Bovis Lend Lease Pharmaceutical Limited

Directors' report and
financial statements
30 June 2010
Registered number 3133137

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 2010

Principal activities

The principal activity of the Company is that of providing specialised pharmaceutical consulting and regulatory affairs advice and design, construction and project management services to the pharmaceutical, biotechnology and high technology industries

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 OEE

These financial statements were authorised for issue by the Board of Directors on 8 November 2010

Business review, risks and uncertainties

The current economic conditions have been challenging and have had a significant impact on the Company during the financial year to 30 June 2010 In addition several large projects moved towards completion with revenues reducing on these jobs These factors have led to a reduced turnover for the year of £32,830,000 (2009 £60 139,000)

The Company reported a retained profit for the year of £36,000 *(2009 loss of £660,000)*

During the year the Company s net assets increased to £5,894,000 *(2009 £5,858,000)*

Dividend

The directors do not recommend a final dividend for the year *(2009 £nil)* No interim dividend was paid during the year *(2009 £nil)*

Directors and their interests

The directors who served during the year are listed below

B Dew (appointed on 8 October 2009)
P Leonard
D Sutton (appointed on 8 October 2009)

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

Post balance sheet events

There were no significant post balance sheet events which affect the financial statements of the Company

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

Employees

Disabled persons

It is the Company s policy to give full and fair consideration to applications for employment made by disabled persons having regard to their aptitudes and abilities The Company also uses its best endeavours to provide continuing employment for employees who are disabled whilst the Company employs them and, where appropriate, provides facilities for training and retraining and opportunities for career development and promotion

Directors' report *(continued)*

The methods and media used to do this include

- 'Hive ', the group s intranet site, which is updated with daily news on the activities taking place within the group, both regionally and globally, and regularly publishes detailed information on Bovis Lend Lease and Lend Lease Corporation

- 'Interlink", Lend Lease Corporation's magazine

- Global Update , annual employee update meetings

- 'Coffee talks – at which senior directors meet with small groups of employees to brief them on aspects of the business and answer their questions

- Notice board displays of matters of interest and importance relating to the Company and to the group, such as health and safety, vision and values and financial matters

All employees are encouraged to show an awareness of the objectives of the Company and the standards of performance required in relation to the specific activities in which they are engaged

Lend Lease Corporation s core values are published widely They encourage a culture of involvement and performance The five core values are 'Respect , 'Integrity , 'Innovation 'Collaboration and 'Excellence'

Safety is a critical issue both on site and in our offices With this in mind, 'Incident & Injury Free' was launched in 2002 to encourage people to consider the safety and welfare of others as well as themselves It is a global programme that sets out Lend Lease s commitment to a safe working environment and involves everyone who works on our sites and in our offices, promoting the need for behavioural change and consistent safety standards We continue to actively promote this commitment

Bovis Lend Lease is strategically and culturally committed to sustainability It seeks, through its actions, to achieve economic development, social enrichment, and environmental protection – the three components of sustainable development In 2007, a corporate strategic action plan for sustainability has been implemented, and as a wholly owned subsidiary of Lend Lease Corporation Limited, BLL became founding members of the UK Green Building Council, a new initiative to improve the construction sectors sustainability performance Elsewhere its work in sustainability has been independently recognised by various national awards

Creditor payment policy

The Company s policy is to pay suppliers in accordance with terms and conditions agreed when orders are placed Where payment terms have not been specifically agreed, then the invoices received each calendar month are paid close to the end of the following month This policy is understood by the purchasing and financing departments The Company has procedures for dealing promptly with complaints and disputes

Political and charitable donations

The Company made no political contributions during the year *(2009 £nil)* The Company made no donations to UK charities *(2009 £nil)*

By order of the board

B E J Dew
Director

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

The financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position and performance of the Company, the Companies Act 2006 provide, in relation to such financial statements, that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation

In preparing the 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 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 proper books of account 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 2006 They are also responsible 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

On behalf of the board

B E J Dew
Director

KPMG LLP
PO Box 685
8 Salisbury Square
London
EC4Y 8BB

Independent auditors' report to the members of Bovis Lend Lease Pharmaceutical Limited

We have audited the financial statements of Bovis Lend Lease Pharmaceutical Limited for the year ended 30 June 2010 set out on pages 6 to 25 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 result 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

W Meredith (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

8 Salisbury Square
London
EC4Y 8BB
8 November 2010

Statement of Comprehensive income
for the year ended 30 June 2010

	Notes	2010 £000	2009 £000
Revenue		**32,830**	60,139
Cost of Sales		**(30,739)**	(55,425)
Gross profit		**2,091**	4,714
Administration expenses		**(2,041)**	(5,539)
Operating loss		**50**	(825)
Finance income	6	**-**	87
Finance costs	7	**-**	(360)
Profit/(Loss) before taxation	3	**50**	(1,098)
Income tax	8	**(14)**	438
Profit/(Loss) for the year	16	**36**	(660)

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
at 30 June 2010

	Notes	2010	2009
		£000	£000
Assets			
Non-current Assets			
Property, plant and equipment	9	-	53
Deferred tax asset	12	193	177
		193	230
Current Assets			
Cash and cash equivalents		1,369	1,798
Trade and other receivables	10	11,307	14,654
		12,676	16,452
Total assets		12,869	16,682
Current liabilities			
Trade and other payables	13	(6,956)	(10,808)
Provision for liabilities and charges	14	(19)	(16)
		(6,975)	(10,824)
Net Assets		5,894	5,858
Equity and liabilities			
Ordinary shares	15	850	850
Retained Earnings	16	5,044	5,008
Total equity attributable to shareholders		5,894	5,858

These financeial statements were approved by the board of directors on 8 November 2010 and were signed on its behalf by

B E J Dew
Director

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

	Notes	Ordinary share capital £000	Retained Earnings £000	Total Equity £000
Balance at 30 June 2008		850	5,668	6,518
(Loss) for the year	16	-	(660)	(660)
Balance at 30 June 2009		**850**	**5,008**	**5,858**
Profit for the year	16	-	36	36
Balance at 30 June 2010		**850**	**5,044**	**5,894**

Cash flow statement
for the year ended 30 June 2010

	Note	2010 £000	2009 £000
Cash flows from operating activities			
Cash generated from operations	17	**(482)**	(2,001)
Taxation paid		-	(50)
Interest paid		-	(360)
Net cash from operating activities		**(482)**	(2,411)
Cash flows from financing activities			
Property, plant and equipment acquisitions		**53**	(2)
Interest received		-	87
Net cash from financing activities		**53**	85
Net (decrease) in cash and cash equivalents		**(429)**	(2,326)
Cash and cash equivalents at beginning of year		**1,798**	4,124
Cash and cash equivalents at end of year		**1,369**	1,798

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 – 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 and represents amounts receivable for goods and services provided in the normal course of business, net of value added tax

Sales of goods are recognised when goods are delivered and title has passed Revenue from construction contracts is recognised in accordance with the Company s accounting policy on construction contracts

Construction contracts

Where the outcome of the contract cannot be estimated reliably, contract revenue is recognised only to the extent that contract costs incurred are likely to be recoverable Contract costs are recognised as expenses in the period in which they are incurred

Where the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, revenue and cost are recognised over the period of the contract The Company does not consider that the outcome of a construction contract can be reliably determined until it is at least 50% complete Where it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately

The Company uses the 'percentage of completion method ' to determine the appropriate amount to recognise in a given period The stage of completion is measured by reference to the actual contract costs incurred up to the balance sheet date as a percentage of the total estimated costs for each contract Provision is made for losses incurred or foreseen in bringing the contract to completion as soon as they become apparent

The Company presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings Progress billings not yet paid by customers are included within trade and other receivables The Company presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses)

Property, plant & equipment and depreciation

Property, plant & equipment is stated at historical cost less depreciation

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

Furniture and fixtures	-	10% - 33% per annum, straight line
Computers and electronic equipment	-	33% per annum straight line

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 All exchange differences arising are dealt with in the income statement

Pension costs

Contributions in respect of defined benefit pension schemes are calculated as a percentage, agreed based on actuarial advice, of the pensionable salaries of employees The cost of providing pensions is charged to the profit and loss account over the periods benefiting from the services of employees

The Company participates in a group wide pension scheme providing benefits based on final pensionable pay The assets of the scheme are held separately from those of the Company The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by IAS 19 'Employee benefits , accounts for the scheme as if it were a defined contribution scheme As a result, the amount charged to the income statement represents the contributions payable to the scheme in respect of the accounting period

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

Leased assets

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease Lease incentives received are spread over the lease term

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment

All receivables are regularly reviewed and a provision for impairment of trade receivables is established when there is objective evidence that all amounts may not be collectible according to the original terms of the sales transaction

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)*

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 (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 Segment 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 before taxation is stated after charging		
Auditors' remuneration and expenses for		
Audit services	-	-
Non-audit services	-	-
Exchange (gains)/losses	-	18
Depreciation of property, plant and equipment	-	54
Loss on disposal of property, plant and equipment	**53**	-
Rentals payable under operating leases		
Land and other buildings	-	201
Other	-	27
Staff costs (note 5)	-	7,940
Bad debt impairment	-	(59)

The remuneration of the auditors for the current and prior accounting years of £20,000 (2009 £25 000) has been borne by a fellow group undertaking

4 Remuneration of Directors

	2010	2009
	£000	£000
Directors' emoluments		
Aggregate emoluments	**493**	347
Company contributions to money purchase pension scheme	**42**	31
	535	378

Highest paid director	**2010**	2009
	£000	£000
Total amount of emoluments and amounts receivable under long-term incentive schemes	**171**	199
Defined benefit pension scheme	**13**	-
Accrued benefit at end of year	-	-
	184	199

Notes to the financial statements *(continued)*

5 Staff numbers and costs

The average number of employees engaged in the activity of providing project solutions in the construction industry was nil (2009 122) The aggregate payroll costs of these employees were as follows

	2010	2009
	£000	£000
Wages and salaries	-	6,454
Social security costs	-	661
Other pension costs (see note 17)	-	825
	-	7,940

6 Finance income

	2010	2009
	£000	£000
Bank and other interest	-	87
	-	87

7 Finance costs

	2010	2009
	£000	£000
Interest payable to parent and other group undertakings	-	340
Foreign exchange loss	-	18
Other	-	2
	-	360

8 Income tax

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

	2010	2009
	£000	£000
Current tax		
UK corporation tax	30	(424)
Adjustments in respect of prior years	-	48
Current tax charge/(credit)	30	(376)
Deferred tax		
Temporary differences	(16)	(15)
Adjustments in respect of prior years	-	(48)
Deferred tax (credit)	(16)	(62)
Total tax charge/(credit) in the statement of comprehensive income	14	(438)

Notes to the financial statements *(continued)*

8 Income tax *(continued)*

b) Reconciliation of the total tax charge/(credit)

The tax charge/(credit) for the year on the profit/(loss) on ordinary activities is the same as the notional tax charge on those profits/(losses) calculated at the UK corporation tax rate of 28 per cent (2009 28%) Any differences are explained below

	2010	2009
	£000	£000
Profit/(loss) on ordinary activities before tax	**50**	(1,098)
Tax at 28% (2009 28%)	**14**	(307)
Effects of		
Non deductible expenses	-	2
Other permanent differences	-	(133)
Total tax charge/(credit) for the year	14	(438)

c) Deferred taxation

See Note 12

9 Property, plant and equipment

	Computers and electronic equipment	**Furniture and fixtures**	**Total**
	£000	**£000**	**£000**
Cost or valuation			
Opening Cost 2009	421	169	590
Additions	-	2	2
Opening Cost 2010	421	171	592
Additions	-	-	-
Disposals	(421)	(171)	(592)
Closing Cost 2010	-	-	-
Depreciation and diminution in value			
Opening Accumulated depreciation 2009	353	132	485
Charge for the year	43	11	54
Opening Accumulated depreciation 2010	396	143	539
Charge for the year	-	-	-
Disposals	(396)	(143)	(539)
Closing Accumulated depreciation 2010	-	-	-
Net book value			
At 30 June 2009	25	28	53
At 30 June 2010	-	-	-

Notes to the financial statements *(continued)*

10 Trade and other receivables

	2010	2009
	£000	£000
Trade receivables	**639**	10,344
Amounts due from related parties	**3,870**	2,360
Other debtors	**538**	588
Construction contract work in progress (note 11)	**5,914**	954
Corporation tax	**346**	376
Prepayments and accrued income	**-**	32
	11,307	14,654

The ageing of trade receivables at the reporting date was

	2010		2009	
	£000	**£000**	£000	£000
	Gross	**Impairment**	Gross	Impairment
Not past due	**580**	**-**	-	-
Past due 0-90 days	**57**	**-**	1,539	-
More than 90 days	**2**	**-**	9,008	202
	639	**-**	10,547	202

The movement in the allowance for impairment in respect of trade receivables during the year was as follows

	2010	2009
	£000	£000
Beginning of year	**202**	261
Impairment loss (released) / recognised	**(202)**	(59)
End of year	**-**	202

The directors believe that no impairment allowance is necessary in respect of trade receivables under 90 days past due

11 Construction contracts

	2010	2009
	£000	£000
Contracts in progress at the balance date		
- amounts due from contract customers (note 10)	**5,914**	954
- amounts due to contract customers (note 13)	**(2,226)**	(4,059)
Net amounts due from / to contract customers	**3,688**	(3,105)

During the year ended 30 June 2010, all revenue recognised in the income statement is derived from construction contracts

At 30 June 2010, retentions held by customers for contract work amounted to £381,149 (2009 £376 926) Contract advances amounted to £980 690 (2009 £4 058,577)

Notes to the financial statements *(continued)*

12 Deferred taxation

	2010	2009
	£000	£000
The deferred tax amounts are recognised as follows		
Fixed asset related temporary differences	(193)	(177)

Movement in provision

	2010	2009
	£000	£000
Balance at 1 July	(177)	(114)
Deferred tax charge/(credit) relating to profit (note 8a)	(16)	(15)
Adjustments in respect of prior years	-	(48)
Balance at 30 June	(193)	(177)

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 £28,000

13 Trade and other payables

	2010	2009
	£000	£000
Payments received on account for construction work	2,226	4,059
Trade payables	4,730	2,684
Amounts due to related parties	-	3,134
Accruals and deferred income	-	931
	6,956	10,808

Amounts due to group undertakings are unsecured, have no fixed repayment terms and bear interest at the rate of LIBOR + 1 5%

14 Provisions for liabilities and charges

	Other provision	Total
	£000	£000
At 1 July 2008	28	28
Payments made during financial year	(12)	(12)
At 1 July 2009	16	16
Provision raised during the year	4	4
Payments made during financial year	(1)	(1)
At 30 June 2010	19	19

Notes to the financial statements *(continued)*

15 Share capital

	2010		2009	
	No	**£000**	No	£000
Authorised				
Ordinary shares of £1 each	**860,000**	**860**	860,000	860
Allotted, called up and fully paid				
Ordinary shares of £1 each	**850,500**	**850**	850,500	850

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

16 Retained earnings

	2010	2009
	£000	£000
At beginning and end of year	**5,008**	5,668
Profit/(loss) for the year	**36**	(660)
At end of year	**5,044**	5,008

17 Cash flows from operating activities

	2010	2009
	£000	£000
Cash flows from operating activities		
Profit/(Loss) for the year	**36**	(660)
Adjustments for		
Tax charge/(credit)	**14**	(438)
Finance costs	-	360
Investment income	-	(87)
Depreciation	-	54
Changes in working capital		
Decrease in trade and other receivables	**4,795**	1,868
Decrease in prepayments	**32**	470
Increase in amounts due from related parties	**(1,510)**	(232)
Decrease/(increase) in amounts due to related parties	**(3,134)**	(636)
Decrease/(increase) in accruals and other liabilities	**(931)**	(3,351)
Increase/(decrease) in trade and other payables	**216**	651
Cash generated from operations	**(482)**	(2,001)

Notes to the financial statements *(continued)*

18 Commitments

Operating leases

The future aggregate minimum lease payments under non-cancellable operating leases are as follows

	2010		2009	
	£000	**£000**	£000	£000
Operating leases which expire	**Land and buildings**	**Other**	Land and buildings	Other
Within one year	-	-	190	1
Between one and five years	-	-	-	-
Over five years	-	-	-	-
	-	-	190	1

19 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

Notes to the financial statements (continued)

20 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

Foreign currency risk

Foreign currency risk is the risk that the value of a financial commitment or 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

The company does not have any material exposure to foreign currency

The Company has carried out a sensitivity analysis and does not consider that it has material exposure to changes in the exchange rates at the year-end reporting date

Price risk

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 has no significant concentrations of credit risk 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 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 The Company has no significant concentrations of credit risk on either a geographic or industry specific basis

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 liabilities in the form of loans from associated companies which do not have specified repayment or interest terms No interest has been incurred on these loans during the year and the interest rate risk is not considered to be material

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 that sufficient levels of cash are maintained to meet working capital requirements

Notes to the financial statements (continued)

20 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	Contractual Cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
	£000	£000	£000	£000	£000	£000	£000
Non derivative financial liabilities							
Trade and other payables	4,730	4,730	4,730	-	-	-	-
Total	4,730	4,730	4,730	0	0	0	0

30 June 2009	Carrying Amount	Contractual Cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
	£000	£000	£000	£000	£000	£000	£000
Non derivative financial liabilities							
Trade and other payables	6,749	6,749	4,969	1,780	-	-	-
Total	6,749	6,749	4,969	1780	0	0	0

Net fair values of assets and liabilities

All financial instruments recognised on the balance sheet, including those instruments carried at amortised cost, are recognised as 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 and 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

Notes to the financial statements (continued)

21 Pension scheme

The Company participates in the Lend Lease UK Pension Scheme in respect of its employees Contributions paid to the scheme are based on pension costs across the companies within the Lend Lease UK Pension Scheme as a whole The scheme is a group plan for which there is no contractual agreement or stated policy for charging the costs for the plan as a whole

In accordance with IAS 19 the net defined benefit cost is recognised in the financial statements of Bovis Lend Lease Holdings Limited, the legal sponsor for the plan Accordingly, the scheme is accounted for as a defined contribution scheme in the accounts of the company Details of this defined benefits scheme, including the level of solvency and the basis on which the future contributions rate is determined and the disclosures required under IAS 19, are set out in the financial statements of Bovis Lend Lease Holdings Limited (the company s immediate parent undertaking), which sponsors the scheme The financial statements of this group may be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff

Extracts from the financial statements of Bovis Lend Lease Holdings Limited which is the legal sponsor of the defined benefit pension scheme are included in this note

For the year ended 30 June 2010 the Company contributions paid to the Lend Lease UK Pension Scheme were £nil (2009 £825,053) The contributions were paid across by Bovis Lend Lease Limited and recharged to Bovis Lend Lease Pharmaceutical Limited

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

Note 5 to the financial statements show the total cost to the Company of the main schemes operating during the year

Extract from the financial statements of Bovis Lend Lease Holdings Limited

a) Principal actuarial assumptions

	2010	2009	2008	2007
	% 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 a weighted average of the individual expected rates of return on each asset class

Bovis Lend Lease Holdings Limited 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

Notes to the financial statements (continued)

21 Pension scheme (continued)

b) Bovis Lend Lease Holdings Limited 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

There exists 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 £15 1m)

For the year ended 30 June 2010 Bovis Lend Lease Holdings Limited contributions paid to the Lend Lease UK Pension Scheme were £24 600,000 (2009 £21 100 000)

c) Reconciliation of the present value of defined benefit obligations

	2010	2009
	£000	£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)	**33,600**	9,600
Benefits paid	**(18,600)**	(12,900)
Curtailments	**-**	(24,500)
Present value of defined benefit obligations at end of financial year	**381,200**	338 700

d) Reconciliation of the fair value of plan assets

	2010	2009
	£000	£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	**38,700**	(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	**334,700**	274,000

Notes to the financial statements (continued)

21 Pension scheme (continued)

e) Categories of plan assets

	% held at 2010	% held at 2009
Equity instruments	**35**	32
Corporate bonds	**14**	15
Multi strategy funds	**8**	9
Liability driven instruments (including Government bonds)	**33**	40
Other	**10**	4
	100	100

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	**Value at 30 June 2010**	Long-term rate of return expected at 30 June 2009	Value at 30 June 2009	Long-term rate of return expected at 30 June 2008	Value at 30 June 2008	Long-term rate of return expected at 30 June 2007	Value at 30 June 2007
	% p a	**£000**	% p a	£000	% p a	£000	% p a	£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	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	10,800	6	2,900	5 5	15,400
Balance at 30 June	**6 3**	**334,700**	6 1	274,000	7	298,100	7 5	274,300

Notes to the financial statements (continued)

22 Related party transactions

The following transactions were carried out with related parties

a) Sale of construction related services	**2010** **£000**	2009 £000
Sale of goods to		
- Associates	**88**	6,947
Recharge of services to		
- Associates	**-**	24
	88	6,971

Goods are sold based on price lists in force and terms that would be available to third parties Recharges of services are negotiated with related parties on a cost-plus basis, allowing a margin reflecting standard commercial terms

b) Purchases of goods and services

Purchase of goods from	**2010** **£000**	2009 £000
- Associates	**-**	2,227
Recharge of services by		
- Associates	**219**	(19)
	219	2,208

Goods and services are bought from group undertakings on normal commercial terms and conditions Management services are recharged from the immediate, intermediate and ultimate parent on a cost-plus basis, allowing a margin reflecting standard commercial terms

c) Key management compensation/directors

Refer note 4

d) Year-end balances arising from sales/purchases in respect of construction related services

	2010 **£000**	2009 £000
Receivables from related parties (note 10)		
- Associates	**13**	2,360
Payables to related parties (note 13)		
- immediate parent	**-**	3,134

The receivables from related parties arise mainly from sale transactions and are due 1 month after the date of sales The receivables are unsecured in nature and bear no interest

The payables arise mainly from purchase transactions and are due 1 month after the date of purchase The payables bear no interest

Notes to the financial statements (continued)

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

The Company is a subsidiary undertaking of Tanshire Limited, a company incorporated 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 they are consolidated is that headed by Lend Lease Europe Holdings Limited, incorporated in England and Wales The consolidated financial statements of this group are available to the public and may be obtained from Registrar of Companies, Companies House, Crown Way, Cardiff