

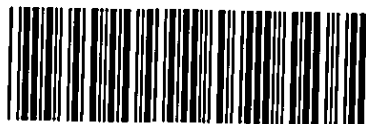
Vita Lend Lease Limited

**Directors' report and financial
statements**

Registered number 3810466

30 June 2008

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Directors' report

The directors present their report and financial statements for the year ended 30 June 2008.

Principal activities

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

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

For the financial year ending June 2008, the Company had another successful year of trading, with turnover of £39,557k (2007: £34,198k) and an operating profit of £1,200k (2007: £(9k)).

The Company currently operates in 2 sectors offering facilities management services to the Private Finance Initiative (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 that 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 are managed by the continued high quality delivery of our PFI contracts and associated Lifecycle requirements. We believe that any 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.

Dividend

The directors do not recommend payment of a dividend for the year (2007: £nil).

Directors' report *(continued)*

Directors and directors' interests

The directors who held office are as follows:

D Gillespie (resigned 24/09/07)
J Clark (resigned 05/10/07)
P Eatough (resigned 31/01/08)
D Powling (resigned 03/10/08)
S Nightingale (appointed 15/01/08)
C Smith (appointed 02/09/08)
G Taylor (appointed 02/09/08)

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.

Directors' report *(continued)*

- "Global Update", annual employee update meetings.

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

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

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

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

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

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 2008, the company committed to gaining the ISO 14001 certification.

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 7 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


Courtenay Smith
Director

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 and applicable laws.

The financial statements are required by law to present fairly the financial position and the performance of the Company; the Companies Act 1985 provides in relation to such financial statement that references in the relevant part of the Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 2008 which comprise the Income Statement, the Balance Sheet, the cash flow statement, the statement of changes in recognised income and expense 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 6, 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.

Independent Auditors' Report to the Members of Vita Lend Lease Limited *(continued)*

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 2008 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

KPMG LLP
Chartered Accountants
Registered Auditor

5/2/09

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Income statement

For the year ended 30 June 2008

	Note	30 June 2008 £000	30 June 2007 £000
Revenue		39,557	34,198
Cost of sales		(34,310)	(29,790)
Gross profit		5,247	4,408
Administrative expenses		(4,047)	(4,417)
Operating profit/(loss)		1,200	(9)
Finance income	5	264	489
Profit before taxation	2	1,464	480
Taxation	6	(383)	(173)
Profit for the financial year		1,081	307

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 2008

	<i>Note</i>	Year ended 30 June 2008 £000	Year ended 30 June 2007 £000
Non-current assets			
Deferred tax asset	9	139	45
Current assets			
Trade and other receivables	7	9,410	4,075
Cash and cash equivalents	8	15,376	15,595
		24,786	19,670
Current liabilities			
Trade and other payables	10	(7,718)	(5,860)
Provisions for liabilities and charges	12	(5,465)	(6,247)
		11,603	7,563
Net current assets			
		11,742	7,608
Non-current liabilities			
Trade and other payables	11	-	(17)
Provisions for liabilities and charges	12	(9,870)	(6,800)
		1,872	791
Net assets			
		1,872	791
Equity			
Ordinary shares	13	-	-
Retained earnings	14	1,872	791
		1,872	791
Total equity			
		1,872	791

These financial statements were approved by the board of directors on 05/02/09 and were signed on its behalf by:


Courtenay Smith
Director

Statement of changes in recognised income and expense

For the year ended 30 June 2008

	<i>Note</i>	Ordinary share capital	Retained Earnings (£'000)	Total equity (£'000)
Balance at 30 June 2007		-	791	791
Retained profit for the year	14	-	1,081	1,081
Balance at 30 June 2008		-	1,872	1,872

Cash flow statement

For the year ended 30 June 2008

	<i>Note</i>	30 June 2008 £'000	30 June 2007 £'000
Cash flows from operating activities			
Cash generated from operations	15	(483)	4,132
Interest received		264	489
Net cash from operating activities		(219)	4,621
Net increase/decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of year		15,595	10,974
Cash and cash equivalents at end of year	8	15,376	15,595

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 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. The Company's exposure to foreign currency risk is set out below:

30 June 2008

	Local Currency €000	Total £000
Net asset exposure	1,116	861

30 June 2007

	Local Currency €000	Total £000
Net asset exposure	1,078	733

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

Price risk

The Company does not have significant equity investments or investments in commodities and all revenues are received against a predetermined amount at contract award with RPI applied yearly, therefore 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 in the balance sheet equals the carrying amount, net of any impairment. The Company has no significant concentrations on credit risk on either a geographic or industry specific basis.

Notes (continued)

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 subject to interest rate risk are financial assets in the form of cash and cash equivalents. Interest is received 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 affect on profit or loss.

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 maturities of financial liabilities as at 30 June 2008:

30 June 2008

	Carrying Amount £000	Contractual cash flows £000	6 months or less £000
Trade and other payables	6,627	6,627	6,627

30 June 2007

	Carrying Amount £000	Contractual cash flows £000	6 months or less £000
Trade and other payables	5,340	5,340	5,340

Net fair values of assets and liabilities

All financial instruments are recognised on the balance sheet date 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 to maximise liquidity. There were no changes to Company's approach to capital management during the year.

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

	2008 £000	2007 £000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Rentals payable under operating leases:		
Land and buildings	146	140
Other	88	99
Audit of financial statements of the Company	22	12
Other audit services	-	51
Bad and doubtful debt expense	87	56
(Gains)/losses on foreign exchange transaction	(3)	2
Staff costs (see note 4)	12,081	11,139
	<hr/>	<hr/>

3 Remuneration of directors

Directors' emoluments

	2008 £000	2007 £000
Aggregate emoluments	403	997
Compensation for loss of office	-	30
	<hr/>	<hr/>
	403	1,027
	<hr/>	<hr/>

	2008 £'000	2007 £'000
<i>Retirement benefits are accruing to two directors under:</i>		
Defined contribution schemes	42	51
Defined benefit schemes	-	40
	<hr/>	<hr/>
	42	91
	<hr/>	<hr/>

Highest paid director

	2008 £000	2007 £000
Total amount of emoluments and amounts receivable under long term incentive schemes	175	285
Defined contribution pension scheme	23	36
	<hr/>	<hr/>
	198	321
	<hr/>	<hr/>

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 521 (2007: 489).

The aggregate payroll costs of these persons were as follows:

	2008 £000	2007 £000
Wages and salaries	11,124	10,826
Social security costs	957	958
Other pension costs	1,021	746
	<u>13,102</u>	<u>12,530</u>

5 Finance income

	2008 £000	2007 £000
Bank and other interest	264	489
	<u>264</u>	<u>489</u>

6 Taxation

a) Analysis of debit/(credit) for the year

	2008 £000	2007 £000
Current tax:		
UK corporation tax	534	207
Prior year adjustments	(57)	-
	<u>477</u>	<u>207</u>
Deferred tax		
Accelerated Capital Allowances	(33)	(6)
Other timing differences	(61)	(28)
	<u>(94)</u>	<u>(34)</u>
Total	<u>383</u>	<u>173</u>

Notes (continued)

(b) Factors affecting the tax debit/(credit) for the year

The tax charge/(credited) for the year is the same as the profit/(loss) at the weighted average rate of UK corporation tax (29.5%). The differences are explained below:

	2008 £000	2007 £000
Profit on ordinary activities before tax	1,464	480
Weighted average rate of UK corporation tax 29.5% (2007 30%)	432	144
<i>Effects of:</i>		
Change in tax rate	(9)	-
Prior year adjustments	(41)	-
Non deductible expenses	1	29
Total tax charge for the year (see above)	383	173

(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 changed on 1 April 2008 from 30% to 28%. The deferred tax asset has been restated at the new rate, where appropriate.

7 Trade and other receivables

	2008 £000	2007 £000
Trade receivables	8,144	3,763
Amounts receivable from related parties	837	65
VAT	-	3
Prepayments and accrued income	429	244
	9,410	4,075

8 Cash and cash equivalents

	2008 £000	2007 £000
Cash at bank and in hand	15,376	15,595

Notes (continued)

9 Deferred tax assets

The deferred tax amounts are recognised as follows:

	2008 £'000	2007 £000
Accelerated capital allowances	35	14
Other timing differences	104	31
	<u>139</u>	<u>45</u>
At beginning of year	45	11
Profit and loss credit/(charge) for the year	94	34
At end of year	<u>139</u>	<u>45</u>

10 Current liabilities

	2008 £000	2007 £000
Trade payables	488	476
Amounts due to customers for service contracts	-	-
Amounts payable to related entities	188	56
Taxation and social security:		
— VAT	295	-
— Corporation tax (Note 6b)	901	425
Accruals and deferred income	5,846	4,903
	<u>7,718</u>	<u>5,860</u>

11 Non-current liabilities

	2007 £000	2007 £000
Employee long term incentive plans	-	17
	<u>-</u>	<u>17</u>

Notes (continued)

12 Provisions for liabilities and charges

	Lifecycle £000	Mobilisation £000	Defects Reserve £000	Total £000
At 1 July 2007	6,800	4,006	2,241	13,047
Charged/(credited) to the income statement:				
- Additional provisions	5,580	655	-	6,235
- Unused amounts reversed	-	-	-	-
- Unwinding of discount	-	-	-	-
Used during the year	(2,510)	(573)	(864)	(3,947)
Exchange differences	-	-	-	-
At 30 June 2008	9,870	4,088	1,377	15,335

Analysis of total provisions:

	2008 £000	2007 £000
Non-current	9,870	6,800
Current	5,465	6,247
	15,335	13,047

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 2009 will be £3,022k and £744k during 2010.

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 £4,088k at 30 June 2008 is expected to be fully utilised by the end of the financial year 2009.

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 2008 is expected to be fully utilised by the end of the financial year 2009.

Notes (continued)

13 Called up share capital

	2008 £	2007 £
<i>Authorised</i>		
Ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	1	1
	<u>1</u>	<u>1</u>

14 Retained Earnings

	2008 £000	2007 £000
At beginning of year	791	484
Retained profit for the year	1,081	307
	<u>1,872</u>	<u>791</u>

15 Cash flows from operating activities

	2008 £000	2007 £000
Cash flows from operating activities		
Net Profit	1,081	307
Adjustments for:		
Tax charge	383	173
Finance Income	(264)	(489)
Changes in working capital:		
(Increase) / Decrease in trade receivables (Note 8)	(4,381)	3,005
(Increase) / Decrease in related party receivables (Note 8)	(772)	718
Increase / (Decrease) in VAT (Note 8 & 11)	297	(792)
(Increase) / Decrease in prepayments & accrued income (Note 8)	(185)	20
Increase / (Decrease) in trade and other payables (Note 10)	12	(629)
Increase / (Decrease) in related party payables (Note 10)	132	(3,053)
Increase/(Decrease) in accruals and other liabilities (Note 10)	943	1,578
(Decrease) / Increase in long term incentive plans (Note 11)	(17)	8
Increase/(Decrease) in provisions (Note 12)	2,288	3,286
	<u>(483)</u>	<u>4,132</u>
Cash generated from operations		

Notes (continued)

16 Commitments

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

	2008 £000	2007 £000
Within one year	248	216
In the second to fifth years inclusive	764	736
Over five years	3,166	3,041
	<u>4,178</u>	<u>3,993</u>

17 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 2008, the company contributions paid to the Lend Lease UK Pension Scheme were £1,021,242 (2007: £769,954).

18 Related party transactions

The following transactions were carried out with related parties:

a) Sale of goods and services

	2008 £000	2007 £000
Sale of services:		
- Associates	34,381	34,087

Sale of services are negotiated with related parties on a cost-plus basis, allowing a margin ranging from 5% to 15% (2007 5% to 15%).

b) Purchases of goods and services

	2008 £000	2007 £000
Purchases of services:		
- Associates	1,392	,972

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).

Notes (continued)

Related party transactions (continued)

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

	2008 £000	2007 £000
Receivables from related parties (Note 7)		
- Associates	837	65
Payables to related parties (Note 10)		
- Associates	(188)	(56)
	<hr/>	<hr/>
	649	9
	<hr/>	<hr/>

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.

19 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

20 Post balance sheet event

Subsequent to 30 June 2008 the terms of the Lend Lease UK Pension Scheme were amended to close the scheme to the accrual of futures benefits with effect from 31 August 2008. The actuarial assessment of the benefits arising from the closure of the Scheme is disclosed in the financial statements of Bovis Lend Lease Holdings Limited (the Company's immediate parent undertaking) which is the legal sponsor of the scheme.