

Bovis Lend Lease Holdings Limited

**Directors' report and financial
statements**

Registered number 231889

30 June 2006



Directors' report and financial statements

Contents

Directors' report	1
Statement of directors' responsibilities	3
Independent auditors' report to the members of Bovis Lend Lease Holdings Limited	4
Profit and loss account	6
Balance sheet	7
Statement of Total Recognised Gains and Losses	8
Notes	9 - 20

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2006

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. It holds interests principally in the trading entities of the European Bovis Lend Lease group. Significant subsidiaries are disclosed in Note 9 of the Notes to the accounts. The company is its subsidiary of Lend Lease Europe Holdings Limited, an entity which prepares consolidated accounts for the wider European Lend Lease group of companies.

Business review

The company will continue to act as a holding company for the Bovis Lend Lease group for the foreseeable future. The company holds investments in the trading subsidiaries of the group and associate investments in the group's Public Finance Initiative (PFI) activities. The carrying value of the company's investments is supported by current and future expected financial performance of its subsidiary and associate activities.

The company's underlying trading subsidiaries are in a strong position for future years. There is significant new work secured in the year across all sector investments. The company's main trading subsidiary, Bovis Lend Lease Limited, has secured a number of medium sized projects such as Old Broad Street, London and Hardman Square, Manchester. In addition, major new projects secured by Bovis Lend Lease Limited include Sheffield University student accommodation and St David's shopping centre in Cardiff. The capital value of Bovis Lend Lease Limited order backlog is circa £4 billion.

Results

The company loss for the year after taxation amounted to £11,649,000 (2005 profit £21,817,000). The directors do not recommend the payment of a final dividend (2005 £nil). No interim dividend was paid during the year (2005 £122,841,000).

The balance sheet at 30 June 2005 has been restated to reflect the full application of FRS 17.

Directors and directors' interests

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

RG Caven
A Chamberlain (resigned 30 September 2005)
J Millett (resigned 31 July 2006)
J Spanswick

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.

Subsequent to the year end, Mr M Coleman was appointed to director effective 12 July 2006 and resigned 7 August 2006. Mr H Mursell was appointed director 24 July 2006 and resigned 7 November 2006. Mr R Thompson was appointed director 24 July 2006 and resigned 4 September 2006. Mr R Johnston was appointed director 7 August 2006.

Political and charitable contributions

There were no donations of a political or charitable nature made during the year (2005 £nil).

Disclosures of information to the 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

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



A Cutts

Company secretary

142 Northolt Road
Harrow
Middlesex, HA2 0EE

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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 UK Accounting Standards.

The financial statements are required by law to 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 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 whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 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

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 of Bovis Lend Lease Holdings for the year ended 30 June 2006 which comprise of the Profit and Loss Account, the Balance Sheet and the Statement of Total Recognised Gains and Losses 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

As described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 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 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.

Independent auditors' report to the members of Bovis Lend Lease Holdings Limited
(continued)

Opinion

In our opinion the financial statements

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2006 and of its loss for the year then ended,
- 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

12 April 2007

Profit and loss account
for the year ended 30 June 2006

	<i>Note</i>	Year ended 30 June 2006	Year ended 30 June 2005 (restated see note 1)
		£000	£000
Turnover		-	-
Cost of sales		-	(43)
		<hr/>	<hr/>
Gross loss		-	(43)
Administrative expenses		(1,412)	(3,286)
		<hr/>	<hr/>
Operating loss		(1,412)	(3,329)
Amortisation of intangible fixed assets		(24)	(19)
Gain on disposal of equity accounted investments		11,158	-
Loss on write down of investments in subsidiary undertakings		(26,450)	-
Income from shares in group undertakings		3,055	24,200
Income from participating interests		-	225
Foreign exchange (loss) / gain		(21)	46
		<hr/>	<hr/>
(Loss) / profit on ordinary activities before interest		(13,694)	21,123
Interest receivable and similar income	5	2,517	1,691
Interest payable and similar charges	6	(212)	(1,313)
		<hr/>	<hr/>
(Loss) / profit on ordinary activities before taxation	3	(11,389)	21,501
Tax on (loss) / profit on ordinary activities	7	(260)	316
		<hr/>	<hr/>
(Loss) / profit for the financial year		(11,649)	21,817
		<hr/> <hr/>	<hr/> <hr/>

