,033
	<hr/> 50,886 <hr/>	<hr/> 51,212 <hr/>

### 13 Called up share capital

	30 June 2004		30 June 2003	
	Number of shares 000's	£000	Number of shares 000's	£000
<i>Authorised</i>				
Ordinary shares of £1 each	35,000	35,000	35,000	35,000
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	25,218	25,218	25,218	25,218
	<hr/>	<hr/>	<hr/>	<hr/>

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

### 14 Reserves

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000
At 30 June 2003	73,817	34	90,607
Profit for the year	-	-	8,471
	<hr/>	<hr/>	<hr/>
At 30 June 2004	73,817	34	99,078
	<hr/>	<hr/>	<hr/>

### 15 Reconciliation of movements in equity shareholders' funds

	30 June 2004 £000	30 June 2003 £000
Opening equity shareholders' funds	189,676	195,616
Retained profit / (loss) for the financial year	8,471	(5,940)
	<hr/>	<hr/>
Closing equity shareholders' funds	198,147	189,676
	<hr/>	<hr/>

### 16 Commitments

As at 30 June 2004, the company was contractually committed to pay £18,223,000 (2003: £9,936,000).

### 17 Contingent liabilities

There are contingent liabilities in respect of performance bonds and other undertakings entered into in the ordinary course of business. The company participates in a cross-guarantee arrangement with its principal bank in respect of the accounts of other group undertakings.



## Notes to the financial statements (continued)

### 18 Pension scheme

The company sponsors a defined benefits scheme and a defined contribution scheme, the Lend Lease UK Pension Scheme ("the Scheme"), for employees of the Bovis Lend Lease group of companies. During the year, employees paid 5% of their pensionable salaries and each employing company paid a uniform rate of 16% in relation to its own employees for the index-linked section of the Scheme, and employees paid 7% of their pensionable salaries and each employing company paid a uniform rate of 19.4% in relation to its own employees for the final salary section of the Scheme.

For the year ended 30 June 2004, the company contributions to the Scheme were nil (2003: £691,873).

In accordance with the requirement to obtain an actuarial valuation at least triennially, subsequent to the initial valuation of the Scheme as at 1 November 1999, there was an actuarial valuation of the Scheme as at 31 March 2002. The market valuation of the Scheme's assets at 31 March 2002 was £131.7m and the actuarial value of past service ongoing liabilities (after allowing for future projected increases in salaries) was £159.9m. This gave a past service deficit of £28.2m, a funding ratio of 82%, at that date. In the light of the deficit the company and employee contribution rates increased by 3.0% and 2.0% respectively, both with effect from 1 July 2003.

The future contribution rate to support accruing Scheme benefits is calculated on a projected unit basis. The assumptions which have the most significant effect on the resulting contribution rate are those relating to the annual rate of return on assets and the rates of increase in salaries and pensions in payment.

It has been assumed that the annual rate of return on assets pre-retirement is 6.2%, which is 1% higher than the annual return for post-retirement of 5.2%.

Salary increases have been assumed at 4.5% per annum (plus an allowance for promotional increases).

Increases for pre- and post-1997 pensions in payment were assumed at 2.3% per annum and 2.8% per annum respectively.

Price inflation was assumed at 3.0% per annum.

#### **FRS 17 retirement benefits**

The latest full actuarial valuation of the Scheme was carried out as at 31 March 2002 and updated to 30 June 2004 by a qualified independent actuary on a basis consistent with FRS 17. The memorandum amounts are disclosed below in accordance with the transitional arrangements of FRS 17.

