

# AMENDING

**Bovis Lend Lease (Scotland) Limited**  
**Directors' report and**  
**financial statements**  
Registered number <sup>SC</sup>89468  
30 June 2009

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## **Directors' report and financial statements**

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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2009.

### Principal activities

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

The Company is a limited liability company incorporated and domiciled in the United Kingdom. The address of its registered office is 33 Bothwell Street, Glasgow, Lanarkshire G2 6NL.

These financial statements were authorised for issue by the Board of Directors on 7 October 2009.

### Business review

The Company has consolidated its previous growth in the face of challenging market conditions in the financial year to 30 June 2009. This consolidation is reflected in turnover of £83,286,000 (2008: £82,827,000) and has resulted from the Company's ongoing success in winning and delivering projects across a variety of business sectors in a tough economic environment.

In the year to 30 June 2009 the Company reported a profit on ordinary activities before taxation of £2,330,000 (2008: £193,000), continuing its improved trading record.

The current consolidation was achieved though the continued success in the Primary and Further Education, Commercial and Leisure sectors. Notable success in the year was achieved through the successful completion and delivery of the New Build Scottish Widows at Exchange Place, refurbishment of the Apex Hotel and continued delivery of the SLC Primary Schools.

Strong supply chain relationships across all our sectors coupled with a strong pipeline of work in the Primary and Further Education sector and a number of public sector opportunities underpin both the current and future profitability of the business.

The Company reported an operating profit of £1,875,000 (2008: £35,000)

During the year the Company's net assets increased to £7,213,000 (2008: £5,338,000).

### Dividend

The directors do not recommend a final dividend for the year (2008: £nil) and no interim dividend was paid during the year (2008: £nil).

### Directors and directors' interests

The directors who served during the year are listed below:

G Anderson	
M Coleman	(resigned on 3 November 2008)
B Dew	(appointed on 8 September 2008)
J Hyne	(resigned on 24 February 2009)
P Johnson	(resigned on 15 May 2009)
N Pollard	(appointed on 3 November 2008)

### 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.

## **Directors' report** *(continued)*

### **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



**B Dew**  
*Director*

7 October 2009

33 Bothwell Street  
Glasgow  
Lanarkshire  
G2 6NL

## **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## KPMG LLP

PO Box 685  
8 Salisbury Square  
London  
EC4Y 8BB

### Independent auditors' report to the members of Bovis Lend Lease (Scotland) Limited

We have audited the financial statements of Bovis Lend Lease (Scotland) Limited for the year ended 30 June 2009 set out on pages 6 to 22. 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 sections 495 and 496 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](http://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 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### *Opinion on other matter prescribed by the Companies Act 2006*

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### *Matters on which we are required to report by exception*

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



W. Meredith (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

8 Salisbury Square  
London  
EC4Y 8BB

7th October 2009

## Income statement

For the year ended 30 June 2009

	Notes	2009 £000	2008 £000
<b>Revenue</b>		<b>83,286</b>	82,827
Cost of sales		(78,459)	(80,182)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>4,827</b>	2,645
Administrative expenses	6	(2,497)	(2,303)
		<hr/>	<hr/>
<b>Operating profit</b>		<b>2,330</b>	342
Finance costs	7	-	(149)
		<hr/>	<hr/>
<b>Profit before taxation</b>	3	<b>2,330</b>	193
Taxation	8	(455)	(158)
		<hr/>	<hr/>
<b>Profit for the year</b>	14	<b>1,875</b>	35
		<hr/>	<hr/>

No operations were acquired or discontinued during the year (2008: none). There is no material difference between the results disclosed in the income statement and the result given on an unmodified historical cost basis.