No operations were acquired or discontinued during the year (2005 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


The notes to and forming part of these financial statements are set out on pages 9 to 20

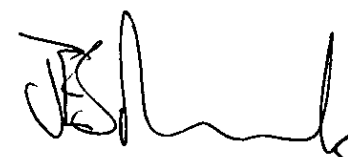
Balance sheet
as at 30 June 2006

	Note	30 June 2006		30 June 2005 (restated see note 1)	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	8		70		70
Investments	9		102,638		79,785
			<u>102,708</u>		<u>79,855</u>
Current assets					
Debtors	10	118,047		117,487	
Cash at bank and in hand		904		6,003	
		<u>118,951</u>		<u>123,490</u>	
Creditors amounts falling due within one year	11	(46,976)		(31,243)	
Net current assets			71,975		92,247
Provisions for liabilities and charges	17		(61,600)		(76,500)
Net assets			<u>113,083</u>		<u>95,602</u>
Capital and reserves					
Called up share capital	12		30,219		30,218
Share premium account	13		143,816		118,817
Revaluation reserve	13		34		34
Profit and loss account	13		(60,986)		(53,467)
Equity shareholders' funds	15		<u>113,083</u>		<u>95,602</u>

The notes to and forming part of these financial statements are set out on pages 9 to 20

These financial statements were approved by the board of directors on 30 March 2007 and were signed on its behalf by

 Director

 Director

Statement of total recognised gains and losses
for the year ended 30 June 2006

	30 June 2006 £000	30 June 2005 £000 (restated see note 1)
(Loss) / profit for the financial year	(11,649)	21,817
Actuarial gain / (loss) recognised in the pension scheme	5,900	(15,400)
Deferred tax arising on Actuarial gain / (loss) recognised in the pension scheme	(1,770)	4,620
	<hr/>	<hr/>
Total recognised gains and losses relating to the financial year	(7,519)	11,037
	<hr/>	<hr/>
Prior year adjustments (see note 1)	(53,547)	
	<hr/>	
Total gains and losses recognised since last annual report	(61,066)	
	<hr/>	

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 except as noted below

Restatement of prior year – Full Adoption of FRS 17 'Retirement benefits'

The prior year has been restated to reflect FRS 17 'Retirement benefits' which has been fully adopted in the year. The impact of adoption has been to decrease prior period net assets by £53,547,000, increase the loss for the year by £2,026,000 and decrease other gains and losses by £10,780,000

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 18.

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 if there is a permanent diminution in value.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

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

Post retirement benefits

The Company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency of liability.

The pension scheme deficit is recognised in full. The movement in the scheme deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

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.

Notes to the financial statements *(continued)*

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 (Loss) / profit on ordinary activities before taxation

	Year ended 30 June 2006 £000	Year ended 30 June 2005 £000
<i>(Loss)/profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration and expenses for Audit work	20	15
Depreciation of tangible fixed assets	-	6
Amortisation of fixed asset investments	24	19
	<hr/>	<hr/>

4 Remuneration of directors

The directors did not receive any emoluments in respect of their services to the company during the year or previous final year

No pension contributions have been made into any defined benefit schemes on behalf of any directors during the year by the company (2005 none)

5 Interest receivable and similar income

	Year ended 30 June 2006 £000	Year ended 30 June 2005 £000
Receivable from parent and other group undertakings	50	-
Receivable from associated undertakings and joint ventures	1,843	1,645
Bank interest	224	46
Other finance income	400	-
	<hr/>	<hr/>
	2,517	1,691
	<hr/>	<hr/>

6 Interest payable and similar charges

	Year ended 30 June 2006 £000	Restated Year ended 30 June 2005 £000
Payable to group undertakings	212	13
Other finance charges	-	1,300
	<hr/>	<hr/>
	212	1,313
	<hr/>	<hr/>

