

**Carillion Private Finance Limited**

Directors' report and financial statements  
Registered number 2997859  
For the year ended 31 December 2010

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**Contents**

Directors' report	3
Statement of directors' responsibilities in respect of the directors' report and the financial statements	4
Independent auditors' report to the members of Carillion Private Finance Limited	5
Profit and loss account	7
Balance sheet	8
Notes	9 - 15

## Directors' Report

The directors present their annual report together with the audited financial statements for the year ended 31 December 2010

### Principal activities

The principal activity of the company is that of investment in undertakings, which develop and operate projects under the Private Finance Initiative

The directors anticipate that the company will continue its present role during 2011

### Business review

The company's key performance indicators are profit before tax and return on capital employed. The profit on ordinary activities before taxation was £2,518,000 (2009 £3,934,000). Return on capital employed (calculated as profit before tax closing net assets was 13.5 or 29% (2009 13.1 or 32%).

The principal risks facing the business are that the value of investments in undertakings, which are dependent on the success of the underlying projects, might be less than anticipated and the risk that Carillion Private Finance Limited might have to inject cash into undertakings to maintain their value. The directors manage this risk through close involvement in the management of the underlying projects and regular monitoring of their performance.

### Profit and dividends

The profit on ordinary activities before taxation was £2,518,000 (2009 £3,934,000).

A dividend of £5,400,000 was declared and paid during the year (2009 £Nil).

J McDonough  
FR Herzberg  
RJ Adam

### 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 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.

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG Audit Plc will therefore continue in office.

Approved by the Board on 28 March 2011 and signed on its behalf by



**FR Herzberg**  
Director

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities



**KPMG Audit Plc**

One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

**Independent auditor's 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 2010 set out on pages 7 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice and
- have been prepared in accordance with the requirements of the Companies Act 2006

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

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

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

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

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



**RJ Pound**  
**(Senior Statutory Auditor)**  
**for and on behalf of KPMG Audit Plc, Statutory Auditor**  
Chartered Accountants  
28 March 2011

**Profit and loss account**  
*for the year ended 31 December 2010*

	<i>Note</i>	<b>2010</b> <b>£000</b>	2009 £000
Profit on release of amounts due to group undertakings		-	482
<b>Operating profit after exceptional items</b>		-	482
Interest receivable and similar income	4	4,361	3 452
Interest payable and similar charges	5	(1,983)	-
Income from shares in participating interest		140	-
<b>Profit on ordinary activities before taxation</b>		<b>2,518</b>	3 934
Tax on profit/(loss) on ordinary activities	6	(665)	1,215
<b>Profit for the financial year</b>	14	<b>1,853</b>	5,149

All activities relate to continuing operations

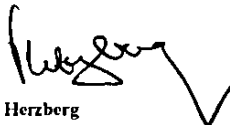
There is no difference between the results as disclosed in the profit and loss account and the result on an unmodified historical cost basis in either the current or preceding financial year

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

**Balance sheet**  
*at 31 December 2010*

	Note	2010 £000	2009 £000
<b>Fixed assets</b>			
Investments	8	<u>28,243</u>	<u>22,728</u>
		28,243	22,728
<b>Current assets</b>			
Debtors amounts falling due within one year	9	60,090	44,512
Debtors amounts falling due after one year	10	<u>33,066</u>	<u>25,688</u>
		93,156	70,200
Creditors amounts falling due within one year	11	<u>(110,518)</u>	<u>(78,455)</u>
<b>Net current assets</b>		(17,362)	(8,255)
Creditors amounts falling due after more than one year	12	(2,083)	(2,128)
<b>Net assets</b>		<u>8,798</u>	<u>12,345</u>
<b>Capital and reserves</b>			
Called up share capital	13	6,903	6,903
Profit and loss account	14	<u>1,895</u>	<u>5,442</u>
<b>Equity shareholder's funds</b>	15	<u>8,798</u>	<u>12,345</u>

These financial statements were approved by the Board of Directors on 28 March 2011 and were signed on its behalf by

  
FR Herzberg  
Director

Company registered number 2997859



**Carillion Private Finance Limited**

**Notes**

*(forming part of the financial statements)*

**1 Principal 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 information

**Basis of accounting**

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

**Going concern**

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Directors' Report

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £17.4 million, which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Carillion plc, the company's ultimate parent undertaking. Carillion plc has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result in the basis of preparation being inappropriate.

**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 400 of the Companies Act 2006 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 impairment in the carrying value of the investment.

**Cash flow statement**

Under FRS 1 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.

**Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and any gains and losses on translation are included in the profit and loss account.

