

AMENDING

Bovis Lend Lease Holdings Limited
Directors' report and
financial statements
Registered number 231889
30 June 2009

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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 2009.

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 7 October 2009.

Business review

The Company has continued to act as the holding company for the Bovis Lend Lease group and has continued to earn income from its investments in its associated undertakings. The profit on ordinary activities before taxation amounted to £27,551,000 (2008: £1,921,000), which included a curtailment gain of £24.9m from the closure of the final salary section of the Lend Lease UK Pension Scheme with effect from 31 August 2008.

The Company's trading subsidiaries remain in a robust position for future years by consolidating on previous organic growth in the face of exceptional market conditions. The current consolidation was achieved through the continued diversification into public sector works. Notable success in the year was achieved through the successful bid on Birmingham BSF, the ongoing pipeline of works with the MOD through the SLAM 1 & 2 and SW Prime frameworks and the commencement of on-site delivery of the Athletes Village for the 2012 Olympics. This successful diversification has helped to offset the downturn in Commercial and Retail Sector opportunities.

In addition to the Company's trading subsidiaries 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's trading subsidiaries anticipate playing a key role in these regeneration projects over the coming years.

Results and dividend

The Company's profit for the year after taxation amounted to £16,234,000 (2008: loss of £218,000). The directors do not recommend a final dividend for the year (2008: £nil) and no interim dividend was paid during the year (2008: £nil).

Directors and directors' interests

The directors who served during the year are listed below:

J Spanswick	
C N Pollard	
G Taylor	
R G Caven	(resigned 25 March 2008)
B Dew	(appointed 8 September 2008)
P Johnson	(resigned 15 May 2009)
P Varga	(appointed 15 May 2009)

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.

Directors' report *(continued)*

Political and charitable contributions

There were no donations of a political or charitable nature made during the year (2008: £nil).

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.

By order of the board



B Dew
Director

142 Northolt Road
Harrow
Middlesex
HA2 0EE

7 October 2009

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 IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 they have been prepared in accordance with IFRSs as adopted by the EU; 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 Holdings Limited

We have audited the financial statements of Bovis Lend Lease Holdings Limited for the year ended 30 June 2009 set out on pages 6 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. 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 auditors' 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 explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



W. Meredith (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

8 Salisbury Square
London
EC4Y 8BB

7th October 2009

Income statement

For the year ended 30 June 2009

	Notes	2009 £000	2008 £000
Administrative expenses		(987)	(1,162)
Operating loss		(987)	(1,162)
Finance income	5	31,818	7,447
Finance costs	6	(3,281)	(4,364)
Profit before taxation	3	27,550	1,921
Taxation	7	(11,316)	(2,139)
Profit/(loss) for the year	14	16,234	(218)

No operations were acquired or discontinued during the year (2008: 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 2009

	Notes	2009 £000	2008 £000
Non-current assets			
Property, plant and equipment	8	70	70
Investments	9	154,071	154,071
Deferred tax assets	11	6,290	15,886
		<u>160,431</u>	<u>170,027</u>
Current assets			
Trade and other receivables	10	67,543	79,958
Cash and cash equivalents		909	1,146
		<u>68,452</u>	<u>81,104</u>
Total assets		228,883	251,131
Current liabilities			
Trade and other payables	12	(58,131)	(62,313)
		<u></u>	<u></u>
Net current assets		10,321	18,791
Total assets less current liabilities		170,752	188,818
Non-current liabilities			
Retirement benefit obligations	18	(22,400)	(56,700)
		<u></u>	<u></u>
Net assets		148,352	132,118
		<u><u></u></u>	<u><u></u></u>
Equity			
Ordinary shares	13	55,219	55,219
Share premium account	14	143,816	143,816
Revaluation reserve	14	34	34
Retained earnings	14	(50,717)	(66,951)
		<u>148,352</u>	<u>132,118</u>
Total equity		148,352	132,118
		<u><u></u></u>	<u><u></u></u>

These financial statements were approved by the board of directors on 7 October 2009 and were signed on its behalf by:



B Dew
Director

Statement of changes in shareholders' equity

For the year ended 30 June 2009

	Notes	Ordinary share capital £000	Ordinary share premium £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 July 2007		55,219	143,816	34	(66,733)	132,336
Retained loss for the year		-	-	-	(218)	(218)
Balance at 30 June 2008		55,219	143,816	34	(66,951)	132,118
Retained profit for the year	14	-	-	-	16,234	16,234
Balance at 30 June 2009		55,219	143,816	34	(50,717)	148,352

Cash flow statement

For the year ended 30 June 2009

	Notes	2009 £000	2008 £000
Cash flows from operating activities			
Cash generated from operations	15	(14,560)	(14,644)
Interest received		3,423	2,399
Interest paid		(3,281)	(4,364)
Income tax paid in respect of operations		10,686	1,120
Net cash outflow from operating activities		(3,732)	(15,489)
Cash flows from investing activities			
Interest income from loan stock investments in subsidiary and associated undertakings		3,495	5,048
Proceeds from disposal of interest in subsidiary and associated undertakings		-	6,840
Net cash used in investing activities		3,495	11,888
Net decrease in cash and cash equivalents		(237)	(3,601)
Cash and cash equivalents at beginning of year		1,146	4,747
Cash and cash equivalents at end of year		909	1,146

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 and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted 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 in the ordinary course of business net of value added tax.

a) Interest income

Interest income is recognised on a time proportionate basis using the effective interest method.

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
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Investments

Equity investments in subsidiary and associated undertakings 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.

Cash and cash equivalents

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

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

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.

Post retirement benefits

The Company operates a group pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. The Company has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Company pays a fixed contribution into a separate entity.

The asset and liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets together with adjustments for unrecognised and actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate or government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

All actuarial gains and losses as at 1 July 2005, the date of transition to IFRS, were recognised. In respect of actuarial gains and losses that arise subsequent to 1 July 2005, in calculating the consolidated entity's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10% of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised in the income statement.

Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, past service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Company pays contributions to publicly or privately administered superannuation/pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that cash refund or a reduction in the future payments is available.

Notes to the financial statements (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.

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

	2009 £000	2008 £000
<i>Profit/(loss) before taxation is stated after charging/(crediting):</i>		
Auditors' remuneration charged to the Income Statement: Audit of the financial statements of the Company	25	41
Foreign exchange loss	-	204
	<hr/>	<hr/>

Notes to the financial statements *(continued)*

4 Remuneration of directors

The directors did not receive any emoluments or pension contributions in respect of their services to the Company during the current or previous year.

The following disclosures are in respect of remuneration received by the directors from the Company's subsidiary undertakings:

Directors' emoluments

	2009 £000	2008 £000
Aggregate emoluments	1,726	1,608
Aggregate amounts (excluding shares) received under long term incentive schemes	-	127
Company contributions to money purchase pension schemes	148	117
	<u>1,874</u>	<u>1,852</u>

Retirement benefits are accruing to three directors (2008: *three directors*) under a defined benefit scheme and two directors (2008: *two directors*) under a defined contribution scheme.

Highest paid director

	2009 £000	2008 £000
Total amount of emoluments and amounts receivable under long-term incentive schemes	<u>475</u>	<u>583</u>

5 Finance income

	2009 £000	2008 £000
Interest receivable from associated undertakings and joint ventures	3,495	5,048
Bank and other interest	23	199
Pension income	3,400	2,200
Pension curtailment gain	24,900	-
	<u>31,818</u>	<u>7,447</u>

6 Finance costs

	2009 £000	2008 £000
Interest payable to group undertakings	(3,281)	(4,364)
	<u>(3,281)</u>	<u>(4,364)</u>

Notes to the financial statements (continued)

7 Taxation

a) Tax on profit on ordinary activities

	2009 £000	2008 £000
Current tax:		
UK corporation tax	(210)	(168)
Adjustment in respect of prior periods	1,930	-
Current tax charge/(credit)	1,720	(168)
Deferred tax:		
Other temporary differences	9,604	2,296
Adjustment in respect of previous periods	(8)	11
Tax on profit on ordinary activities (note 7 (b))	11,316	2,139

b) Reconciliation of the total tax charge

The tax charge for the year on the profit on ordinary activities is higher than the notional tax charge on those profits calculated at the UK corporation tax rate of 28% (2008: 29.5%).

Any differences are explained below:

	2009 £000	2008 £000
Profit on ordinary activities before tax	27,550	1,921
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008: 29.5%)	7,714	567
Effects of:		
Other permanent differences	1,680	1,770
Adjustments in respect of previous periods	1,922	(75)
Effect of change of rate	-	(123)
Total tax (credit)/charge for year (note 7 (a))	11,316	2,139

8 Property, plant and equipment

	Freehold land and buildings £000	Total £000
<i>Cost or valuation</i>		
At 1 July 2008 and 30 June 2009	70	70

Notes to the financial statements (continued)

9 Investments

	Shares in subsidiary undertakings £000	Other investments £000	Total £000
<i>Cost</i>			
At 1 July 2008 and 30 June 2009	154,057	14	154,071

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 Lelliot 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
Lehrer McGovern Bovis International Limited	England and Wales	Project solutions	100
Lehrer McGovern International Limited	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	England and Wales	Project solutions	100
Catalyst Lend Lease Holdings Limited	England and Wales	PFI holding company	100
Crowngap Construction Limited	England and Wales	Project solutions	100
Lend Lease UK Pension Trustee Limited	England and Wales	Pension Trustee	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.

10 Trade and other receivables

	2009 £000	2008 £000
Amounts due from related parties (note 19)		
Parent and other group undertakings	67,543	70,918
Group relief receivable	-	9,040
	<u>67,543</u>	<u>79,958</u>

Notes to the financial statements (continued)

11 Deferred taxation

The deferred tax amounts are recognised as follows:

	2009 £000	2008 £000
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	6,290	15,886

Deferred tax assets	Pensions £000	Other £000	Total £000
At 1 July 2007	18,171	22	18,193
Charged to the income statement	(2,307)	-	(2,307)
At 30 June 2008	15,864	22	15,886
Deferred tax charge relating to profit (note 7a)	(9,604)	-	(9,604)
Adjustments in respect of prior years	8	-	8
At 30 June 2009	6,268	22	6,290

The deferred tax asset relates to the retirement benefit obligation associated with the Lend Lease UK Pension Scheme.

12 Current trade and other payables

	2009 £000	2008 £000
Amounts due to related parties (note 19)	54,753	62,303
Other payables	12	10
Corporation tax	3,366	-
	58,131	62,313

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

13 Called up share capital

	2009 Number of shares		2008 Number of shares	
	000's	£000	000's	£000
Authorised				
Ordinary shares of £1 each	60,000	60,000	60,000	60,000
Allotted, called up and fully paid				
Ordinary shares of £1 each	55,219	55,219	55,219	55,219

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)*

14 Reserves

	Share premium account	Revaluation reserve	Retained earnings
	£000	£000	£000
As at 1 July 2008	143,816	34	(66,951)
Profit for the year	-	-	16,234
At 30 June 2009	143,816	34	(50,717)

15 Cash flows from operating activities

	2009 £000	2008 £000
Cash flows from operating activities		
Net profit/(loss)	16,234	(218)
Adjustments for:		
Tax charge	11,316	2,139
Finance cost	3,281	4,364
Interest income	(6,918)	(7,447)
Amortisation and provisions	-	10
	23,913	(1,152)
Changes in working capital:		
Decrease/(increase) in trade and other receivables	3,375	(7,271)
Decrease in prepayments	-	1,385
(Decrease)/increase in amounts due to related parties	(7,550)	594
Decrease in other payables and pensions obligations	(34,300)	(8,200)
Increase in other liabilities	2	-
Cash generated from operations	(14,560)	(14,644)

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.

17 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.

Notes to the financial statements *(continued)*

17 Financial risk management *(continued)*

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.

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

Price risk

Price risk is the risk that the fair value of either a traded or non-traded equity instrument, derivative equity instrument, or a portfolio of such financial instruments decreases in the future. The Company is exposed to price risk on assets and liabilities of the Lend Lease UK Pension Scheme (refer Note 18). Except for the Pension Scheme, the Company does not have significant equity investments or investments in commodities and does not consider itself to be exposed to any significant equity, commodity or other price risk.

Credit risk

The Company 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.

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.

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 net 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 £43,000 (2008:£127,000).

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.

Notes to the financial statements (continued)

17 Financial risk management (continued)

The following are the contractual cash flow maturities of financial liabilities as at 30 June 2009:

30 June 2009	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	58,131	58,131	12	58,119	-	-	-
Trade and other payables – non current	22,400	22,400	-	22,400	-	-	-
Total	80,531	80,531	12	80,519	-	-	-
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	62,313	62,313	10	62,303	-	-	-
Trade and other payables – non current	56,700	56,700	-	56,700	-	-	-
Total	119,013	119,013	10	119,003	-	-	-

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.

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.

18 Pension scheme

The Company acts as a sponsor for its group pension scheme, the Lend Lease UK Pension Scheme which is a funded Scheme of the defined benefit type. A separate section, the Personal Investment Section, provides retirement benefits on a defined contribution basis. The Company's contributions to members' PIF accounts are not included in these disclosures.

The Final Salary Section was closed to future accrual on 31 August 2008 and members of this Section joined the Index- Linked Section for service from 1 September 2008. These members have retained leaving service benefits in the Final Salary Section.

Notes to the financial statements (continued)

18 Pension scheme (continued)

For the year ended 30 June 2009 the total Company contributions paid to the Defined Benefit Section of the Lend Lease UK Pension Scheme were £21,100,000 (2008: £21,000,000).

These contributions were based on the funding agreement following the full actuarial valuation of the Lend Lease UK Pension Scheme carried out by the Scheme Actuary as at 31 March 2005. Discussions have reached an advanced stage to agree the future funding of the Scheme following the actuarial valuation as at 31 March 2008. The Company and Trustee have agreed a deadline for submitting the formal documentation of 30 October 2009 and have notified the Pensions Regulator.

The disclosures have been based on the full assessment of the liabilities of the Scheme as at 31 March 2008. The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method.

There exists a pension deficit in the scheme as at 30 June 2009 (2008: deficit). Regular employer contributions to the Lend Lease UK Pension Scheme in 2009/10 are estimated to be £15.1m (2008/09: £15.7m).

a) Principal actuarial assumptions

	30 June 2009 % p.a.	30 June 2008 % p.a.	30 June 2007 % p.a.	30 June 2006 % p.a.
Pension increases post April 2005	2.7	2.9	2.7	2.6
Rate of increase in salaries	n/a	5.6	4.7	4.5
Inflation assumption	3.9	4.1	3.2	3.0
Discount rate applied to scheme liabilities	6.5	6.4	5.5	5.3
Expected rate of return	6.1	7.0	7.5	7.3

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.

The overall expected rate of return on the scheme assets is weighted average of the individual expected rates of return on each asset class.

Bovis Lend Lease employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Scheme at the 30 June 2009.

b) Balance sheet amounts

The amounts recognised in the balance sheet are determined as follows:

	30 June 2009 £000	30 June 2008 £000
Present value of defined benefit obligations	(338,700)	(335,800)
Fair value of plan assets	274,000	298,100
Unrecognised actuarial gains	42,300	(19,000)
	<u>(22,400)</u>	<u>(56,700)</u>

Notes to the financial statements *(continued)*

18 Pension scheme *(continued)*

c) Reconciliation of the present value of defined benefit obligations

	30 June 2009 £000	30 June 2008 £000
Present value of defined benefit obligations at beginning of financial year	335,800	323,000
Current service cost	10,200	14,900
Interest cost on benefit obligation	20,300	17,900
Contributions by Scheme participants	200	-
Actuarial gains/(losses)	9,600	(11,500)
Benefits paid	(12,900)	(8,500)
Curtailments	(24,500)	-
Present value of defined benefit obligations at end of financial year	<u>338,700</u>	<u>335,800</u>