Notes to the financial statements *(continued)*

7 Tax on profit on ordinary activities

(a) Analysis of (credit) / charge on (loss) / profit on ordinary activities

	Year ended 30 June 2006 £000	Year ended 30 June 2005 £000 (restated see note 1)
<i>Current tax</i>		
UK corporation tax on (loss)/ profit of the year	(2,440)	501
Adjustments in respect of previous periods	-	54
	<hr/>	<hr/>
Total current tax (note 7 (b))	(2,440)	555
<i>Deferred tax</i>		
Origination and reversal of timing differences (note 7 (d))	2,701	(871)
Adjustment in respect of previous periods (note 7 (d))	(1)	-
	<hr/>	<hr/>
Tax charge / (credit) on (loss) / profit on ordinary activities	<u>260</u>	<u>(316)</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 before taxation for the following reasons

	Year ended 30 June 2006 £000	Year ended 30 June 2005 £000
(Loss) / profit on ordinary activities before tax	(11,389)	21,501
	<hr/>	<hr/>
(Loss)/ profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(3,417)	6,450
Effects of		
Expenses not deductible for tax purposes	7,944	512
Non-taxable income	(4,263)	(7,328)
Origination and reversal of timing differences	(2,704)	867
Adjustment in respect of previous periods	-	54
	<hr/>	<hr/>
Current tax (credit) / charge for the year (note 7 (a))	<u>(2,440)</u>	<u>555</u>

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

(c) Factors that may affect future tax charges

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

Notes to the financial statements (continued)

7 (d) Deferred taxation

	Year ended 30 June 2006 £000	Year ended 30 June 2005 £000 (restated see note 1)
Net deferred tax asset at start of year (restated for adoption of FRS 17)	22,974	17,484
(Charge) / credit for the year in the profit and loss account (note 7 (a))	(2,701)	870
(Charge)/credit for the year in reserves	(1,770)	4,620
Net deferred tax asset at end of year	18,503	22,974

The amounts provided for deferred taxation are set out below

	30 June 2006 £000	30 June 2005 (restated see note 1) £000
Short term timing differences		
-Pension deficit	18,480	22,950
-Other	23	24
	18,503	22,974

There is no unprovided deferred tax

Notes to the financial statements (continued)

8. Tangible fixed assets

	Freehold land and buildings £000	Motor vehicles £000	Total £000
<i>Cost or valuation</i>			
At the beginning and end of the year	70	73	143
<i>Depreciation</i>			
At the beginning and end of the year	-	73	73
<i>Net book value</i>			
At 30 June 2006	70	-	70
At 30 June 2005	70	-	70

9. Fixed asset investments

	Shares in subsidiary undertakings £000	Other investments £000	Shares in joint ventures and associated undertakings £000	Total £000
<i>Cost</i>				
At beginning of year	106,912	166	1,141	108,219
Additions	50,000	-	4,305	54,305
Disposals	(9,722)	(152)	(888)	(10,762)
At end of year	147,190	14	4,558	151,762
<i>Provisions / amortisation</i>				
At beginning of year	28,173	112	149	28,434
Amortisation in the year	-	1	23	24
Write down of investments	25,000	-	-	25,000
Disposals	(4,221)	(113)	-	(4,334)
At end of year	48,952	-	172	49,124
<i>Net book value</i>				
At 30 June 2006	98,238	14	4,386	102,638
At 30 June 2005	78,739	54	992	79,785

Notes to the financial statements *(continued)*

9. 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 (Scotland) Limited	Scotland	Project solutions	100%
Bovis Urban Renewal Limited	England and Wales	Urban regeneration	100%
Bovis Lelliott Limited	England and Wales	Project solutions	100%
Bovis Lend Lease Overseas Holdings Limited	England and Wales	Holding company	100%
Bovis Tanvec Group Limited	England and Wales	Pharmaceutical consulting	100%
Catalyst Investment Holdings Limited	England and Wales	PFI holding company	50%
Catalyst Higher Education Sheffield Limited	England and Wales	PFI holding company	50%
Catalyst Healthcare (Romford) Holdings Limited	England and Wales	PFI holding company	50%
Catalyst Healthcare (Rochampton) Holdings Limited	England and Wales	PFI holding company	50%
Catalyst Healthcare (Manchester) Holdings Limited	England and Wales	PFI holding company	50%
Catalyst Lend Lease Limited	England and Wales	PFI management company	100%
Catalyst Healthcare (UK) Limited	England and Wales	Dormant	33%
Catalyst Healthcare Limited	England and Wales	Dormant	33%
Focus Education Limited	England and Wales	PFI holding company	50%
Elephant Life Limited	England and Wales	Property Development	100%
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	50%
EP Development Plc (in liquidation)	England and Wales	Project solutions	42.5%
GOGGS Development Limited	England and Wales	Project solutions	42.5%
Lehrer McGovern Bovis International Limited	England and Wales	Project solutions	100%
Lehrer McGovern International Limited	England and Wales	Project solutions	100%
Lend Lease FAB Technologies	England and Wales	Project solutions	100%
Vita Lend Lease Limited	England and Wales	Facilities management	100%
Bovis Lend Lease CEMEA Investments Limited	England and Wales	PFI holding company	100%
Lend Lease Projects Limited (formerly know as Lend Lease Development Services (UK) Limited)	England and Wales	Project solutions	100%

