

Carillion Regeneration Limited

**Directors' report and financial
statements**

Registered number 2630590

Year ended 31 December 2005



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

Principal activity and business review

The company is principally engaged in the retention and disposal of land and property for development purposes.

The directors anticipate that the company will continue to perform in its present role within the Carillion Group during 2006.

Profits and dividends

The company's loss before tax was £3,321 (2004: loss £238,052).

The directors do not propose a payment of a dividend for the year (2004: £Nil).

Directors and directors' interests

The directors who served during the year and up to the date of this report are:

SP Eastwood
CF Girling
AG Mitchell

No director had any interest in the share or loan capital of the company or any subsidiary of Carillion plc during the year.

The directors who held office at the end of the financial year and their families, other than those whose interests are disclosed in the financial statements of the ultimate holding company, Carillion plc, had the following interests in, and options to subscribe for, ordinary shares of 50p each in Carillion plc:

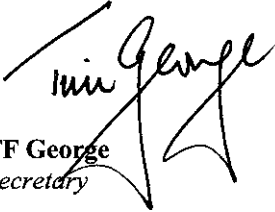
	At 1 January 2005		Share option movements in year			At 31 December 2005	
	Shares	Share options	Granted	Exercised	Lapsed	Shares	Share options
	Number	Number	Number	Number	Number	Number	Number
SP Eastwood	16,878	58,315	30,096	-	-	5,443	88,411

No director was materially interested during the year in any contract which was significant in relation to the business of the company.

Auditor

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditor of the company will be proposed at the Annual General Meeting.

Approved by the Board on 8 March 2006 and signed on its behalf by:


TF George
Secretary

Birch Street
Wolverhampton
WV1 4HY

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 the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

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 whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper 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.

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law.



KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL

Independent auditors' report to the members of Carillion Regeneration Limited

We have audited the financial statements of Carillion Regeneration Limited for the year ended 31 December 2005 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 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and 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.



KPMG Audit Plc
2 Cornwall Street
Birmingham
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Independent auditors' report to the members of Carillion Regeneration Limited
(continued)

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

8 March 2006

Profit and loss account
for the year ended 31 December 2005

	<i>Note</i>	2005 £	2004 £
Administrative expenses		(3,321)	(238,052)
Loss on ordinary activities before taxation	3	(3,321)	(238,052)
Tax credit on loss on ordinary activities	4	996	74,071
Retained loss for the financial year	9	(2,325)	(163,981)

All of the company's operations are continuing.

There are no recognised gains or losses in either the current or preceding financial year other than the profit or loss for those years.

There is no difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis in either the current or preceding financial year.

Balance sheet
at 31 December 2005

	<i>Note</i>	2005 £	2004 £
Current assets			
Stocks	5	2,345,284	126,796
Debtors	6	271,134	826,352
		<u>2,616,418</u>	<u>953,148</u>
Creditors: Amounts falling due within one year	7	(2,224,816)	(559,221)
Net assets		<u>391,602</u>	<u>393,927</u>
Capital and reserves			
Called up share capital	8	2	2
Profit and loss account	9	391,600	393,925
Equity shareholders' funds	10	<u>391,602</u>	<u>393,927</u>

These financial statements were approved by the Board of directors on 8 March 2006 and were signed on its behalf by:



SP Eastwood
 Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK Accounting Standards.

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes appropriate overheads.

Cash flow statement

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that its ultimate parent undertaking Carillion plc includes the company's cash flows in its own published consolidated cash flow statement.

Taxation

The charge for taxation is based on the result for each year and takes into account deferred taxation, calculated in accordance with the requirements of FRS19 "Deferred taxation". Deferred tax assets or liabilities, which arise from timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation, are calculated on a non-discounted full provision basis.

Government grants

Government grants in respect of capital expenditure have been credited against the cost of the asset.

2 Directors and employees

The directors, being the only employees of the company, have neither received nor waived any emoluments during the year (2004: £Nil).

3 Loss on ordinary activities before taxation

	2005 £	2004 £
<i>Loss on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration – audit work	2,000	2,000

4 Tax on loss on ordinary activities

(a) The tax credit is made up as follows:

	2005 £	2004 £
UK taxation:		
Corporation tax	-	-
Group relief	(996)	(74,071)
Total current tax (note 4(b))	(996)	(74,071)

Notes (continued)

4 Tax on loss on ordinary activities (continued)

(b) Reconciliation of current taxation credit

The UK standard rate of corporation tax for the year is 30% (2004: 30%). The actual tax rate differs to the standard rate for the reasons set out below:

	2005 £	2004 £
Loss on ordinary activities before tax	(3,321)	(238,052)
Tax on loss on ordinary activities at UK standard rate of corporation tax of 30% (2004: 30%)	(996)	(71,416)
Permanent differences	-	(2,655)
Current tax credit for the year	(996)	(74,071)

5 Stocks

	2005 £	2004 £
Development work in progress	2,345,284	126,796

6 Debtors: Amounts due within one year

	2005 £	2004 £
Amounts owed by group undertakings	-	692,381
Other tax and social security	270,138	59,900
Group taxation relief	996	74,071
	271,134	826,352

7 Creditors: Amounts falling due within one year

	2005 £	2004 £
Trade creditors	5,892	5,893
Amounts owed to group undertakings	2,216,924	551,328
Accruals and deferred income	2,000	2,000
	2,224,816	559,221

Notes (continued)

8 Share capital

	2005 £	2004 £
<i>Authorised:</i>		
100 ordinary shares of £1 each	100	100
<i>Allotted, called up and fully paid:</i>		
2 ordinary shares of £1 each	2	2

9 Reconciliation of movement on reserves

	2005 £	2004 £
At start of year	393,925	557,906
Retained loss for the year	(2,325)	(163,981)
At end of year	391,600	393,925

10 Reconciliation of movements in equity shareholders' funds

	2005 £	2004 £
Retained loss for the financial year	(2,325)	(163,981)
Opening equity shareholders' funds	393,927	557,908
Closing equity shareholders' funds	391,602	393,927

11 Related party disclosures

As a wholly owned subsidiary of Carillion plc, the company has taken advantage of the exemption under Financial Reporting Standard 8 not to provide information on related party transactions with other undertakings within the Carillion plc group. Note 12 gives details of how to obtain a copy of the published financial statements of Carillion plc.

12 Controlling and parent companies

The company's immediate and ultimate controlling company is Carillion plc, which is registered in England and Wales.

Copies of the group financial statements for Carillion plc are available from Birch Street, Wolverhampton, WV1 4HY.