**Balance sheet**  
*As at 30 June 2009*

	Notes	2009 £000	2008 £000
<b>Non-current assets</b>			
Deferred tax asset	9	117	-
		<u>117</u>	<u>-</u>
<b>Current assets</b>			
Trade and other receivables	10	26,906	19,909
Cash and cash equivalents		1,574	6,810
		<u>28,597</u>	<u>26,719</u>
<b>Total assets</b>			
		28,597	26,719
<b>Current liabilities</b>			
Trade and other payables	12	(21,384)	(21,381)
		<u>7,213</u>	<u>5,338</u>
<b>Net assets</b>			
		7,213	5,338
<b>Equity</b>			
Ordinary shares	13	-	-
Retained earnings	14	7,213	5,338
		<u>7,213</u>	<u>5,338</u>
<b>Total equity</b>			
		7,213	5,338

These financial statements were approved by the board of directors on 7 October 2009 and were signed on its behalf by:



**B Dew**  
 Director



**Statement of changes in shareholders' equity**  
*For the year ended 30 June 2009*

	Notes	Ordinary share capital £000	Retained earnings £000	Total equity £000
Balance at 30 June 2007		-	5,303	5,303
Retained profit for the year	14	-	35	35
<b>Balance at 30 June 2008</b>		<b>-</b>	<b>5,338</b>	<b>5,338</b>
Retained profit for the year	14	-	1,875	1,875
<b>Balance at 30 June 2009</b>		<b>-</b>	<b>7,213</b>	<b>7,213</b>

**Cash flow statement**  
*For the year ended 30 June 2009*

	Notes	2009 £000	2008 £000
<b>Cash flows from operating activities</b>			
Cash (outflow)/inflow generated from operations	15	(5,179)	3,138
Interest paid		-	(149)
Corporation tax paid		(57)	(949)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(5,236)</b>	<b>2,040</b>
<b>Net cash from financing activities</b>		<b>-</b>	<b>-</b>
<b>Net cash from investing activities</b>		<b>-</b>	<b>-</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(5,236)</b>	<b>2,040</b>
Cash and cash equivalents at beginning of year		6,810	4,770
<b>Cash and cash equivalents at end of year</b>		<b>1,574</b>	<b>6,810</b>

## 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).

#### *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.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### *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*

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date. Temporary differences are differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

#### *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.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### Cash and cash equivalents

Cash and cash equivalents comprises of cash in hand and at bank.

#### 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 Segmental information

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

### 3 Profit before taxation

	2009 £000	2008 £000
<i>Profit before taxation is stated after charging:</i>		
Rentals payable under operating leases:		
Land and buildings	122	134
Staff costs (note 5)	5,746	4,969
	<u>5,868</u>	<u>5,103</u>

The remuneration of the auditors for the current and prior accounting years of £25,000 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 (2008: £nil).

## 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 92 (2008: 86). The aggregate payroll costs of these employees were as follows:

	2009 £000	2008 £000
Wages and salaries	4,682	4,079
Social security costs	479	385
Other pension costs (see note 19)	585	505
	<u>5,746</u>	<u>4,969</u>

All staff working for Bovis Lend Lease (Scotland) Limited are employed by Bovis Lend Lease Limited and seconded to Bovis Lend Lease (Scotland) Limited at full cost.

### 6 Administrative expenses

Other costs such as overheads are borne by a fellow group undertaking which recovered its costs by way of a management charge to the Company. The management charge was £1,202,000 (2008: £1,435,000).

### 7 Finance costs

	2009 £000	2008 £000
Bank interest payable	-	149
	<u>-</u>	<u>149</u>

### 8 Taxation

#### a) Tax on profit on ordinary activities

	2009 £000	2008 £000
Current tax:		
UK corporation tax expense on profit for the year at 28% (2008: 29.5%)	672	57
Adjustment in respect of prior years	(100)	101
Current tax charge	<u>572</u>	<u>158</u>
Deferred tax:		
Property, plant and equipment related temporary differences	(20)	-
Adjustment in respect of prior periods	(97)	-
Total tax charge in the income statement	<u>455</u>	<u>158</u>

## Notes to the financial statements (continued)

### 8 Taxation (continued)

#### b) Reconciliation of the total tax charge

The tax charge for the year on the profit on ordinary activities is lower than the notional tax charge on those profits calculated at the UK corporation tax rate of 28% (2008: 29.5%).