d) Reconciliation of the fair value of plan assets

	30 June 2009 £000	30 June 2008 £000
Fair value of plan assets at beginning of financial year	298,100	274,300
Expected return on plan assets	18,800	20,000
Actuarial gains	(51,300)	(8,900)
Contributions by group companies	21,100	21,000
Contributions by Scheme participants	200	-
Benefits paid	(12,900)	(8,300)
Fair value of plan assets at end of financial year	<u>274,000</u>	<u>298,100</u>

e) Expense recognised in the income statement

	30 June 2009 £000	30 June 2008 £000
Current service cost	10,200	14,900
Interest cost on benefit obligation	20,300	17,900
Expected return on plan assets	(18,800)	(20,000)
Curtailment cost	(24,900)	-
Net defined benefit plan expense	<u>(13,200)</u>	<u>12,800</u>
Group recovery	<u>13,200</u>	<u>(15,000)</u>
Net pension income (note 5)	<u>-</u>	<u>(2,200)</u>

Notes to the financial statements (continued)

18 Pension scheme (continued)

f) Actual return on plan assets

	30 June 2009 £000	30 June 2008 £000
Expected return on assets	18,800	20,000
Actuarial gain on assets	(51,300)	(8,900)
Actual return on assets	<u>(32,500)</u>	<u>11,100</u>

g) Categories of plan assets

	% held at 30 June 2009	% held at 30 June 2008
Equity instruments	32	43
Corporate bonds	15	-
Multi strategy funds	9	11
Liability driven instruments (including Government bonds)	40	45
Other	4	1
	<u>100</u>	<u>100</u>

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 2009 % p.a.	Value at 30 June 2009 £000	Long-term rate of return expected at 30 June 2008 % p.a.	Value at 30 June 2008 £000	Long-term rate of return expected at 30 June 2007 % p.a.	Value at 30 June 2007 £000	Long-term rate of return expected at 30 June 2006 % p.a.	Value at 30 June 2006 £000
Equities	8.5	112,700	8.4	161,500	8.9	182,800	8.6	149,800
Corporate bonds	6.0	41,100	5.4	-	5.4	-	5.2	35,600
Fixed interest gilts	4.9	-	4.9	-	4.9	-	4.6	12,000
Liability driven investments	4.2	109,400	5.2	133,700	4.7	76,100	-	-
Other	2.0	10,800	6.0	2,900	5.5	15,400	4.8	37,200
Balance at 30 June 2009	6.1	274,000	7.0	298,100	7.5	274,300	7.3	234,600

Notes to the financial statements *(continued)*

18 Pension scheme (continued)

History of experience gains and losses

	30 June 2009	30 June 2008	30 June 2007	30 June 2006
	£000	£000	£000	£000
Plan assets	274,000	298,100	274,300	234,600
Defined benefit obligation	(338,700)	(335,800)	(323,000)	(296,200)
Deficit	(64,700)	(37,700)	(48,700)	(61,600)
Experience adjustment arising on plan assets	(51,300)	(8,900)	7,500	15,500
Experience adjustment arising on plan liabilities	(12,900)	(400)	(2,900)	(8,800)

19 Related party transactions

The following transactions were carried out with related parties:

a) Finance income

Included in finance income is interest received from group and associated undertakings as follows:

	2009	2008
	£000	£000
Associated undertakings	3,495	5,048

Interest is earned at rates of LIBOR plus margin of 1.5% per annum.

b) Finance costs

Finance costs during the current and previous year represents interest payable on certain balances with group undertakings. Interest is charged at LIBOR plus margin of 1.5%.

c) Year-end balances arising from group funding arrangements, dividends and group relief

	2009	2008
	£000	£000
Amounts due from parent and other group undertakings (Note 10)	67,543	70,918
Group relief receivable	-	9,040
Amounts due from subsidiary and other group undertakings (Note 12)	54,753	62,303

Amounts due from parent and other group undertakings are unsecured, have no fixed repayment terms and bear interest at LIBOR plus margin of 1.5% per annum.

Amounts due to subsidiary and other group undertakings have no fixed repayment terms and £53,400,000 (2008: £59,181,000) of the balance bears interest at LIBOR plus margin of 1.5% per annum. The remaining balance is non-interest bearing.

Notes to the financial statements *(continued)*

20 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, 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, 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.