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)*

10. Debtors

	30 June 2006	30 June 2005 (restated see note 1)
	£000	£000
Amounts owed by group undertakings		
Parent and other group undertakings	63,725	64,009
Group relief receivable	8,484	6,282
Dividend receivable	3,835	1,200
Amounts owed by associated undertakings and joint ventures	23,251	22,858
Other debtors	-	10
Prepayments and accrued income	249	154
Deferred tax asset (note 7 (d))	18,503	22,974
	<u>118,047</u>	<u>117,487</u>

11. Creditors: amounts falling due within one year

	30 June 2006	30 June 2005
	£000	£000
Amounts owed to group undertakings		
Subsidiary undertakings	46,970	31,237
Other creditors	6	6
	<u>46,976</u>	<u>31,243</u>

12. Called up share capital

	30 June 2006		30 June 2005	
	Number of shares 000's	£000	Number of shares 000's	£000
Authorised				
Ordinary shares of £1 each	35,000	35,000	35,000	35,000
	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>
Allotted, called up and fully paid				
Ordinary shares of £1 each	30,219	30,219	30,218	30,218
	<u>30,219</u>	<u>30,219</u>	<u>30,218</u>	<u>30,218</u>

During the year, the company issued its immediate parent, Lend Lease Europe Holdings Limited, with an additional 1,000 ordinary shares at a premium of £24,999 per share. Voting rights for new shares issued remain the same.

Notes to the financial statements *(continued)*

13. Reserves

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000
At 30 June 2005	118,817	34	80
Prior period adjustment (see note 1)	-	-	(53,547)
At 30 June 2005 as restated	118,817	34	(53,467)
Premium on share issue	24,999	-	-
Loss for the financial year	-	-	(11,649)
Actuarial gain from pension scheme	-	-	5,900
Deferred tax arising on Actuarial gain in pension scheme	-	-	(1,770)
At 30 June 2006	143,816	34	(60,986)

14. Reconciliation of movements in equity shareholders' funds

	30 June 2006 £000	30 June 2005 (restated see note 1) £000
Opening equity shareholders' funds (originally £149,149,000 before deducting prior year adjustment of £53,547,000 - see note 1)	95,602	157,406
Share capital issued	1	5,000
Premium on share issue	24,999	45,000
Retained (loss) / profit for the financial year	(11,649)	21,817
Dividends on equity shares	-	(122,841)
Actuarial gain from pension scheme	5,900	(15,400)
Deferred tax arising on Actuarial gain in pension scheme	(1,770)	4,620
Closing equity shareholders' funds	113,083	95,602

15. Commitments

As at 30 June 2006, the company was contractually committed to pay £27,001,000 (2005 £22,991,000). All commitments relate to commitments to the construction of PFI investments held by Bovis Lend Lease Holdings.

16. 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)*

17. Pension scheme

The Company operates a pension scheme providing benefits based on final pensionable pay. The latest full actuarial valuation was carried out at 31 March 2005 and was updated for FRS 17 purposes to 30 June 2005 and 30 June 2006 by a qualified independent actuary who was an employee of Hewitt Bacon & Woodrow Limited.

It has been agreed that an employer contribution rate of 16% of pensionable pay will apply in future years.