Any differences are explained below:

	2009 £000	2008 £000
Profit on ordinary activities before tax	2,330	193
Tax at 28% (2008: 29.5%)	652	57
Effects of: Adjustments in respect of previous periods	(197)	101
Total tax charge for year (note 8 (a))	455	158

### 9 Deferred tax asset

The deferred tax included in the balance sheet is as follows:

	2009 £000	2008 £000
Fixed asset related temporary differences	117	-
	117	-
Movement in provision: Balance at 1 July	-	-
Deferred tax charge/(credit) relating to profit (note 8a)	20	-
Adjustments in respect of prior years	97	-
Balance at 30 June	117	-

### 10 Trade and other receivables

	2009 £000	2008 £000
Trade receivables	866	2,508
Amounts due from related parties	21,548	14,586
Other debtors	3,467	2,017
Loans and receivables	25,881	19,111
Construction contract work in progress	1,025	798
	26,906	19,909

## Notes to the financial statements (continued)

### 10 Trade and other receivables (continued)

The ageing of trade receivables at the reporting date was:

	2009 Gross £000	2009 Impairment £000	2008 Gross £000	2008 Impairment £000
Not past due	-	-	2,496	-
Past due 0-90 days	791	-	-	-
More than 90 days	75	-	12	-
	<u>866</u>	<u>-</u>	<u>2,508</u>	<u>-</u>

The directors believe that no impairment allowance is necessary in respect of trade receivables not past due.

### 11 Construction contracts

	2009 £000	2008 £000
Contracts in progress at the balance sheet date:		
- amounts due from contract customers	1,025	798
- current amounts due to contract customers	(16,027)	(17,515)
Net amounts due from contract customers	<u>(15,002)</u>	<u>(16,717)</u>

During the year ended 30 June 2009, all revenue recognised in the income statement is derived from construction contracts.

At 30 June 2009, retentions held by customers for contract work amounted to £2,893,000 (2008: £2,017,000). Contract advances received amounted to £16,027,000 (2008: £17,515,000).

### 12 Current trade and other payables

	2009 £000	2008 £000
Payments received on account for construction work	16,027	17,515
Trade payables	1,990	793
Corporation tax	572	57
Other creditors	2,795	3,016
	<u>21,384</u>	<u>21,381</u>

## Notes to the financial statements (continued)

### 13 Called up share capital

	2009 £	2008 £
<i>Authorised</i>		
100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>

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.

### 14 Retained earnings

	2009 £000	2008 £000
At beginning of year	5,338	5,303
Profit for the year	1,875	35
At end of year	<hr/> 7,213 <hr/>	<hr/> 5,338 <hr/>

### 15 Cash flows from operating activities

	2009 £000	2008 £000
<b>Cash flows from operating activities</b>		
Net profit	1,875	35
Adjustments for:		
Tax charge	455	158
Finance costs	-	149
<b>Changes in working capital:</b>		
(Increase)/decrease in trade and other receivables	(35)	6,139
Increase in amounts due from related parties	(6,962)	(3,357)
Increase/(decrease) in trade and other payables	(291)	2,119
Decrease in amounts due to related parties	-	(2,436)
Increase in accruals and other liabilities	(221)	331
<b>Cash inflow/(outflow) generated from operations</b>	<hr/> (5,179) <hr/>	<hr/> 3,138 <hr/>



## Notes to the financial statements (continued)

### 16 Commitments

#### *Operating leases*

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

	Land & buildings	
	2009	2008
	£000	£000
Operating leases which expire:		
Within one year	122	134
Between one and five years	-	122
	<u>122</u>	<u>256</u>

### 17 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.

### 18 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and 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, a recognised asset or liability will fluctuate due to changes in foreign currency rates.

The Company operates predominantly within the UK such that its exposure to currency risk is considered to be minimal with only a small proportion of items both in terms of volume and value transacted in a foreign currency. As a result, there are no hedges in place with respect to any potential currency exposure.

#### **Price risk**

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.

## Notes to the financial statements (continued)

### 18 Financial risk management (continued)

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as and when they fall due. Liquidity risk is reduced through prudent cash management which ensures sufficient levels of cash are maintained to meet working capital requirements.

The following are the contractual cash flow maturities of financial liabilities as at 30 June 2009:

30 June 2009	Carrying Amount £000	Contractual Cash flows £000	6 mths or less £000	6-12 mths £000	1-2 years £000	2-5 years £000	More than 5 years £000
<b>Non-derivative financial liabilities</b>							
Trade and other payables	5,357	5,357	2,581	2,776	-	-	-
<b>Total</b>	<b>5,357</b>	<b>5,357</b>	<b>2,581</b>	<b>2,776</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### Liquidity risk (continued)

30 June 2008	Carrying Amount £000	Contractual Cash flows £000	6 mths or less £000	6-12 mths £000	1-2 years £000	2-5 years £000	More than 5 years £000
<b>Non-derivative financial liabilities</b>							
Trade and other payables	3,866	3,866	1,288	2,578	-	-	-
<b>Total</b>	<b>3,866</b>	<b>3,866</b>	<b>1,288</b>	<b>2,578</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### 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 that are subject to interest rate risk are financial liabilities in the form of loans from associated companies which do not have specified repayment terms.

Interest is charged based upon an average annual rate as specified by Group treasury and it is considered that a movement in the interest rates at the reporting date would not have a material effect on profit or loss.

#### Net fair values of assets and liabilities

All financial instruments recognised on the balance sheet, including those instruments carried at amortised cost, are recognised at amounts that represent a reasonable approximation of fair value.

#### Capital management

When investing capital, the Company's objective is to deliver strong shareholder returns and to continue to generate high levels of liquid assets in line with the Lend Lease Corporation capital management goals.

The Company actively manages the working capital on a daily basis with periodic narrative and recommendations prepared for senior management on movements, risk, exceptions and tracking against business targets. The Company operates under a strict regime of contract billings and debtor payment cycle 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)

### 19 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 consolidated financial statements of this group may be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff.

For the year ended 30 June 2009 the Company contributions paid to the Lend Lease UK Pension Scheme were £585,000 (2008: £505,000). The contributions were paid across by Bovis Lend Lease Limited and recharged to Bovis Lend Lease (Scotland) 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 2005. Discussions have reached an advanced stage to agree the future funding of the Scheme following the actuarial valuation as at 31 March 2008. The Company and Trustee have agreed a deadline for submitting the formal documentation of 30 October 2009 and have notified the Pensions Regulator.

The disclosures have been based on the full assessment of the liabilities of the Scheme as at 31 March 2008. 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

	30 June 2009	30 June 2008	30 June 2007	30 June 2006
	% p.a.	% p.a.	% p.a.	% p.a.
Pension increases post April 2005	2.6	2.9	2.7	2.6
Rate of increase in salaries	n/a	5.6	4.7	4.5
Inflation assumption	3.8	4.1	3.2	3.0
Discount rate applied to scheme liabilities	6.1	6.4	5.5	5.3
Expected rate of return	6.1	7.0	7.5	7.3

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.

## Notes to the financial statements (continued)

### 19 Pension scheme (continued)

Bovis Lend Lease Holdings 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 2009.

- b) Bovis Lend Lease Holdings 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 2009 (2008: deficit).

Regular employer contributions to the Lend Lease UK Pension Scheme in 2009/10 are estimated to be £15.1m (2008: £15.7m).

For the year ended 30 June 2009 Bovis Lend Lease Holdings contributions paid to the Lend Lease UK Pension Scheme were £21,100,000 (2008: £21,000,000).

