

Lehrer McGovern Bovis International Limited

**Directors' report and financial
statements**

Registered number 2951287

30 June 2001



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 2001.

Principal activities

The company's principal activity is as a provider of project solutions in the construction industry.

The company is engaged in providing management services to the "Ben Gurion 2000" airport project in Israel. The project was originally scheduled for completion in June 1999 but will now continue until mid 2003.

Business review

The profit for the year was £1,381,331 (2000: loss £1,628,571).

Directors and directors' interests

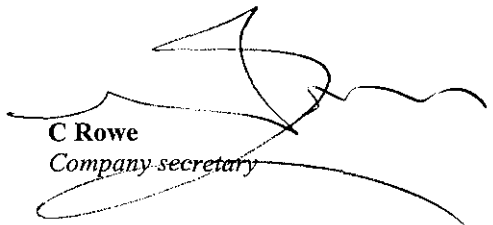
Set out below are the directors who served during the year:

M Bodner
P Chadwick
D Chalmers
AD Silverbeck

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

No other directors served during the year.

By order of the board



C Rowe
Company secretary

142 Northolt Road
Harrow
Middlesex
HA2 0EE

25 April 2002

Statement of directors' responsibilities

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

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

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



KPMG

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Report of the independent auditors to the members of Lehrer McGovern Bovis International Limited

We have audited the financial statements on pages 4 to 12.

Respective responsibilities of directors and auditors

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

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

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditor

25 April

2002

Profit and loss account
for the year ended 30 June 2001

	<i>Note</i>	Year ended 30 June 2001	18 month period ended 30 June 2000
		£	£
Turnover	2	6,106,210	7,565,590
Cost of sales		(4,351,706)	(8,717,794)
Gross profit/(loss)		1,754,504	(1,152,204)
Administrative expenses		(316,150)	(455,794)
Operating profit/(loss)	3	1,438,354	(1,607,998)
Interest receivable and similar income	6	14,993	66,080
Interest payable and similar charges	7	(16,846)	(19,068)
Profit/(loss) on ordinary activities before taxation		1,436,501	(1,560,986)
Tax on profit/(loss) on ordinary activities	8	(55,170)	(67,585)
Retained profit/(loss) for the financial year		1,381,331	(1,628,571)

No operations were acquired or discontinued during the year (2000: none). There is no material difference between the results disclosed in the profit and loss account and the result given on an unmodified historical cost basis.

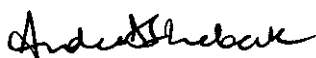
Statement of total recognised gains and losses
for the year ended 30 June 2001

	Year ended 30 June 2001	18 month period ended 30 June 2000
	£	£
Profit/(loss) for the financial year	1,381,331	(1,628,571)
Currency translation differences on foreign currency net investments	(93,258)	15,135
	<hr/>	<hr/>
Total recognised gains and losses	1,288,073	(1,613,436)
	<hr/>	<hr/>

Balance sheet
as at 30 June 2001

	<i>Note</i>	30 June 2001	30 June 2000
		£	£
Fixed assets			
Tangible assets	9	216,665	255,558
Current assets			
Debtors: amounts falling due within one year	10	348,481	313,442
Cash at bank and in hand		571,461	596,319
		<u>919,942</u>	<u>909,761</u>
Creditors: amounts falling due within one year	11	<u>(1,398,515)</u>	<u>(2,715,300)</u>
Net current liabilities		<u>(478,573)</u>	<u>(1,805,539)</u>
Net liabilities		<u>(261,908)</u>	<u>(1,549,981)</u>
Capital and reserves			
Called up share capital	12	100	100
Profit and loss account	13	(262,008)	(1,550,081)
Equity shareholders' funds	14	<u>(261,908)</u>	<u>(1,549,981)</u>

These financial statements were approved by the board of directors on 25 April 2002 and were signed on its behalf by:



AD Silverbeck
Director

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. Notwithstanding the deficiency in net assets, these accounts have been prepared on a going concern basis because of continuing support from the immediate parent undertaking.

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.

The related party transactions note included in the consolidated financial statements of the intermediary parent undertaking complies with the conditions of Financial Reporting Standard No. 8 'Related Party Transactions'. The company is therefore exempt from the requirement to prepare a separate note.

Turnover

Turnover represents the amounts exclusive of value added tax.

Fixed assets and depreciation

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

Office furniture	7 – 15% per annum, straight line
Motor vehicles	15% per annum, straight line
Computers & peripheral equipment	20 – 33% per annum, straight line

Profits

Profits are brought to account:

- for property construction, progressively at an amount equivalent to general overheads or an amount equivalent to the value of work performed when the outcome of a contract can be reliably determined (the company does not consider that the outcome of a construction contract can be reliably determined until it is at least 50% complete);
- for goods and services, when such goods or services have been supplied or rendered.

Stage of completion is measured by reference to actual costs to date as a percentage of total forecast costs for each contract. Provision is made for losses incurred or foreseen in bringing the contract to completion as soon as they become apparent.

Amounts recoverable on contracts

Amounts recoverable on contracts are included at cost plus attributable profit estimated to be earned to date, less provision for foreseeable losses and less progress payments received and receivable.