The main financial assumptions used for the purposes of FRS 17 are as follows:

	30 June 2004 % p.a.	30 June 2003 % p.a.	30 June 2002 % p.a.
Discount rate	5.7	5.4	5.8
Rate of increase in salaries	4.5	4.1	4.1
Price inflation	3.0	2.6	2.6
Limited Price Indexation increases	2.8	2.6	2.6

## Notes to the financial statements (continued)

### 18 Pension scheme (continued)

The assets and liabilities of the Scheme measured under FRS 17 and the expected rates of return were:

	Long-term rate of return expected at 30 June 2004	Value at 30 June 2004 £000	Long-term rate of return expected at 30 June 2003	Value at 30 June 2003 £000	Long-term rate of return expected at 30 June 2002	Value at 30 June 2002 £000
Equities	8.0% p.a	121,700	7.5% p.a.	99,300	8.0% p.a.	96,100
Corporate bonds	5.7% p.a	22,600	-	-	-	-
Fixed interest gilts	5.0% p.a	7,300	4.5% p.a.	25,400	5.0% p.a.	25,600
Cash	4.8% p.a	1,300	3.0% p.a.	-	3.5% p.a.	-
Total assets	7.5% p.a	152,900	6.9% p.a.	124,700	7.4% p.a.	121,700
Present value of Scheme liabilities		(211,100)		(189,700)		(157,400)
Deficit in Scheme		(58,200)		(65,000)		(35,700)
Related deferred tax liability (assuming corporation tax at 30%)		17,500		19,500		10,700
Net pension liability		(40,700)		(45,500)		(25,000)

The amount chargeable to operating profit and finance income for the year ended 30 June 2004 had FRS 17 been operative is as follows:

	Year ended 30 June 2004		Year ended 30 June 2003	
	£000	£000	£000	£000
<b>Operating cost</b>				
Service cost	(10,000)		(10,400)	
Curtailment loss	(1,900)		(2,300)	
Total operating cost		(11,900)		(12,700)
<b>Other finance items</b>				
Expected return on scheme assets	9,000		9,300	
Interest on scheme liabilities	(10,500)		(9,400)	
Total finance cost		(1,500)		(100)
<b>Pension costs under FRS 17</b>		(13,400)		(12,800)

## Notes to the financial statements (continued)

### 18 Pension scheme (continued)

The amount recognisable in the Statement of Total Recognised Gains and Losses ("STRGL") had FRS 17 been operative is as follows:

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Actual return less expected return on assets	5,400	(10,800)
Changes in liability assumptions	2,000	(14,900)
<b>Actuarial gains / (losses) recognised in the STRGL</b>	<b>7,400</b>	<b>(25,700)</b>

The movement in the deficit during the year is analysed below:

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Deficit in Scheme at beginning of year	(65,000)	(35,700)
Movement in year:		
Service cost	(10,000)	(10,400)
Curtailments/settlements	(1,900)	(2,300)
Contributions paid	12,800	9,200
Other finance income	(1,500)	(100)
Actuarial gains/(losses)	7,400	(25,700)
	<b>6,800</b>	<b>(29,300)</b>
<b>Deficit in Scheme at end of year</b>	<b>(58,200)</b>	<b>(65,000)</b>

The history of experience gains and losses is analysed below:

	Year ended 30 June 2004	Year ended 30 June 2003
Actual return less expected return on assets:		
Amount (£000)	5,400	(10,800)
Percentage of assets	3.5%	8.7%
Experience gains/(losses) on liabilities:		
Amount (£000)	-	-
Percentage of liabilities	-	-
Actuarial gains/(losses) recognised in STRGL:		
Amount (£000)	7,400	(25,700)
Percentage of liabilities	3.5	13.5%

If FRS 17 had been adopted, the profit and loss account reserve for the year ended 30 June 2004 would have reduced by £9,400,000 (2003: £9,000,000) and shareholders' funds at 30 June 2004 would have reduced by £15,700,000 (2003: £20,500,000).

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

### 19 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Bovis Lend Lease Investments Limited, which is registered in Jersey. 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, or from its website at [www.lendlease.com.au](http://www.lendlease.com.au).

The smallest group in which the financial statements of the company are consolidated is that headed by Lend Lease Europe Holdings Limited. The consolidated financial statements of this group may be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff.