

Bovis Lend Lease (Scotland) Limited

(formerly Bovis Construction (Scotland) Limited)

**Directors' report
and financial statements**

Registered number 89468

18 month period ended 30 June 2000

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Directors' report

The directors present their annual report and the audited financial statements for the 18 month period ended 30 June 2000.

Principal activities

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

On 29 October 1999 the company's ultimate parent company, The Peninsular and Oriental Steam Navigation Company ("P&O"), sold its entire interest in the share capital of Bovis Group plc to Lend Lease Projects Europe Limited.

On 2 December 1999, the company changed its year end to be consistent with that of its new parent company. The company has therefore prepared financial statements for the 18 month period to 30 June 2000. On 1 February 2000, Bovis Construction (Scotland) Limited changed its name to Bovis Lend Lease (Scotland) Limited.

Business review

The results for the period are set out in the attached profit and loss account. The retained loss for the period was £1,879,074 (1998: profit £1,372,000).

Proposed dividend

The directors do not recommend the payment of a final dividend for the period (1998: £nil) but interim dividends of £3,038,000 were paid during the period (1998: £nil).

Directors and directors' interests

Set out below are the directors who served at the period end together with their beneficial interests in the deferred stock of P&O at the start of the period. As the company is no longer a subsidiary of P&O such interests as exist at the end of the period are not disclosable.

	At 31 December 1998	
	Deferred stockholding No.	Deferred stockholding options No.
GB Ash	453	2,300
JC Ballantyne	-	-
D Bate	4,610	44,039
HF Downie	1,455	7,792
HB Thorburn	-	3,100

The other directors who served during the period are listed below.

GA Anderson (appointed 5 January 1999)
AC Mack (appointed 5 January 1999)
RA Phillips (resigned 30 June 2000)

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

No other directors served during the period.

Subsequent to the period end AD Silverbeck (1 July 2000) was appointed director and HF Downie (30 November 2000) resigned.


PR Chadwick
Company secretary

33 Bothwell Street
Glasgow
Scotland G2 6NL

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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 Audit Plc

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London
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Report of the auditors, KPMG Audit Plc, to the members of Bovis Lend Lease (Scotland) Limited

We have audited the financial statements on pages 4 to 10.

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. 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 2000 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

12 April

2001

Profit and loss account

18 month period ended 30 June 2000

	Note	18 month period ended 30 June 2000 £	Year ended 31 December 1998 £
Turnover	2	79,077,318	73,090,980
Cost of sales		(77,695,080)	(71,236,896)
Gross profit		1,382,238	1,854,084
Administrative expenses		(95,387)	(102,462)
Operating profit		1,286,851	1,751,622
Other interest receivable and similar income	6	327,977	260,039
Profit on ordinary activities before taxation	3	1,614,828	2,011,661
Tax on profit on ordinary activities	7	(455,902)	(639,661)
Profit on ordinary activities after taxation		1,158,926	1,372,000
Dividends paid	8	(3,038,000)	-
Retained (loss)/profit for the financial period		(1,879,074)	1,372,000
Retained profit brought forward		3,038,821	1,666,821
Retained profit carried forward		1,159,747	3,038,821

No operations were acquired or discontinued during the period (1998: 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.

There were no gains or losses recognised in the period (1998: £nil) other than those shown above.

Balance sheet

As at 30 June 2000

	Note	30 June 2000 £	31 December 1998 £
Current assets			
Debtors	9	7,889,397	9,420,444
Cash at bank and in hand		-	3,469,552
		<u>7,889,397</u>	<u>12,889,996</u>
Creditors: amounts falling due within one year	10	(6,729,550)	(9,851,075)
		<u>1,159,847</u>	<u>3,038,921</u>
Net assets		1,159,847	3,038,921
Capital and reserves			
Called up share capital	12	100	100
Profit and loss account		<u>1,159,747</u>	<u>3,038,821</u>
Equity shareholders' funds	13	1,159,847	3,038,921

These financial statements were approved by the board of directors on 9 April 2001 and were signed on its behalf by:



D Bate
 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.

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 chargeable value of work executed during the period, exclusive of value added tax.

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous periods. Provision is made for any losses which are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts

Amounts recoverable on contracts are included at cost plus attributable profits 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.

Taxation

The charge for taxation is based on the profit for the period 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 taxation only to the extent that it is probable that an actual liability will crystallise.

Notes (continued)

1 Accounting policies (continued)

Leased assets

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

2 Segmental information

The company's turnover and results arose solely from, and the company's net assets are deployed in, building and contracting in the United Kingdom.

3 Profit on ordinary activities before taxation

	18 month period ended 30 June 2000	Year ended 31 December 1998
	£	£
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Rentals payable under operating leases	112,484	65,947
	<hr/>	<hr/>

The remuneration of the auditors for the current and prior accounting periods has been borne by the immediate parent undertaking.

4 Remuneration of directors

The directors did not receive any remuneration from the company for their services during the period (1998: £nil).

5 Staff numbers and costs

The company did not directly employ any staff during the period (1998: nil).

The remuneration and pension contributions of staff and directors are borne by the immediate parent undertaking which recovered their costs by way of a management charge to the company. The management charge was £9,308,605 (1998: £4,587,953).

6 Other interest receivable and similar income

	18 month period ended 30 June 2000	Year ended 31 December 1998
	£	£
Bank interest	327,977	260,320
Other	-	(281)
	<hr/>	<hr/>
	327,977	260,039
	<hr/>	<hr/>

Notes (continued)

7 Taxation

	18 month period ended 30 June 2000 £	Year ended 31 December 1998 £
UK corporation tax charge at 30.2 % (1998: 31.5%) on the profit for the period on ordinary activities	540,000	642,000
Deferred taxation	(40,000)	(2,339)
Over provision in prior years	(44,098)	-
	<u>455,902</u>	<u>639,661</u>

8 Dividends paid

	18 month period ended 30 June 2000 £	Year ended 31 December 1998 £
Interim dividends paid	3,038,000	-
	<u>3,038,000</u>	<u>-</u>

9 Debtors

	30 June 2000 £	31 December 1998 £
Trade debtors	1,265,939	7,219,306
Amounts recoverable on contracts	1,263,831	1,310,665
Amount owed by parent and fellow subsidiary companies	5,206,266	740,439
Prepayments and accrued income	2,361	39,034
Deferred taxation asset	151,000	111,000
	<u>7,889,397</u>	<u>9,420,444</u>

The amounts provided for deferred taxation are set out in note 11.

Notes (continued)

10 Creditors: amounts falling due within one year

	30 June 2000 £	31 December 1998 £
Bank loans and overdrafts	327,540	-
Payments received on account	2,984,320	5,400,384
Trade creditors	2,005,727	3,678,777
Amounts owed to parent and fellow subsidiary undertakings	18,872	41,552
Corporation tax	540,000	686,098
Other creditors including taxation and social security	826,688	31,114
Accruals and deferred income	26,403	13,150
	<u>6,729,550</u>	<u>9,851,075</u>

11 Deferred taxation asset

	Short term timing differences £
At beginning of period	111,000
Credit for the period in the profit and loss account	40,000
At end of period	<u>151,000</u>

There is no unprovided deferred taxation.

12 Called up share capital

	30 June 2000 £	31 December 1998 £
<i>Authorised, allotted, called up and fully paid:</i>		
Ordinary shares of £1 each	<u>100</u>	<u>100</u>

Notes (continued)

13 Reconciliation of movement in equity shareholders' funds

	18 month period ended 30 June 2000 £	Year ended 31 December 1998 £
Opening equity shareholders' funds	3,038,921	1,666,921
Retained (loss)/profit for the financial period	(1,879,074)	1,372,000
Closing equity shareholders' funds	1,159,847	3,038,921

14 Commitments

Annual commitments under operating leases are as follows:

	Land and buildings 30 June 2000 £	31 December 1998 £
Operating leases which expire:		
Within one year	91,935	-
Between one and five years	340,840	74,500
	432,775	74,500

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

The company is a subsidiary undertaking of Bovis Lend Lease Limited (formerly Bovis Construction 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.