Payments received on account

Any excess of progress payments received and receivable on contracts over cost plus attributable profit estimated to be earned to date, less provisions for foreseeable losses, is included in creditors.

Notes (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the year end exchange rates. Exchange differences arising from the retranslation of the opening net investment in a foreign branch at the closing rate are recorded as a movement on reserves. Profits and losses of branches which have currencies of operation other than sterling are translated into sterling at the average rates for the period and any exchange differences are taken to the profit and loss account.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

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 Israel.

3 Profit/(loss) on ordinary activities before taxation

	Year ended 30 June 2001	18 month period ended 30 June 2000
	£	£
<i>Profit/(loss) on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration (in Israel)		
Audit work	7,865	3,000
Non audit work	26,108	60,000
Depreciation of tangible fixed assets	73,866	141,566

The remuneration of the auditors in the UK for the current and prior accounting periods has been borne by a fellow group undertaking.

4 Remuneration of directors

The directors did not receive any remuneration from the company for their services during the year (2000: £nil).

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period was 7 (2000: 7). In addition, the company has been charged by other fellow subsidiaries for the cost of their staff seconded to the project.

	Year ended 30 June 2001	18 month period ended 30 June 2000
	£	£
Wages and salaries	1,907,339	2,092,730
Social security costs	5,826	5,615
	<u>1,913,165</u>	<u>2,098,345</u>

6 Interest receivable and similar income

	Year ended 30 June 2001	18 month period ended 30 June 2000
	£	£
Interest receivable from banks	<u>14,993</u>	<u>66,080</u>

7 Interest payable and similar charges

	Year ended 30 June 2001	18 month period ended 30 June 2000
	£	£
Interest payable to banks and other parties	<u>16,846</u>	<u>19,068</u>

8 Taxation

	Year ended 30 June 2001	18 month period ended 30 June 2000
	£	£
Israeli corporation tax charge in year	<u>55,170</u>	<u>67,585</u>

No current year UK tax charge has been recognised because the reported profit on ordinary activities before taxation included the release of a general provision made in previous years for which no tax deduction was taken.

Notes (continued)

9 Tangible fixed assets

	Office furniture £	Motor vehicles £	Total £
Cost			
At beginning of year	453,654	145,314	598,968
Foreign exchange	22,381	7,169	29,550
Additions	31,371	-	31,371
Disposals	(10,875)	-	(10,875)
At end of year	496,531	152,483	649,014
Depreciation			
At beginning of year	256,705	86,705	343,410
Foreign exchange	12,664	4,278	16,942
Charge	51,371	22,495	73,866
Disposals	(1,869)	-	(1,869)
At end of year	318,871	113,478	432,349
Net book value			
At 30 June 2001	177,660	39,005	216,665
At 30 June 2000	196,949	58,609	255,558

10 Debtors: amounts falling due within one year

	30 June 2001 £	30 June 2000 £
Trade debtors	250,121	252,270
Other debtors	35,094	20,141
Prepayments and accrued income	63,266	41,031
	348,481	313,442

Notes (continued)

11 Creditors: amounts falling due within one year

	30 June 2001 £	30 June 2000 £
Trade creditors	49,406	38,342
Amounts owed to group undertakings:		
Parent company	46,858	34,830
Fellow subsidiary undertakings	658,599	581,745
Other creditors including taxation and social security:		
Corporation tax	112,128	97,136
Tax and social security	40,507	25,820
Accruals and deferred income	491,017	1,937,427
	<u>1,398,515</u>	<u>2,715,300</u>

None of the amounts owed to parent company or fellow subsidiary undertakings are interest bearing or have fixed repayment schedules.

12 Called up share capital

	30 June 2001 £	30 June 2000 £
<i>Authorised, allotted, called up and fully paid:</i>		
Ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

13 Reserves

	Profit and loss account	
	Year ended 30 June 2001	18 month period ended 30 June 2000
	£	£
At beginning of year	(1,550,081)	63,255
Retained profit/(loss) for year	1,381,331	(1,628,471)
Foreign currency translation differences	(93,258)	15,135
	<u>(262,008)</u>	<u>(1,550,081)</u>
At end of year	(262,008)	(1,550,081)

Notes (continued)

14 Reconciliation of movement in equity shareholders' funds

	Year ended 30 June 2001	18 month period ended 30 June 2000
	£	£
Retained profit/(loss) for the year	1,381,331	(1,628,471)
Opening equity shareholders' funds	(1,549,981)	63,355
Foreign currency translation differences	(93,258)	15,135
Closing equity shareholders' funds	(261,908)	(1,549,981)

15 Contingent liabilities

The Israel branch has received income tax assessments for the years 1995 – 1999 (inclusive), whereby additional taxes (including interest and penalties) of some NIS 10.2 million (approximately £ 1,732,000) are claimed mainly for differences in payroll gross-ups and withholdings. The branch has filed an appeal and rejected all of the bases for the additional tax claims. This amount has not been provided for in the financial statements as the directors consider, having received external professional advice, that it is likely that the appeal will be successful.

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

The company is a subsidiary undertaking of Bovis Lend Lease 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 46, Australia Square, George Street, Sydney, Australia.

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