**Notes (continued)**

**2 Profit on ordinary activities before taxation**

	2010	2009
	£000	£000
Profit on ordinary activities before taxation is stated after charging (crediting)		
Auditor's remuneration - audit work	<u>15</u>	<u>17</u>

Fees paid to the company's auditor, KPMG Audit Plc and its associates, for services other than the statutory audit of the company are not disclosed in these financial statements since the consolidated financial statements of the company's parent, Carillion plc are required to disclose non-audit fees on a consolidated basis

**3 Directors' remuneration and employees**

The company had no employees other than its directors (2009: none) none of whom received or waived any remuneration (2009: £Nil)

**4 Interest receivable and similar income**

	2010	2009
	£000	£000
Interest receivable from Yorkshire Transformation Holdings Ltd	147	-
Interest receivable from group undertakings	<u>4,214</u>	<u>3,452</u>
	<u>4,361</u>	<u>3,452</u>

**5 Interest payable and similar charges**

	2010	2009
	£000	£000
Foreign Exchange Loss	4	-
Interest payable to parent undertaking	<u>1,979</u>	<u>-</u>
	<u>1,983</u>	<u>-</u>

Notes (continued)

**6 Tax on profit on ordinary activities**

**(a) Analysis of taxation charge in the year**

	2010	2009
	£000	£000
<b>UK corporation tax</b>		
Current tax	666	(418)
Adjustment in respect of prior periods	(1)	(797)
<b>Total current taxation</b>	<b>665</b>	<b>(1,215)</b>
<b>Total taxation on profit on ordinary activities</b>	<b>665</b>	<b>(1,215)</b>

**(b) Factors affecting the tax charge for the current year**

The current year tax charge for the year is lower (2009 lower) than the standard rate of 28 % (2009 28%) The difference is explained below

<b>Standard rate of tax</b>	0.28	
	2010	2009
	£000	£000
<b>Current tax reconciliation</b>		
Profit/(loss) on ordinary activities before taxation	2,518	3,934
Tax on profit/(loss) on ordinary activities at 28% (2009 28%)	705	1,101
Effects of		
Non-taxable capital profits	-	(135)
Dividends from UK companies	(39)	-
Adjustment in respect of previous periods	(1)	(797)
Transfer pricing adjustment in respect of imputed interest on amounts owed to group undertakings	-	(1,384)
<b>Current tax (charge)/credit for the year</b>	<b>665</b>	<b>(1,215)</b>

**(c) Factors that may affect future tax charges**

The Budget on 23 March 2011 announced that the UK corporation tax rate will reduce from 28% to 23% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 21 July 2010 and will be effective from 1 April 2011. This will reduce the company's future current tax charge accordingly. It has not yet been possible to quantify the full anticipated effect of the announced further 4% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax liabilities/assets accordingly.

There is no recognised or unrecognised deferred tax (2009 Nil)

**7 Equity dividends**

	2010	2009
	£000	£000
Dividend paid	5,400	-

Notes (continued)

8 Investments

	Shares in subsidiary undertakings £000	Shares in participating interests £000	Loans to participating interests £000	Total £000
<b>Cost</b>				
At beginning of year	16,838	2,732	5,119	24,689
Additions	-	2	6,027	6,029
Repayment	-	-	(985)	(985)
Exchange rate adjustment	-	-	471	471
At year end	<u>16,838</u>	<u>2,734</u>	<u>10,632</u>	<u>30,204</u>
<b>Provisions</b>				
At beginning and end of year	<u>-</u>	<u>(1,961)</u>	<u>-</u>	<u>(1,961)</u>
<b>Net book value</b>				
At 31 December 2010	<u>16,838</u>	<u>773</u>	<u>10,632</u>	<u>28,243</u>
At 31 December 2009	<u>16,838</u>	<u>771</u>	<u>5,119</u>	<u>22,728</u>

During the year the company invested share capital and loans in the Hospital Infrastructure Partners (Sault) Partnership and loans in Yorkshire Transformations Holdings Limited. The company received repayments of loans from Yorkshire Transformations Holdings Limited, Carillion Brampton Holdings Inc and Carillion Ottawa Holdings Inc.

Name of subsidiary undertaking	Ordinary shares capital held	Nature of business	Country of incorporation
<b>Subsidiary undertakings</b>			
Carillion Private Finance (Defence) Limited	100%	Private Finance	England and Wales
Carillion Private Finance (Education) Limited	100%	Private Finance	England and Wales
Carillion Private Finance (Health) Limited	100%	Private Finance	England and Wales
Carillion Private Finance (Secure) Limited	100%	Private Finance	England and Wales
Carillion Private Finance (Transport) Limited	100%	Private Finance	England and Wales
<b>Participating interests</b>			
Carillion Brampton Holdings Inc	50%	Private Finance	Canada
Carillion Ottawa Holdings Inc	50%	Private Finance	Canada
Yorkshire Transformations Holdings Limited	33%	Private Finance	England and Wales
UK Highways Limited	50%	Private Finance	England and Wales
UK Highways Services Limited	50%	Private Finance	England and Wales
Hospital Infrastructure Partners (Sault) Partnership	25%	Private Finance	Canada

The company holds 50% of the share capital of CHS (Centre for Addiction and Mental Health) Partnership and CSS (Forensic Services & Coroners Complex) Partnership. As at the 31 December 2010 this share capital was unpaid.

