Vita Lend Lease Limited

Directors' report and financial statements

Registered number 3810466

30 June 2007

Contents

Directors' report

The directors present their report and financial statements for the year ended 30 June 2007

Principal activities

The company's principal activity is a provider of facilities management in the United Kingdom and Ireland

During the year, the company adopted International Financial Reporting Standards (IFRS) as adopted by the EU

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 0EE

Business review

The financial year to June 2007 was the first full year of trading after transferring out of our sister entity Bovis Lend Lease on the 1st January 2006, as such all comparatives in the financial statements are for six months ending June 2006

For the financial year ending June 2007, the Company had another successful year of trading, with turnover of £34,198,000 and an operating profit of £49,000 This was after a payment of £1,000,000 for recharges from other Lend Lease companies for business support functions which had not been paid in previous years

The Company currently operates in 2 sectors offering facilities management services to the PFI and Retail & leisure sectors The basis of trade is the delivery of PFI operations, with a number of additional Retail centres now also under management With current backlog revenue of an estimated £300 million the Company has a good platform on which to leverage growth Included in backlog revenue is 10 years of PFI revenue, these contracts are between 25 and 42 years in length

Like all Lend Lease businesses we are planning towards a sustainable future, by this we mean continuing to develop an integrated service offering working together with our clients, suppliers, government agencies and other stakeholders for a future where we use our resources wisely, promote long term business objectives and ensure that our impacts on our stakeholders are effectively managed Making a profit, corporate responsibility and corporate governance are not mutually exclusive and we are developing means to ensure longevity with limited negative impact on both the natural and human environment

In terms of the natural environment we are actively working on measures that include energy management, recycling and waste management, water measurement and carbon emission monitoring We are also encouraging a high level of social responsibility with all our stakeholders around our actions and how they are affecting others around us

During the financial year the Company has implemented a number of incentives to drive sustainability forward, initiating a Company wide support structure to study various methods of measurement, employee involvement in sustainability, supply chain effectiveness and measurement as well as how we involve other external stakeholders To date this has been highly effective and the results of which will be fed up through the Lend Lease organisation to form the basis of the framework of the group sustainability platform Vita Lend Lease is very proud of the fact we are involved in this exercise and feel the benefits will help to pave the way for our success in the future

The key risks around the medium term of the business are minimal but are managed by the continued high quality delivery of our PFI contracts and associated Lifecycle requirements We believe that these risks are mitigated by a high level of technical expertise within the organisation together with strong business processes, corporate governance and management systems in place

Directors' report *(continued)*

Dividend

The directors do not recommend payment of a dividend for the year *(2006 £nil)*

Directors and directors' interests

The directors who held office during the year were as follows

P Eatough	resigned 31st January 2008
D Powling	
D Gillespie	resigned 24th September 2007
C Lowe	resigned 22nd June 2007
J Clark	resigned 5th October 2007
S Nightingale	appointed 15th January 2008

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the Company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year

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

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

Employees and their involvement in the group business

The company is part of the Bovis Lend Lease group and closely identifies with the group's corporate identity and activities and also those of the ultimate Australian parent undertaking, Lend Lease Corporation Limited

Employees benefit from a profit sharing scheme that enables them to identify more closely with the group's performance and to share common objectives with shareholders This spirit of involvement in the group is encouraged through access to a variety of media, and staff at all levels are regularly advised of the group's and individual companies' achievements

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

Directors' report *(continued)*

- "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

Vita 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

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

The average number of creditor days outstanding at the end of the year was 26 days

Political and charitable contributions

The Company made no political or charitable contributions during the year

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

David Powling
Director

15 April 2008

142 Northolt Road
Harrow Middlesex HA2 OEE

Statement of directors' responsibilities

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 International Financial Reporting Standards (IFRS) as adopted by the European Union

The financial statements are required by law to 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 that the financial statements comply with IFRS as adopted by the European Union, 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 confirm that they have complied with the above requirements in preparing the financial statements

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

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

Independent Auditors' Report to the Members of Vita Lend Lease Limited

We have audited the financial statements of Vita Lend Lease for the year ended 30 June 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 described in the Statement of Directors' Responsibilities on page 4, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements We also report to you if, in our opinion, 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 other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with International Financial Reporting Standards, of the state of the company's affairs as at 30th June 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP
Chartered Accountants
Registered Auditor

24 April 2008

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Income statement
For the year ended 30 June 2007

	Note	**30 June 2007 £000**	**30 June 2006 £000**
Revenue		**34,198**	17,486
Cost of sales		**(29,732)**	(15,803)
Gross profit		**4,466**	1,683
Administrative expenses		**(4,417)**	(1,164)
Operating profit		**49**	519
Finance income	*5*	**489**	270
Finance costs	*6*	**(58)**	(98)
Profit before taxation	*2*	**480**	691
Taxation	*7*	**(173)**	(207)
Profit for the financial year		**307**	484

No operations were acquired or discontinued during the year 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 2007

	Note	**Year ended 30 June 2007 £000**	**6 months to 30 June 2006 £000**
Current assets			
Trade and other receivables	8	**4,075**	7,815
Cash and cash equivalents	9	**15,595**	10,974
Deferred tax assets	10	**45**	11
		19,715	18,800
Current liabilities			
Trade and other payables	*11*	**(5,860)**	(8,546)
Provisions for liabilities and charges	*13*	**(6,247)**	(5,730)
Net current assets		**7,608**	4,524
Total assets less current liabilities		**7,608**	4,524
Non-current liabilities			
Trade and other payables	*12*	**(17)**	(9)
Provisions for liabilities and charges	*13*	**(6,800)**	(4,031)
Net assets		**791**	484
Equity			
Ordinary shares	*14*	**-**	-
Retained earnings	*15*	**791**	484
Total equity		**791**	**484**

These financial statements were approved by the board of directors on 15 APRIL 2008 and were signed on its behalf by

David Powling
Director

Statement of changes in shareholders' equity
For the year ended 30 June 2007

	Note	Ordinary share capital	Retained Earnings (£'000)	Total equity (£'000)
Balance at 1 January 2006		-	-	-
Retained profit for the year	*14, 15*	-	484	484
Balance at 30 June 2006		-	**484**	**484**
Retained profit for the year	*14, 15*	-	307	307
Balance at 30 June 2007		-	**791**	**791**

Cash flow statement
For the year ended 30 June 2007

	Note	30 June 2007 £'000	30 June 2006 £'000
Cash flows from operating activities			
Cash generated from operations	*16*	**4,363**	11,009
Interest received		**489**	270
Interest paid		-	(98)
Finance costs		**(58)**	-
Income tax received/(paid)		**(173)**	(207)
Net cash from operating activities		**4,621**	10,974
Net increase/decrease in cash and cash equivalents			
Cash Balance Transferred in		-	-
Cash and cash equivalents at beginning of year		**10,974**	-
Cash and cash equivalents at end of year	*9*	**15,595**	10,974

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 financial statements

Basis of preparation

The financial statements have been prepared with International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the European Union and with those parts of the Companies Act 1985 applicable to companies under IFRS

The 2007 financial statements are the Company's first financial statements prepared under IFRS, with a transition date of 1 January 2006 Consequently, the comparative figures for 2006 and the balance sheet as at 1 January 2006 have been restated to comply with IFRS

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 long-term service contracts is recognised in accordance with the Company's accounting policy on long-term service contracts

Long-term service contracts

For PFI contracts there are two distinct fixed revenue streams,

- The first is related to the management of the assets These revenues are received from SPV's against a predetermined amount at contract award (RPI applied yearly) and are recognised on a straight-line basis over the life of the contract, for providing facilities management services in maintaining the assets Costs incurred for carrying out the related service are offset against these revenues, any difference is taken as margin in that year
- The second revenue stream relates to Life Cycle of the assets being maintained Revenues are received from SPV's against a predetermined schedule at contract award (RPI applied yearly) These revenues are for the replacement of component parts of the assets over the entire period of the contract, the revenue streams in most cases do not match the costs These revenues are recognised as a liability on the balance sheet and are only recognised to the extent that costs are incurred for Life Cycle activities plus any associated overheads As these contracts are long term, between 30 and 40 years, outturn margin will only be recognised where there is certainty over the costing of Life Cycle activities

For Retail contracts, costs are incurred on an agreed yearly budget and an agreed margin percentage applied for carrying out the service

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 (continued)

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

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

Pension costs

Contributions in respect of defined benefit 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 profit and loss account represents the contributions payable to the scheme in respect of the accounting period

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

Share-based payments

The group issues cash-settled share-based payments to certain employees These are measured at the fair value of the liability, which is re-measured at each balance sheet date and at the date of settlement, with changes in fair value recognised in profit or loss

Notes (continued)

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated Provisions are not recognised for future operating losses

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation The increase in the provision due to passage of time is recognised as interest expense

Financial risk management

The Company's activities expose it to financial risks in the form of market risk including foreign exchange risk, price risk and credit risk The Company's risk management programme seeks to minimise potential adverse effects on the Company's financial performance

Market risk
Foreign currency risk
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

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

Notes (continued)

2 Profit before taxation

	2007 £000	2006 £000
Profit on ordinary activities before taxation is stated after charging		
Rentals payable under operating leases		
Land and buildings	**140**	5
Other	**99**	29
Staff costs (see note 4)	**11,139**	5,771
	11,378	5,805

The remuneration of the auditors for the current accounting year has been borne by a fellow group undertaking.

3 Remuneration of directors

Directors' emoluments	2007 £000	2006 £000
Aggregate emoluments	**997**	372
Aggregate amounts (excluding shares) received under long term incentive schemes	**-**	-
Compensation for loss of office	**30**	-
Company contribution to money purchase pension schemes	**-**	-
	1,027	372

	2007 £'000	2006 £'000
Retirement benefits are accruing to four directors under		
Defined contribution schemes	**51**	25
Defined benefit schemes	**40**	19
	91	44

Highest paid director	2007 £000	2006 £000
Total amount of emoluments and amounts receivable under long term incentive schemes	**285**	74
Defined contribution pension scheme	**36**	17
	321	91

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, engaged in the activity of providing facilities management services was 489 *(2006 452)*

The aggregate payroll costs of these persons were as follows

	2007 £000	2006 £000
Wages and salaries	**10,826**	4,968
Social security costs	**958**	447
Other pension costs	**746**	356
	12,530	5,771

5 Finance income

	2007 £000	2006 £000
Bank and other interest	**489**	270
	489	270

6 Finance costs

	2007 £000	2006 £000
Interest payable to parent and other group undertakings	-	59
Other interest payable	-	39
Bad Debt Expense	**56**	-
Foreign Exchange	**2**	-
	58	98

Notes (continued)

7 Taxation

a) Analysis of charge in period

	2007 £000	2006 £000
UK corporation tax		
Current tax on income for the period	**207**	218
Total current tax	**207**	218
Deferred tax		
Origination and reversal of temporary differences	**(34)**	(11)
Total deferred tax	**(34)**	(11)
Tax on profit on ordinary activities	**173**	207

(b) Factors affecting the tax charge for the current period

The current tax charge for the period is lower than the standard rate of corporation tax in the UK 28% (2006 30%) The differences are explained below

	2007 £000	2006 £000
Tax reconciliation		
Profit on ordinary activities before tax	**480**	691
Current tax at 30%	**144**	207
Effects of		
Capital allowances for period in excess of depreciation	**6**	8
LTIP provision	**3**	3
Staff training costs	**25**	-
Non deductible expenses	**29**	-
Total tax charge (see above)	**207**	218

(c) Factors that may affect future current and total tax charges

Future effective tax rates may vary due to short term differences

The statutory tax rate is due to change on 1 April 2008 from 30% to 28% The deferred tax asset has been restated at the new rate, where appropriate, resulting in a reduction of £3,000

Notes (continued)

8 Trade and other receivables

	2007 £000	2006 £000
Trade receivables	**3,763**	6,768
Amounts receivable from related parties	**65**	783
VAT	**3**	-
Prepayments and accrued income	**244**	264
	4,075	7,815

9 Cash and cash equivalents

	2007 £000	2006 £000
Cash at bank and in hand	**15,595**	10,974
Short-term bank deposits	-	-
	15,595	10,974

10 Deferred tax assets

The deferred tax amounts are recognised as follows

	2007 £'000	2006 £'000
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	**45**	11
Deferred tax asset to be recovered within 12 months	-	-
	45	11

	Provisions £'000	Other £'000	Total £000
At 1 January 2006	-	-	-
Charged/(credited) to the income statement	3	8	11
Charged directly to equity	-	-	-
Exchange Differences	-	-	-
At 30 June 2006	3	8	11
Charged/(credited) to the income statement	28	6	34
As at 30 June 2007	**31**	**14**	**45**

Notes (continued)

11 Current liabilities

	2007 £000	2006 £000
Trade payables	**476**	1,105
Amounts due to customers for service contracts	-	-
Amounts payable to related entities	**56**	3,109
Taxation and social security		
— VAT	-	789
— Corporation tax (Note 7b)	**425**	218
Accruals and deferred income	**4,903**	3,325
	5,860	8,546

12 Non-current liabilities

	2007 £000	2006 £000
Employee long term incentive plans	**17**	9
	17	9

13 Provisions for liabilities and charges

	Lifecycle £000	Mobilisation £000	Defects Reserve £000	Total £000
At 1 July 2006	4,031	4,162	1,568	9,761
Charged/(credited) to the income statement				
- Additional provisions	4,433	2,667	3,443	10,543
- Unused amounts reversed	-	-	-	-
- Unwinding of discount	-	-	-	-
Used during the year	(1,664)	(2,823)	(2,770)	(7,257)
Exchange differences	-	-	-	-
At 30 June 2007	**6,800**	**4,006**	**2,241**	**13,047**

Notes (continued)

Provisions for liabilities and charges *(continued)*

Analysis of total provisions	**2007**	2006
	£000	£000
Non-current	**6,800**	4,031
Current	**6,247**	5,730
	13,047	9,761

a) Lifecycle
Lifecycle is a provision for future works to be undertaken This is a liability to provide replacement assets under PFI contracts These funds are drawn down in advance of performance It is expected that the net inflow during 2008 will be £3,036,000 and £757,000 during 2009

b) Mobilisation
Mobilisation is a provision for works on PFI projects that are currently being constructed or just completed and yet to commence operation These funds are drawn down prior to operation The provision of £4,006,000 at 30 June 2007 is expected to be fully utilised by the end of the financial year 2008

c) Defects reserve
Defects reserve is a provision for the works to be undertaken on PFI contracts related to the correction of construction related issues post handover of the asset to operation The balance at 30 June 2007 is expected to be fully utilised by the end of the financial year 2008

14 Called up share capital

	2007	2006
	£	£
Authorised		
Ordinary shares of £ 1 each	**100**	100
	100	100
Allotted, called up and fully paid		
Ordinary shares of £ 1 each	**1**	1
	1	1

Retained Notes (continued)

15 Earnings

	2007 £000	2006 £000
At beginning of year	**484**	-
Retained profit/(loss) for the year	**307**	484
At end of year	**791**	484

16 Cash flows from operating activities

	2007 £000	2006 £000
Cash flows from operating activities		
Net Profit/(Loss)	**307**	484
Adjustments for		
Tax charge	**173**	207
Finance Income	**(489)**	(270)
Finance Cost	**58**	98
Changes in working capital		
(Increase) / Decrease in trade receivables (Note 8)	**3,005**	(6,768)
(Increase) / Decrease in related party receivables (Note 8)	**718**	(783)
(Increase) / Decrease in VAT (Note 8 & 11)	**(792)**	789
(Increase) / Decrease in prepayments & accrued income (Note 8)	**20**	(264)
(Increase) / Decrease in deferred tax items (Note 10)	**(34)**	(11)
(Increase) / Decrease in current tax provision (Note 11)	**207**	218
Increase / (Decrease) in trade and other payables (Note 11)	**(629)**	1,105
Increase / (Decrease) in related party payables (Note 11)	**(3,053)**	3,109
Increase / (Decrease) in accruals and other liabilities (Note 11)	**1,578**	3,325
Increase / (Decrease) in long term incentive plans (Note 12)	**8**	9
Increase / (Decrease) in provisions (Note 13)	**3,286**	9,761
Cash generated from operations	**4,363**	11,009

Notes (continued)

17 Commitments

Operating leases

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

	2007 £000	2006 £000
Within one year	**216**	77
In the second to fifth years inclusive	**736**	161
Over five years	**3,041**	7
	3,993	245

18 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 assets and liabilities of the scheme cannot be accurately allocated to the company, and accordingly, the multi-employer exemption available under IAS 19 has been taken On that basis 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 contribution 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 2007, the company contributions paid to the Lend Lease UK Pension Scheme were £769,954 *(2006 £355,532)*

19 Related party transactions

The following transactions were carried out with related parties

a) *Sale of goods and services*

	2007 £000	2006 £000
Sale of services		
- Associates	**34,087**	17,227

Sale of services are negotiated with related parties on a cost-plus basis, allowing a margin ranging from 5% to 15% (2006 5% to 15%)

Notes (continued)

Related party transactions ***(continued)***

b) Purchases of goods and services

	2007 £000	2006 £000
Purchases of services		
- Associates	**972**	197

Goods and services are bought from associates and an entity controlled by key management personnel on normal commercial terms and conditions Management services are bought 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 3

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

	2007 £000	2006 £000
Receivables from related parties (Note 8)		
- Associates	**65**	783
Payables to related parties (Note 11)		
- Associates	**(56)**	(3,109)
	9	(2,326)

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

Other transactions are paid by the Company and recharged to other companies

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

The Company is a subsidiary undertaking of Bovis Lend Lease Holdings Limited, which is registered in England and Wales Its ultimate parent undertaking is Lend Lease Corporation Limited, which is incorporated in Australia

The largest group in which the results of the company are consolidated is that headed by Lend Lease Corporation Limited The consolidated financial statements of the 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

21 Transition to IFRS

The company reported under UK GAAP in its previous financial statements for the 6 months ended 30 June 2006

The company has restated its financial statements at 1 January 2006 Presented below are restated balance sheets and income statements at 1 January 2006 and 30 June 2007 as a result of the transition to IFRS There are no changes to the income statement identified as part of IFRS transition The principal changes relate to the inclusion of holiday pay accruals, and the presentation of a cash flow statement in these accounts

Notes (continued)

Until the adoption of IFRS, Vita Lend Lease Limited's financial statements were based on UK accounting standards (UK GAAP) The following explanatory notes and reconciliations show the difference between IFRS and UK GAAP reporting

IFRS 1 exemptions

IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the procedures that the Company must follow when it adopts IFRS for the first time as the basis for preparing its financial statements

The Company is required to establish its IFRS accounting policies as at 30 June 2007 and, in general, apply these retrospectively to determine the IFRS opening balance sheet at its date of transition, 1 January 2006

This standard provides a number of optional exceptions to this general principle None of these exceptions is applicable to Vita Lend Lease Ltd

Presentation of financial statements

The primary statements within the financial information contained in this document have been presented substantially in accordance with IAS 1 "Presentation of Financial Statements" However, this format and presentation may require modification in the event that further guidance is issued and as practice develops

Reconciliation of profit

For the period ending 30 June 2007

	UK GAAP Total £'000	Effect of transition to IFRS Holiday Pay Accrual £'000	IFRS Total £'000
Revenue	34,198	-	34,198
Cost of sales	(29,732)	-	(29,732)
Gross profit	**4,466**	-	**4,466**
Administrative expenses	(4,250)	(167)	(4,417)
Operating profit	**216**	-	**49**
Finance income	489	-	489
Finance costs	(58)	-	(58)
Profit before taxation	**647**	**(167)**	480
Taxation	(223)	50	(173)
Profit for the year	**424**	**(117)**	**307**

Notes (continued)

Reconciliation of equity

At 30 June 2007

	Notes	UK GAAP Total £'000	Effect of transaction to IFRS Holiday Pay Accrual £'000	IFRS Total £'000
Current assets				
Trade and other receivables		4,075	-	4,075
Cash and cash equivalents		15,595	-	15,595
Deferred tax assets		45	-	45
Total assets		**19,715**	-	**19,715**
Current liabilities				
Trade and other payables		(5,860)	-	(5,860)
Provisions for liabilities and charges		(6,130)	(117)	(6,247)
Non-current liabilities				
Trade and other payables		(17)	-	(17)
Provisions for liabilities and charges		(6,800)	-	(6,800)
Total liabilities		**(18,807)**	-	**(18,925)**
Net assets		**908**	**(117)**	**791**
Equity				
Ordinary shares		-	-	-
Share premium		-	-	-
Retained earnings		908	(117)	791
Total equity		**908**	**(117)**	**791**