

Bovis Lend Lease Holdings Limited

Directors' report and
financial statements

30 June 2010

Registered number 231889

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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 2010

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 2010

Results and dividend

The Company's loss for the year after taxation amounted to £3,437,000 (2009 profit of £16,234,000). The directors do not recommend a final dividend for the year (2009 £nil) and no interim dividend was paid during the year (2009 £nil).

Directors and directors' interests

The directors who served during the year are listed below

J Spanswick
C N Pollard (resigned 4 June 2010)
G Taylor
B E J Dew
P Varga

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

Political and charitable contributions

There were no donations of a political or charitable nature made during the year (2009 £nil)

Directors' report *(continued)*

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

Pursuant to Section 487 of the Companies Act 2006, auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



B Dew

Director

142 Northolt Road
Harrow
Middlesex
HA2 0EE

7 October 2010

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

15 Canada Square
London
E14 5GL

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 2010 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 Chapter 3 of Part 16 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 2010 and of its loss 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

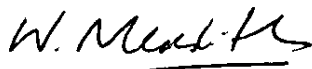
Opinion on other matter prescribed by the Companies Act 2006

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

15 Canada Square
London
E14 5GL

7 October 2010

Statement of Comprehensive Income
For the year ended 30 June 2010

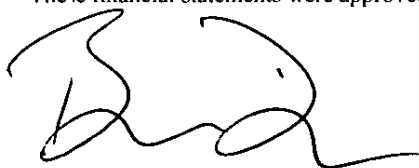
	Notes	2010 £000	2009 £000
Administrative expenses		(1)	(987)
Operating loss		(1)	(987)
Finance income	5	345	31,818
Finance costs	6	(467)	(3,281)
Loss/(profit) before taxation	3	(123)	27,550
Taxation	7	(3,313)	(11,316)
Loss/(profit) for the year	14	(3,436)	16,234
Other comprehensive income		-	-
Other comprehensive income for the period, net of tax		-	-
Other comprehensive income for the period		(3,436)	16,234

No operations were acquired or discontinued during the year (2009 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 2010*

	<i>Notes</i>	2010	2009
		£000	£000
Non-current assets			
Property, plant and equipment	8	70	70
Investments	9	154,071	154,071
Deferred tax assets	11	2,836	6,290
		<u>156,977</u>	<u>160,431</u>
Current assets			
Trade and other receivables	10	3,681	67,543
Cash and cash equivalents		706	909
		<u>4,387</u>	<u>68,452</u>
Total assets		161,364	228,883
Current liabilities			
Trade and other payables	12	(6,348)	(58,131)
		<u>(1,961)</u>	<u>10,321</u>
Net current assets		155,016	170,752
Total assets less current liabilities		144,916	148,352
Non-current liabilities			
Retirement benefit obligations	18	(10,100)	(22,400)
		<u>(10,100)</u>	<u>(22,400)</u>
Net assets		144,916	148,352
Equity			
Ordinary shares	13	55,219	55,219
Share premium account	14	143,816	143,816
Revaluation reserve	14	34	34
Retained earnings	14	(54,153)	(50,717)
		<u>144,916</u>	<u>148,352</u>
Total equity		144,916	148,352

These financial statements were approved by the board of directors on 7 October 2010 and were signed on its behalf by



B Dew
Director

Statement of changes in shareholders' equity
For the year ended 30 June 2010

	Notes	Ordinary share capital £000	Ordinary share premium £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 July 2008		55,219	143,816	34	(66,951)	132,118
Retained profit for the year		-	-	-	16,234	16,234
Balance at 30 June 2009	14	55,219	143,816	34	(50,717)	148,352
Retained loss for the year		-	-	-	(3,436)	(3,436)
Balance at 30 June 2010		55,219	143,816	34	(54,153)	144,916

Cash flow statement
For the year ended 30 June 2010

	Notes	2010 £000	2009 £000
Cash flows from operating activities			
Cash generated from operations	15	(108)	(14,560)
Interest received		300	3,423
Interest paid		(467)	(3,281)
Income tax paid in respect of operations		28	10,686
Net cash outflow from operating activities		(247)	(3,732)
Cash flows from investing activities			
Interest income from loan stock investments in subsidiary and associated undertakings		44	3,495
Proceeds from disposal of interest in subsidiary and associated undertakings		-	-
Net cash used in investing activities		44	3,495
Net decrease in cash and cash equivalents		(203)	(237)
Cash and cash equivalents at beginning of year		909	1,146
Cash and cash equivalents at end of year		706	909

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 400 of the Companies Act 2006 and IAS 27 – Consolidated and Separate 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 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

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

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

Notes to the financial statements (continued)

1 Accounting policies (continued)

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 a cash refund or a reduction in the future payments is available.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes to the financial statements (continued)

Critical judgements in applying the entity's accounting policies

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

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

2 Segmental information

The Company's turnover and results arose from, and the Company's net assets are deployed in, providing project solutions in the construction industry, primarily in the United Kingdom.

3 Profit before taxation

2010	2009
£000	£000

Profit/(loss) before taxation is stated after charging/(crediting).

Auditors' remuneration

Audit of the financial statements of the Company

20	25
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The remuneration of the auditors for the current and prior accounting years has been borne by fellow group undertaking.

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

2010	2009
£000	£000

Aggregate emoluments

1,377	1,726
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Company contributions to money purchase pension schemes

89	148
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1,466	1,874
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Retirement benefits are accruing to two directors (2009: three directors) under a defined benefit scheme and two directors (2009: two directors) under a defined contribution scheme.

Notes to the financial statements (continued)

4 Remuneration of directors (continued)

Highest paid director

	2010 £000	2009 £000
Total amount of emoluments and amounts receivable under long-term incentive schemes	551	475

5 Finance income

	2010 £000	2009 £000
Interest receivable from associated undertakings and joint ventures	-	3,495
Bank and other interest	-	23
Pension income	300	3,400
Dividend income	45	-
Pension curtailment gain	-	24,900
	345	31,818

6 Finance costs

	2010 £000	2009 £000
Interest payable to group undertakings	(467)	(3,281)
	(467)	(3,281)

7 Taxation

a) Tax on loss/(profit) on ordinary activities

	2010 £000	2009 £000
Current tax:		
UK corporation tax	(131)	(210)
Adjustments in respect of previous periods	-	1,930
Current tax charge	(131)	1,720
Deferred tax:		
Temporary differences	-	9,604
Other temporary differences	3,444	-
Adjustments in respect of prior years	-	(8)
Deferred tax charge	3,444	9,596
Total tax charge/(credit) in the statement of comprehensive income	3,313	11,316

Notes to the financial statements (continued)

7 Taxation

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 (losses)/profits calculated at the UK corporation tax rate of 28% (2009 28%)

Any differences are explained below

	2010 £000	2009 £000
Loss/(profit) on ordinary activities before tax	(123)	27,550
Tax at 28% (2009 28%)	(34)	7,714
Effects of Other permanent differences	(12)	1,680
Adjustments in respect of previous periods	3,359	1,922
Total tax charge for year (note 7 (a))	3,313	11,316

8 Property, plant and equipment

	Freehold land and buildings	Total
	2010 £000	2009 £000
<i>Cost or valuation</i>		
At 1 July 2009 and 30 June 2010	70	70

9 Investments

	Shares in subsidiary undertakings	Other investments	Total
	£000	£000	£000
<i>Cost</i>			
At 1 July 2009 and 30 June 2010	154,057	14	154,071

Notes to the financial statements (continued)

9 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 Lelliot Limited	England and Wales	Project solutions	100
Bovis Lend Lease Overseas Holdings Limited	England and Wales	Holding company	100
Bovis Tanvee 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

	2010	2009
	£000	£000
Amounts due from related parties (note 19)		
Parent and other group undertakings	3,681	67,543
	<hr/>	<hr/>

11 Deferred taxation

The deferred tax included in the balance sheet is as follows

	2010	2009
	£000	£000
Fixed asset related temporary differences	(8)	(8)
Other temporary differences	(2,828)	(6,272)
	<hr/>	<hr/>
	(2,836)	(6,280)
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Notes to the financial statements (continued)

11 Deferred taxation (continued)

	Pensions £000	Other £000	Total £000
At 1 July 2008	6,264	-	6,264
Charged to the income statement	8	8	16
At 30 June 2009	6,272	8	6,280
Deferred tax charge relating to profit (note 7a)	(3,444)		(3,444)
Adjustments in respect of prior years			
At 30 June 2010	2,828	8	2,836

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

The Emergency Budget of 22 June 2010 announced a reduction in the main rate of UK Corporation Tax to 27% effective from 1 April 2011 and a further one per cent reduction in the rate per annum thereafter to 2014. The change in the tax rate was not substantively enacted at the balance sheet date, but if it had been, the overall effect on the deferred tax asset would have been a reduction of up to £405,000.

12 Current trade and other payables

	2010 £000	2009 £000
Amounts due to related parties (note 19)	3,097	54,753
Other payables	-	12
Corporation tax	3,251	3,366
	6,348	58,131

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

13 Called up share capital

	2010		2009	
	000's	£000's	000's	£000's
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 £000	Revaluation reserve £000	Retained earnings £000
As at 1 July 2009	143,816	34	(50,717)
Loss for the year	-	-	(3,436)
At 30 June 2010	143,816	34	(54,153)

15 Cash flows from operating activities

	2010 £000	2009 £000
Cash flows from operating activities	(3,436)	16,234
Net profit/(loss)		
Adjustments for		
Tax charge	3,313	11,316
Finance cost	467	3,281
Interest income	(345)	(6,918)
Amortisation and provisions	-	-
	(1)	23,913
Changes in working capital		
Decrease/(increase) in trade and other receivables	63,862	3,375
(Decrease)/increase in amounts due to related parties	(51,657)	(7,550)
Decrease in other payables and pensions obligations	(12,300)	(34,300)
Increase in other liabilities	(12)	2
Cash generated from operations	(108)	(14,560)

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 had nil impact on the Company's profit before taxation (2009 £43,000).

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 2010

30 June 2010	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	6,348	6,348	-	6,348	-	-	-
Trade and other payables – non current	10,100	10,100	-	10,100	-	-	-
Total	16,448	16,448	-	16,448	-	-	-
<hr/>							
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	-	-	-
<hr/>							

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 2010 the total Company contributions paid to the Defined Benefit Section of the Lend Lease UK Pension Scheme were £24,600,000 (2009 £21,100,000)

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 2008, finalised on 26 October 2009

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 is currently a pension deficit in the scheme as at 30 June 2010 (2009 deficit) Regular employer contributions to the Lend Lease UK Pension Scheme in 2010/11 are estimated to be £12.0m (2009/10 £15.1m)

a) Principal actuarial assumptions

	30 June 10	30 June 09	30 June 08	30 June 07
	% p.a	% p.a	% p.a	% p.a
Pension increases post April 2005	2.6	2.7	2.9	2.7
Rate of increase in salaries	n/a	n/a	5.6	4.7
Inflation assumption	3.7	3.9	4.1	3.2
Discount rate applied to scheme liabilities	5.4	6.5	6.4	5.5
Expected rate of return	6.3	6.1	7.0	7.5

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 2010

b) Balance sheet amounts

The amounts recognised in the balance sheet are determined as follows

	30 June 10 £000	30 June 09 £000
Present value of defined benefit obligations	(381,200)	(338,700)
Fair value of plan assets	334,700	274,000
Unrecognised actuarial gains	36,400	42,300
	<u>(10,100)</u>	<u>(22,400)</u>

Notes to the financial statements (continued)

18 Pension scheme (continued)

c) Reconciliation of the present value of defined benefit obligations

	30 June 10 £000	30 June 09 £000
Present value of defined benefit obligations at beginning of financial year	338,700	335,800
Current service cost	7,200	10,200
Interest cost on benefit obligation	20,200	20,300
Contributions by Scheme participants	100	200
Actuarial gains/(losses)	28,300	9,600
Benefits paid	(18,600)	(12,900)
Curtailments	-	(24,500)
Present value of defined benefit obligations at end of financial year	<u>375,900</u>	<u>338,700</u>

d) Reconciliation of the fair value of plan assets

	30 June 10 £000	30 June 09 £000
Fair value of plan assets at beginning of financial year	274,000	298,100
Expected return on plan assets	15,900	18,800
Actuarial gains	35,800	(51,300)
Contributions by group companies	24,600	21,100
Contributions by Scheme participants	100	200
Benefits paid	(18,600)	(12,900)
Fair value of plan assets at end of financial year	<u>331,800</u>	<u>274,000</u>

e) Expense recognised in the income statement

	30 June 10 £000	30 June 09 £000
Current service cost	7,200	10,200
Interest cost on benefit obligation	20,200	20,300
Expected return on plan assets	(15,900)	(18,800)
Net actuarial (gain)/loss recognised in year	800	-
Curtailment cost	-	(24,900)
Net defined benefit plan expense	<u>12,300</u>	<u>(13,200)</u>
Group recovery	<u>(12,600)</u>	<u>9,800</u>
Net pension income (note 5)	<u>(300)</u>	<u>(3,400)</u>

Notes to the financial statements (continued)

18 Pension scheme (continued)

f) Actual return on plan assets

	30 June 10 £000	30 June 09 £000
Expected return on assets	15,900	18,800
Actuarial gain on assets	35,800	(51,300)
Actual return on assets	<u>51,700</u>	<u>(32,500)</u>

g) Categories of plan assets

	% held at 30 June 10	% held at 30 June 09
Equity instruments	35	32
Corporate bonds	14	15
Multi strategy funds	8	9
Liability driven instruments (including Government bonds)	33	40
Other	10	4
	<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 2010 % p a	Value at 30 June 2010 £000	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
Equities	8.3	143,300	8.5	112,700	8.4	161,500	8.9	182,800
Corporate bonds	5.3	48,400	6.0	41,100	5.4	-	5.4	-
Liability driven investments	4.1	109,000	4.2	109,400	5.2	133,700	4.7	76,100
Other	1.5	34,000	2.0	10,800	6.0	2,900	5.5	15,400
Balance at 30 June	6.3	334,700	6.1	274,000	7.0	298,100	7.5	274,300

Notes to the financial statements (continued)

18 Pension scheme (continued)

History of experience gains and losses

	30 June 10 £000	30 June 09 £000	30 June 08 £000	30 June 07 £000
Plan assets	334,700	274,000	298,100	274,300
Defined benefit obligation	(381,200)	(338,700)	(335,800)	(323,000)
Deficit	(46,500)	(64,700)	(37,700)	(48,700)
Experience adjustment arising on plan assets	38,700	(51,300)	(8,900)	7,500
Experience adjustment arising on plan liabilities	9,800	(12,900)	(400)	(2,900)

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

	2010 £000	2009 £000
Associated undertakings	-	3,495

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

	2010 £000	2009 £000
Amounts due from parent and other group undertakings (Note 10)	3,681	67,543
Amounts due to subsidiary and other group undertakings (Note 12)	3,097	54,753

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 bears interest at LIBOR plus margin of 1.5% per annum, 2010 nil (2009 £53,400,000) 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, Mandy, Cardiff.