- c) Reconciliation of the present value of defined benefit obligations

	30 June 2009 £000	30 June 2008 £000
Present value of defined benefit obligations at beginning of financial year	335,800	323,000
Current service cost	10,200	14,900
Interest cost on benefit obligation	20,300	17,900
Contributions by scheme participants	200	-
Actuarial (losses) / gains	9,600	(11,500)
Benefits paid	(12,900)	(8,500)
Curtailments	(24,500)	-
Present value of defined benefit obligations at end of financial year	<u>338,700</u>	<u>335,800</u>

- d) Reconciliation of the fair value of plan assets

	30 June 2009 £000	30 June 2008 £000
Fair value of plan assets at beginning of financial year	298,100	274,300
Expected return on plan assets	18,800	20,000
Actuarial gains	(51,300)	(8,900)
Contributions by group companies	21,100	21,000
Contributions by scheme participants	200	-
Benefits paid	(12,900)	(8,300)
Fair value of plan assets at end of financial year	<u>274,000</u>	<u>298,100</u>

## Notes to the financial statements (continued)

### 19 Pension scheme (continued)

#### e) Categories of plan assets

	% held at 30 June 2009	% held at 30 June 2008
Equity Instruments	32	43
Corporate Bonds	15	-
Multi Strategy Funds	9	11
Liability Driven Instruments (including govt bonds)	40	45
Other	4	1
	<u>100</u>	<u>100</u>

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long-term rate of return expected at 30 June 2009 % p.a.	Value at 30 June 2009 £000	Long-term rate of return expected at 30 June 2008 % p.a.	Value at 30 June 2008 £000	Long-term rate of return expected at 30 June 2007 % p.a.	Value at 30 June 2007 £000	Long-term rate of return expected at 30 June 2006 % p.a.	Value at 30 June 2006 £000
Equities	8.5	112,700	8.4	161,500	8.9	182,800	8.6	149,800
Corporate bonds	6.0	41,100	5.4	-	5.4	-	5.2	35,600
Fixed interest gilts	4.9	-	4.9	-	4.9	-	4.6	12,000
Liability driven investments	4.2	109,400	5.2	133,700	4.7	76,100	-	-
Other	2.0	10,800	6.0	2,900	5.5	15,400	4.8	37,200
<b>Balance at 30 June 2009</b>	<b>6.1</b>	<b>274,000</b>	<b>7.0</b>	<b>298,100</b>	<b>7.5</b>	<b>274,300</b>	<b>7.3</b>	<b>234,600</b>

## Notes to the financial statements (continued)

### 20 Related party transactions

The following transactions were carried out with related parties:

#### a) Sale of goods and services:

	2009 £000	2008 £000
Sale of goods to:		
- Associates	80	(729)
Recharge of services to:		
- Associates	-	-
	<u>80</u>	<u>(729)</u>

Goods are sold based on the 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:

	2009 £000	2008 £000
Recharge of services by:		
- Associates	1	6
	<u>1</u>	<u>6</u>

Goods and services are bought from associates 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 to note 4.

#### d) Year-end balances arising from sales/purchases of goods/services

	2009 £000	2008 £000
Receivables from related parties (note 10)		
- Associates	21,548	59
	<u>21,548</u>	<u>59</u>

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)*

### 20 Related party transactions *(continued)*

The above disclosures exclude all short and long term funding between the Company and its associates, including transactions paid by the Company and recharged to the relevant party. The total of these balances are included within the disclosures of note 10 and 12.

### 21 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 Holdings Limited, which is registered in England and Wales. Its ultimate parent undertaking is Lend Lease Corporation Limited, which is incorporated in Australia.

The largest group in which the results of the Company are consolidated is that headed by Lend Lease Corporation Limited. The consolidated financial statements of this group may be obtained from Level 4, 30 The Bond, 30 Hickson Road, Millers Point, New South Wales, Australia, 2000 or from its website at [www.lendlease.com.au](http://www.lendlease.com.au).

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