The major assumptions used in this valuation were:

	30 June 2006 % p.a.	30 June 2005 % p.a.	30 June 2004 % p.a.
Pension increases post April 2005	2.6	2.3	-
Rate of increase in salaries	4.5	4.2	4.5
Inflation assumption	3.0	2.7	3.0
Discount rate applied to scheme liabilities	5.3	5.0	5.6

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long-term rate of return expected at 30 June 2006	Value at 30 June 2006 £000	Long-term rate of return expected at 30 June 2005	Value at 30 June 2005 £000	Long-term rate of return expected at 30 June 2004	Value at 30 June 2004 £000
Equities	8.6% p.a.	149,800	7.8% p.a.	150,400	8.0% p.a.	121,700
Corporate bonds	5.2% p.a.	35,600	5.0% p.a.	27,900	5.7% p.a.	22,500
Fixed interest gilts	4.6% p.a.	12,000	4.3% p.a.	9,100	5.0% p.a.	7,300
Cash	4.8% p.a.	37,200	4.8% p.a.	1,800	4.8% p.a.	1,300
Total assets	7.3% p.a.	234,600	7.2% p.a.	189,200	7.5% p.a.	152,800
Present value of Scheme liabilities		(296,200)		(265,700)		(211,000)
Deficit in Scheme		(61,600)		(76,500)		(58,200)
Related deferred tax		18,480		22,950		17,460
Net pension liability		(43,120)		(53,550)		(40,740)

Notes to the financial statements *(continued)*

17. Pension scheme *(continued)*

Movement in surplus/deficit during the year

	30 June 2006 £000	30 June 2005 £000
Surplus/(deficit) in scheme at beginning of year	(76,500)	(58,200)
Current service cost	(14,600)	(12,500)
Contributions paid	23,500	12,500
Past service cost	-	-
Curtailment costs	(300)	(1,600)
Other finance income/(cost)	400	(1,300)
Actuarial gain/(loss)	5,900	(15,400)
	<hr/>	<hr/>
Surplus/deficit in the scheme at the end of the year	(61,600)	(76,500)
	<hr/>	<hr/>

Analysis of other pension costs charged in arriving at operating profit/loss

	30 June 2006 £000	30 June 2005 £000
Current service cost	14,600	12,500
Gains/losses on settlements or curtailments	300	1,600
	<hr/>	<hr/>
	14,900	14,100
	<hr/>	<hr/>

Analysis of amounts included in other finance income/ (costs)

	30 June 2006 £000	30 June 2005 £000
Expected return on pension scheme assets	14,000	11,900
Interest on pension scheme liabilities	(13,600)	(13,200)
	<hr/>	<hr/>
	400	(1,300)
	<hr/>	<hr/>

Analysis of amount recognised in statement of total recognised gains and (losses)

	30 June 2006 £000	30 June 2005 £000
Actual return less expected return on scheme assets	14,800	13,800
Experience gains and losses arising on scheme liabilities	(8,800)	(700)
Changes in assumptions underlying the present value of scheme liabilities	(100)	(28,500)
	<hr/>	<hr/>
Actuarial gain / (losses) recognised in statement of total recognised gains and losses	5,900	(15,400)
	<hr/>	<hr/>

Notes to the financial statements *(continued)*

17. Pension scheme *(continued)*

History of experience gains and losses

	Year ended 30 June 2006	Year ended 30 June 2005	Year ended 30 June 2004	Year ended 30 June 2003	Year ended 30 June 2002
Difference between the expected and actual return on scheme assets					
Amount (£000)	14.8	13.8	5.4	(10.8)	(22.4)
Percentage of year end scheme assets	6.3%	7.3%	3.5%	8.7%	18.4%
Experience gains and losses on scheme liabilities					
Amount (£000)	(8.8)	(0.7)	(14.5)	-	(22.6)
Percentage of year end present value of scheme liabilities	3.0%	0.3%	6.3%	0.0%	14.4%
Total amount recognised in statement of total recognised gains and losses					
Amount (£000)	5.9	(15.4)	(12.1)	(25.7)	(46.6)
Percentage of year end present value of scheme liabilities	2.0%	5.8%	5.2%	13.5%	29.6%

18. Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Lend Lease Europe 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, 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, which is the company's immediate parent undertaking. The consolidated financial statements of this group may be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff.