

Carillion Private Finance Limited

**Directors' report and financial
statements**

Registered number 2997859

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 activities and business review

The principal activity of the company is that of a holding company in undertakings, which develop and operate projects under the Private Finance Initiative. During the year the following projects were financially closed: Renfrewshire Schools and the Queen Alexandra Hospital, Portsmouth.

In October 2005, Carillion Private Finance Limited disposed of their 50% investment in CP LIFT Investments.

The directors anticipate that the company will continue its present role during 2006.

Profits and dividends

The profit on ordinary activities before taxation was £8,328,000 (2004: £12,449,000).

A dividend of £9,700,000 was declared and paid during the year (2004: £20,000,000).

Directors and directors' interests

The directors who served during the year and subsequently were:

J McDonough
 RW Robinson
 CFG Girling
 FR Herzberg

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, had the following interests in, and options to subscribe for, ordinary shares of 50p each in Carillion plc:

Number of shares	At 31 December 2005		At 1 January 2005 or date of appointment		Share option movements in year		
	Share		Share		granted	exercised	lapsed
	Shares Number	Options Number	Shares Number	Options Number			
FR Herzberg	21,612	-	21,612	-	-	-	-

No director had any beneficial interest in the share or loan capital of any subsidiary undertaking of Carillion plc.

No director was materially interested during the year in any contract that 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:

UTCH
 RF Tapp
 Secretary

24 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 Private Finance Limited

We have audited the financial statements of Carillion Private Finance 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
B3 2DL

Independent auditors' report to the members of Carillion Private Finance Limited
(continued)

Opinion

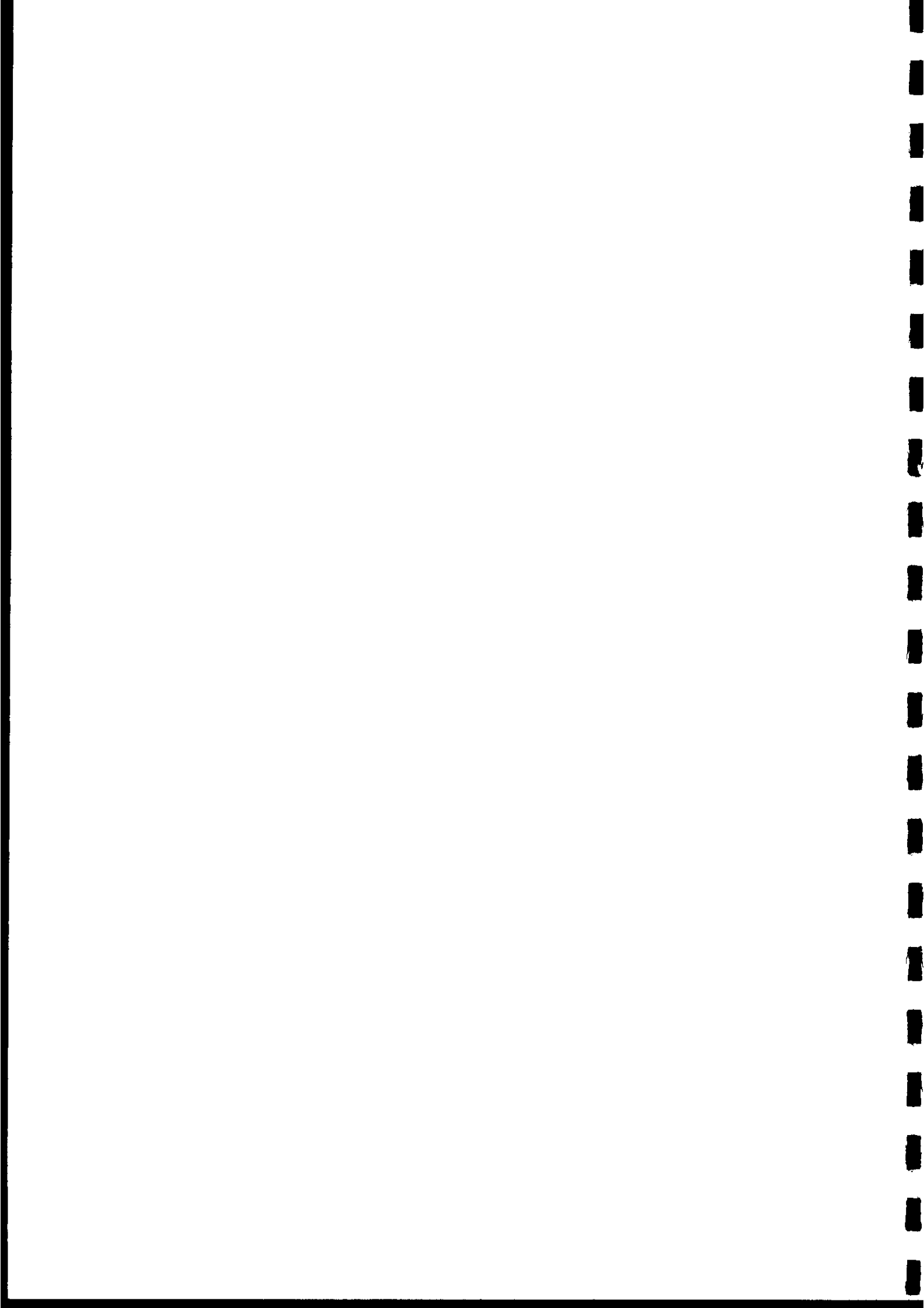
In our opinion the financial statements:

- 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 profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink that reads '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 £
Income from shares in participating interests		6,410,252	3,344,260
Profit on sale of investments		337,324	7,093,992
Interest receivable and similar income	<i>3</i>	1,580,829	2,010,824
		<hr/>	<hr/>
Profit on ordinary activities before taxation		8,328,405	12,449,076
Tax on profit on ordinary activities	<i>4</i>	(1,156,509)	(603,399)
		<hr/>	<hr/>
Profit on ordinary activities after taxation being profit for the financial year	<i>10</i>	7,171,896	11,845,677
		<hr/>	<hr/>

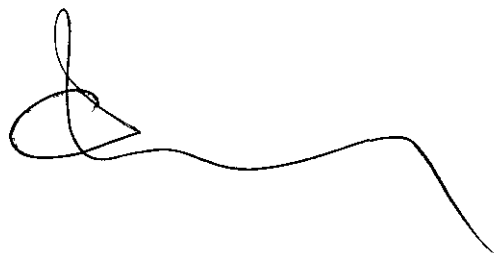
There is no difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis in either the current or preceding financial year.

There were no recognised gains and losses in either the current or preceding financial year other than the profit or loss for those years. All amounts relate to continuing operations.

Balance sheet
at 31 December 2005

	Note	£	2005 £	£	2004 £
Fixed assets					
Investments	6		31,866,770		31,142,087
Current assets					
Debtors	7	23,574,385		16,612,752	
Creditors: amounts falling due within one year	8	(42,367,010)		(32,152,590)	
Net current liabilities			(18,792,625)		(15,539,838)
Total assets less current liabilities being net assets			13,074,145		15,602,249
Capital and reserves					
Called up share capital	9		6,902,895		6,902,895
Profit and loss account	10		6,171,250		8,699,354
Equity shareholders' funds	11		13,074,145		15,602,249

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



CF Girling
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.

Consolidated financial statements

These financial statements present information about the company as an individual company and not about its group. The company is exempt under section 228 of the Companies Act 1985 from the obligation to prepare group financial statements and to deliver them to the Registrar of Companies as it is a wholly owned subsidiary undertaking of another UK corporate body.

Investments

Fixed asset investments are stated at cost less provision for any permanent diminution in the carrying value of the investment.

Cash flow statement

In accordance with Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that Carillion plc, the company's ultimate parent undertaking 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 are calculated on a non-discounted full provision basis in respect of timing differences that are expected to reverse in future years.

2 Directors, employees and auditor's fee

The company had no employees other than its directors (2004: None) none of whom received or waived any remuneration (2004: £Nil).

No auditor's fee was paid in the year (2004: £Nil). The audit fee is borne by the parent company.

3 Interest receivable and similar income

	2005 £	2004 £
Interest receivable from loans to participating interests	1,580,829	2,010,824

Notes (continued)

4 Tax on profit on ordinary activities

(a) Analysis of taxation charge for the year

The tax charge for the financial year is made up as follows:

	2005 £	2004 £
<i>Current tax:</i>		
UK corporation tax at 30% (2004: 30%)	1,156,509	603,399

(b) Factors affecting the charge for the year

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

	2005 £	2004 £
Profit on ordinary activities before tax	8,328,405	12,449,076
Tax on profit on ordinary activities at UK standard rate of corporation tax of 30% (2004: 30%)	2,498,522	3,734,723
Non-taxable capital profits	(101,491)	(2,128,198)
Non-taxable income from shares in participating interests	(1,923,076)	(1,003,278)
Group relief in respect of prior periods	292,260	(3,101)
Other	390,294	3,253
Current tax charge for the year	1,156,509	603,399

5 Dividends

	2005 £	2004 £
Interim dividend paid	9,700,000	20,000,000

Notes (continued)

6 Investments

	Shares in subsidiary undertakings £	Shares in participating interests £	Loans to participating interests £	Other investments £	Total £
Cost					
At 1 January 2005	1	3,626,378	24,090,921	3,424,787	31,142,087
Additions	-	40,000	1,496,697	-	1,536,697
Disposals	-	(15,000)	(296,697)	-	(311,697)
Repayments	-	-	(500,317)	-	(500,317)
At 31 December 2005	1	3,651,378	24,790,604	3,424,787	31,866,770
Provisions					
At 1 January 2005	-	-	-	-	-
Movement	-	-	-	-	-
At 31 December 2005	-	-	-	-	-
Net book value					
At 31 December 2005	1	3,651,378	24,790,604	3,424,787	31,866,770
At 31 December 2004	1	3,626,378	24,090,921	3,424,787	31,142,087

Arrow Light Rail Holdings Limited is classified as 'other investments' rather than a participating interest.

Principal subsidiary undertakings, participating interests and other investments

Name of company	Country of incorporation and operation	Proportion of equity held
Subsidiary undertakings		
Avery Hill Developments Holdings Limited	Great Britain	100%
Participating interests		
Accommodation Services (Holdings) Limited	Great Britain	40%
Education Care & Discipline Limited	Great Britain	50%
Education Care & Discipline Three Limited	Great Britain	50%
Ellenbrook Holdings Limited	Great Britain	50%
GSL Carillion (Fazakerley) Limited	Great Britain	50%
GSL Carillion (Onley) Limited	Great Britain	50%
RSP (Holdings) Ltd*	Great Britain	30%
Sheppey Route (Holdings) Limited	Great Britain	50%
The Healthcare Infrastructure Company of Canada (ROH) Inc °	Canada	50%
The Healthcare Infrastructure Company of Canada (WOHC) Inc °	Canada	50%
The Hospital Company (Oxford John Radcliffe) Holdings Limited	Great Britain	50%
The Hospital Company (QAH Portsmouth) Holdings Limited*	Great Britain	50%
The Hospital Company (Swindon & Marlborough) Holdings Limited	Great Britain	33.3%
Town Hospitals (North Staffordshire) Holdings Limited	Great Britain	50%
Town Hospitals (Southern General) Holdings Limited	Great Britain	50%
UK Court Services (Manchester) Holdings Limited	Great Britain	33.3%
UK Highways Limited	Great Britain	50%
UK Highways A55 (Holdings) Limited	Great Britain	50%
UK Highways Services Limited	Great Britain	50%
Other investments		
Arrow Light Rail Holdings Limited	Great Britain	12.5%

* Addition in the year

° Owned via an intermediate holding company that is a subsidiary of Carillion Private Finance Limited

These companies are all involved in the development and operation of projects under the Private Finance Initiative.

Notes (continued)

7 Debtors

	2005 £	2004 £
Amounts due within one year:		
Amounts owed by group undertakings	23,091,384	15,694,651
Amounts owed by participating interests	483,001	915,000
Group relief	-	3,101
	<u>23,574,385</u>	<u>16,612,752</u>

8 Creditors: amounts falling due within one year

	2005 £	2004 £
Amount owed to group undertakings	41,200,000	31,500,000
Amounts owed to participating interests	10,501	10,501
Accruals and deferred income	-	35,589
Corporation tax	1,156,509	606,500
	<u>42,367,010</u>	<u>32,152,590</u>

9 Share capital

	2005 £	2004 £
<i>Authorised:</i>		
8,000,000 ordinary shares of £1 each	8,000,000	8,000,000
<i>Allotted, called up and fully paid:</i>		
6,902,895 ordinary shares of £1 each	6,902,895	6,902,895

10 Profit and loss account

	£
At 1 January 2005	8,699,354
Profit for the financial year	7,171,896
Equity dividends paid	(9,700,000)
At 31 December 2005	<u>6,171,250</u>

11 Reconciliation of movements in equity shareholders' funds

	2005 £	2004 £
Shareholders' funds at beginning of year	15,602,249	23,756,572
Profit for the financial year	7,171,896	11,845,677
Equity dividends paid	(9,700,000)	(20,000,000)
Shareholders' funds at end of year	<u>13,074,145</u>	<u>15,602,249</u>

Notes (continued)

12 Contingent liabilities and financial commitments

The company has committed itself to invest £30.75 million of equity and subordinated debt (2004: £16.4 million) in the undertakings in which it has taken an interest. These commitments fall due as follows:

	2005 £	2004 £
Within one year	10,859,000	1,497,000
Between two and five years	19,891,000	14,947,000
	<hr/>	<hr/>
	30,750,000	16,444,000
	<hr/>	<hr/>

13 Related party transactions

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 group. Note 14 gives details of how to obtain a copy of the published financial statements of Carillion plc.

14 Controlling and parent company

The company's controlling company is Carillion plc, its parent company, which is incorporated in Great Britain.

The consolidated financial statements of Carillion plc are available to the public and can be obtained from 24 Birch Street, Wolverhampton, WV1 4HY.