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

<b>9 Debtors - Amounts falling due within one year</b>	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Amounts owed by group undertakings	60,049	44,094
Amounts owed by participating interests	41	-
Corporation tax	-	418
	<u>60,090</u>	<u>44,512</u>
<b>10 Debtors - Amounts falling due after one year</b>	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Included within debtors are the following amounts falling due after more than one year		
Amounts owed by group undertakings	33,066	25,688
	<u>33,066</u>	<u>25,688</u>

Amounts owed by fellow group undertakings include amounts which incur interest at market rates and amounts which are interest free. All are unsecured and repayable on demand.

**Notes (continued)**

**11. Creditors: amounts falling due within one year**

	2010	2009
	£000	£000
Amounts owed to group undertakings	109,853	78,455
Corporation Tax	665	-
	<u>110,518</u>	<u>78,455</u>

**12. Creditors: amounts falling due after more than one year**

	2010	2009
	£000	£000
Amounts owed to group undertakings	2,073	2,118
Amounts owed to other related parties	10	10
	<u>2,083</u>	<u>2,128</u>

Amounts owed to group undertakings include amounts which incur interest at market rates and amounts which are interest free, all are unsecured and repayable on demand

**13 Called up share capital**

	2010	2009
	£000	£000
Allotted, called up and fully paid 6,902,895 ordinary shares of £1 each	<u>6,903</u>	<u>6,903</u>

**Notes (continued)**

**14. Profit and loss account**

	£000
At beginning of year	5,442
Profit for the financial year	1,853
Dividends paid to equity shareholders	(5,400)
<b>At the end of the year</b>	<b>1,895</b>

**15 Reconciliation of movements in shareholders' funds**

	2010 £000	2009 £000
Profit for the financial year	1,853	5,149
Dividend paid to equity holders	(5,400)	-
<b>Net (decrease) / increase in equity shareholders' funds</b>	<b>(3,547)</b>	<b>5,149</b>
Equity shareholders' funds at the beginning of the year	12,345	7,196
<b>Equity shareholders' funds at the end of the year</b>	<b>8,798</b>	<b>12,345</b>

**16 Contingent liabilities and financial commitments**

The company has committed itself to invest £108.0 million of equity and subordinate debt (2009: £75.2 million) in the undertakings in which it has taken an interest. These commitments have increased following new equity investments during the year by the company and its subsidiary undertakings and fall due as follows:

	2010 £000	2009 £000
Within one year	21,964	40,086
Between one and two years	28,512	25,588
Between two and five years	57,514	9,574
	<b>107,990</b>	<b>75,248</b>

Notes (continued)

17 Related party transactions

As a wholly-owned subsidiary of Carillion plc the company has taken advantage of the exemption under FRS 8 Related party disclosures not to provide information on related party transactions with other undertakings within the Carillion Group. Note 18 gives details of how to obtain a copy of the published financial statements of Carillion plc.

The company had the following related party transactions and had the following balances due from participating interests:

	2010			2009		
	Transactions		Balances due	Transactions		Balances due
	Interest receivable	Capital repayments		Interest receivable	Capital repayments	
	£000	£000	£000	£000	£000	£000
<b>Related party</b>						
Carillion Brampton Holdings Inc.	-	852	-	-	1,449	0
Carillion Ottawa Holdings Inc.	-	103	-	-	252	0
UK Highways Limited	-	-	(10)	-	-	10
Yorkshire Transformations Holdings Limited	147	29	41	-	-	-
	<u>147</u>	<u>985</u>	<u>31</u>	<u>-</u>	<u>1,701</u>	<u>10</u>

The debtor balances between the company and its joint ventures are disclosed in notes 9 and 10. The creditor balances between the company and its joint ventures are disclosed in notes 11 and 12.

There were no purchases from joint ventures during the year (2009: £Nil).

18 Controlling and parent company

The company's controlling company is Carillion plc, its ultimate parent company which is incorporated in Great Britain and registered in England and Wales.

Copies of the group financial statements of Carillion plc are available from 24 Birch Street, Wolverhampton, WV1 4HY.