Lehrer McGovern Bovis International Limited

Directors' report and financial statements

Registered number 2951287

30 June 2005

Directors' report and financial statements

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2005.

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, originally scheduled for completion in June 1999, was completed in June 2005.

Business review

The retained profit for the year was £2,619 *(2004: loss £30,250).*

Proposed dividend

The directors do not recommend the payment of a final dividend for the year *(2004: £nil),* and no interim dividends were paid during the year *(2004: £nil).*

Directors and directors' interests

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

M Bodner
D Chalmers
A 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.

Subsequent to the year end W Quarterman was appointed a director on 4 August 2005. A Silverbeck resigned as a director on 4 August 2005. M Bodner resigned as a director on 11 May 2006.

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

W Quarterman
Director

142 Northolt Road
Harrow
Middlesex
HA2 0EE

26 July 2006

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 LLP
PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Independent auditors' report to the members of Lehrer McGovern Bovis International Limited

We have audited the financial statements on pages 4 to 13.

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

Respective responsibilities of directors and auditors

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

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

Basis of 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 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

26 July 2006

Profit and loss account
for the year ended 30 June 2005

	Note	**Year ended 30 June 2005 £000**	Year ended 30 June 2004 £000
Turnover	*2*	**3,443**	4,611
Cost of sales		**(3,271)**	(4,392)
Gross profit		**172**	219
Administrative expenses		**(124)**	(216)
Operating profit		**48**	3
Interest receivable and similar income	*6*	**7**	12
Interest payable and similar charges	*7*	**(8)**	(4)
Profit on ordinary activities before taxation	*3*	**47**	11
Tax on profit on ordinary activities	*8*	**(44)**	(41)
Retained profit/(loss) for the financial year		**3**	(30)

No operations were acquired or discontinued during the year *(2004: 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 2005

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Profit/(loss) for the financial year	**3**	**(30)**
Currency translation differences on foreign currency net investments	**(3)**	**30**
Total recognised gains and losses	**-**	**-**

Balance sheet
as at 30 June 2004

	Note	**30 June 2005**		30 June 2004	
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*9*		-		64
Current assets					
Debtors	*10*	**339**		275	
Cash at bank and in hand		**208**		674	
		547		949	
Creditors: amounts falling due within one year	*11*	**(809)**		(1,275)	
Net current liabilities			**(262)**		(326)
Net liabilities			**(262)**		(262)
Capital and reserves					
Called up share capital	*12*		-		-
Profit and loss account	*13*		**(262)**		(262)
Equity shareholders' deficit	*14*		**(262)**		(262)

These financial statements were approved by the board of directors on 26 July 2006 and were signed on its behalf by:

W Quarterman
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.

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.

Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Bovis Lend Lease Holdings Limited, the company's immediate parent undertaking. Bovis Lend Lease Holdings Limited has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Turnover

Turnover represents the value of work performed during the year excluding 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

Notes *(continued)*

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.

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

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 in Israel.

Notes *(continued)*

3 Profit on ordinary activities before taxation

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration (in Israel):		
Audit work	4	5
Non audit work	1	7
Depreciation of tangible fixed assets	16	36

The remuneration of the auditors in the UK for the current and prior year 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 *(2004: £nil).*

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period was 2 *(2004: 3).* 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 2005 £000	Year ended 30 June 2004 £000
Wages and salaries	623	908
Social security costs	2	3
	625	911

6 Interest receivable and similar income

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Bank interest receivable	7	12

Notes *(continued)*

7 Interest payable and similar charges

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Interest payable to banks and other parties	**8**	4

8 Taxation

(a) Analysis of charge in year	**Year ended 30 June 2005 £000**	Year ended 30 June 2004 £000
Current Tax:		
Foreign tax – current	**14**	**3**
Foreign tax – prior period	**30**	**38**
Total current tax on profit on ordinary activities (note 8 (b))	**44**	**41**

(b) Factors affecting tax charge for year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%).

The differences are explained below:

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Profit on ordinary activities before tax	**47**	**11**
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% *(2003: 30%)*	**14**	**3**
Effects of:		
Adjustment for prior years	**30**	**38**
Current tax charge for period (note 8 (a))	**44**	**41**

(c) Factors that may affect future tax charges

Future effective tax rates may vary due to adjustments for previous years.

Notes *(continued)*

9 Tangible fixed assets

	Office furniture £000	Motor vehicles £000	Total £000
Cost			
At beginning of year	**346**	**101**	**447**
Foreign exchange	(14)	(4)	(18)
Additions			
Disposals	(332)	(97)	(429)
At end of year	-	-	-
Depreciation			
At beginning of year	**303**	**80**	**383**
Foreign exchange	(12)	(4)	(16)
Charge	7	9	16
Disposals	(298)	(85)	(383)
At end of year	-	-	-
Net book value			
At 30 June 2005	-	-	-
At 30 June 2004	**43**	**21**	**64**

10 Debtors

	30 June 2005 £000	30 June 2004 £000
Trade debtors	**331**	**260**
Prepayments and accrued income	**8**	**15**
	339	**275**

Notes *(continued)*

11 Creditors: amounts falling due within one year

	30 June 2005 £000	30 June 2004 £000
Trade creditors	**182**	198
Amounts owed to group undertakings	**18**	621
Other creditors including taxation and social security	**26**	91
Accruals and deferred income	**583**	365
	809	1,275

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

12 Called up share capital

	30 June 2005 £	30 June 2004 £
Authorised, allotted, called up and fully paid:		
Ordinary shares of £1 each	**100**	100

13 Profit and loss account

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
At beginning of year	**(262)**	(262)
Retained loss for year	**3**	(30)
Foreign currency translation differences	**(3)**	30
At end of year	**(262)**	(262)

Notes *(continued)*

14 Reconciliation of movement in equity shareholders' deficit

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Retained profit/(loss) for the year	**3**	**(30)**
Opening equity shareholders' deficit	**(262)**	**(262)**
Foreign currency translation differences	**(3)**	**30**
Closing equity shareholders' deficit	**(262)**	**(262)**

15 Contingent liabilities

There are claims outstanding which arise under contracts carried out by the company in the ordinary course of business. It is not possible to predict with any certainty the results of these claims but the directors believe, taking into account counter-claims, claims against third parties and provisions in the accounts, that the outcome will not have a material effect on the company's financial position.

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

The company's immediate parent company is Bovis Lend Lease Holdings Limited, which is registered in England and Wales. Its ultimate controlling company is Lend Lease Corporation Limited, which is incorporated in Australia.

The largest group of undertakings for whch group accounts are drawn up and which the company is a member is Lend Lease Corporation Limited. Copies of the group accounts can be obtained from the Australian Securities and Investment Commission, Sydney, Australia.

The smallest group for which the group accounts are drawn up and of which the company is a member is Lend Lease Europe Holdings Limited. Copies of the group accounts referred to above can be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff.