

**Carillion Private Finance Limited**  
*(formerly Tarmac (PFI) Limited)*

**Directors' report and financial statements**

31 December 1999

Registered number 2997859



## **Directors' report and financial statements**

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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

### 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.

The company now has twelve PFI investments.

The result for the year is shown in the profit and loss account on page 4.

### Demerger from Tarmac

On 29 July 1999 Tarmac Construction Services was demerged from Tarmac plc. This resulted in the listing of Carillion plc on the London Stock Exchange on 30 July 1999.

### Change of name

Tarmac (PFI) Limited changed its name to Carillion Private Finance Limited with effect from 3 August 1999.

### Dividends

The directors do not recommend the payment of a dividend (1998: £Nil).

### Directors and directors' interests

The directors of the company who served during the year and subsequently were as follows:

Sir Neville Simms	(appointed 17 March 1999)
DO FitzHugh	
CFG Girling	(appointed 8 November 1999)
E McEwan	(appointed 16 November 1999)
Dr L Atkinson	(resigned 17 March 1999)
RC Osborne	(resigned 16 November 1999)

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, and Tarmac plc up to the date of demerger at which date all Tarmac plc share options were exercised/lapsed:

Number of shares	At 31 December 1999		At 1 January 1999		Share option movements in year		
	Shares Number	Share options Number	Shares Number	Share options Number	granted Number	exercised Number	lapsed Number
<b>DO FitzHugh</b>							
Carillion plc	32,483	77,619	n/a	n/a	77,619	-	-
Tarmac plc	n/a	n/a	32,311	204,747	-	122,799	25,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

At 31 December 1999 no director had any beneficial interest in the share or loan capital of any subsidiary undertaking of Carillion plc.

## Directors' report (continued)

### Year 2000

The Group undertook a comprehensive internal programme to ensure that all computer dependant systems continued to operate with the Y2K date change. Initial indications are that no major systems problems arose and that the Group's operations were unaffected as a result. Although the risk of problems now arising is low, vigilance is maintained and processes and procedures are in place to detect and rectify quickly any issues which may arise. The Group estimates that the total cost of modifying hardware and systems was approximately £3.6 million of which just over £1million was incurred in 1999.

### European Economic and Monetary Union

The Group recognises the importance of the Euro, particularly for its businesses operating in France and Ireland which introduced the Euro on 1 January 1999. The introduction of the Euro has had little impact on the Group's internal systems and procedures. The related financial costs are not material to the Group.

### Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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.

### Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming annual general meeting.

This report was approved by the board on 14 March 2000 and signed on its behalf by:



**DO FitzHugh**  
Secretary

Birch Street  
Wolverhampton  
WV1 4HY



KPMG Audit Plc

2 Cornwall Street  
Birmingham  
B3 2DL

## **Auditors' report to the members of Carillion Private Finance Limited**

We have audited the financial statements on pages 4 to 8.

### ***Respective responsibilities of directors and auditors***

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. 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 transactions with the company is not disclosed.

### ***Basis of audit opinion***

We conducted our audit in accordance with Auditing Standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

### ***Opinion***

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1999 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, appearing to read 'KPMG Audit Plc', written over the printed name.

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

14 March 2000

**Profit and loss account**  
*for the year ended 31 December 1999*

	<i>Note</i>	1999 £	1998 £
Income from shares in group undertakings		1,200,000	-
<b>Profit for the financial year</b>		<b>1,200,000</b>	-
Profit and loss account brought forward		274,749	274,749
<b>Profit and loss account carried forward</b>		<b>1,474,749</b>	274,749

The above results reported above relates to continuing activities.

There were no recognised gains or losses other than the result for the years reported above.

**Balance sheet**  
**at 31 December 1999**

	<i>Note</i>	1999 £	£	1998 £	£
<b>Fixed assets</b>					
Investments	3		3,621,700		6,636,854
<b>Current assets</b>					
Debtors: Amounts falling due after more than one year	4	4,771,758		546,749	
<b>Creditors: amounts falling due within one year</b>	5	(15,814)		(5,959)	
<b>Net current assets</b>			4,755,944		540,790
<b>Total assets less current liabilities</b>			8,377,644		7,177,644
<b>Creditors: amounts falling due after more than one year</b>	6		-		(6,402,895)
<b>Net assets</b>			8,377,644		774,749
<b>Capital and reserves</b>					
Called up share capital	8		6,902,895		500,000
Profit and loss account			1,474,749		274,749
<b>Equity shareholders' funds</b>			8,377,644		774,749

These financial statements were approved by the board of directors on 14 March 2000 and were signed on its behalf by:



**E McEwan**  
*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 in accordance with applicable Accounting Standards using the historical cost convention.

#### *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 corporate body.

#### *Investments*

Investments in subsidiary undertakings and participating interests are shown at cost less amounts written off. In the opinion of the directors, the valuation of investments at 31 December 1999 is not less than the amount at which they are stated in the balance sheet.

#### *Related party transactions*

Under Financial Reporting Standard 8, the company is exempt from the disclosure of transactions with other group undertakings on the grounds that it is a wholly owned subsidiary of Carillion plc and its results are included in Carillion plc's consolidated financial statements.

### 2 Directors and employees

The company had no employees other than its directors (1998: None) none of whom received or waived any remuneration (1998: £Nil).

### 3 Investments

<i>Cost</i>	Shares in subsidiary undertakings £	Shares in participating interests £	Loan to participating interest £	Total £
At beginning of year	7	2,482,097	4,426,750	6,908,854
Additions	-	38,694	456,408	495,102
Disposals	(6)	(500)	(9,750)	(10,256)
Repayment	-	-	(3,500,000)	(3,500,000)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	1	2,520,291	1,373,408	3,893,700
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Provisions</i>				
At beginning and end of year	-	272,000	-	272,000
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 1999	1	2,248,291	1,373,408	3,621,700
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1998	7	2,210,097	4,426,750	6,636,854
	<hr/>	<hr/>	<hr/>	<hr/>



## Notes (continued)

### 3 Investments (continued)

#### Principal participating interests

Name of company	Country of incorporation and operation	Proportion of equity held
Group 4 Carillion (Fazakerley) Limited	Great Britain	50%
UK Highways M40 Holdings PLC	Great Britain	20%
The Hospital Company (Darenth) Holdings Limited	Great Britain	30%
Education Care & Discipline Limited	Great Britain	50%
UK Highways A55 (Holdings) Limited	Great Britain	27.5%
Education Care & Discipline Three Limited	Great Britain	50%
Group 4 Carillion (Onley) Limited	Great Britain	50%
Town Hospitals (Southern General) Holdings Limited	Great Britain	50%
Town Hospitals (North Staffordshire) Holdings Limited	Great Britain	50%
The Hospital Company (Swindon & Marlborough) Holdings Limited	Great Britain	33.3%

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

### 4 Debtors

	1999 £	1998 £
Amounts due after more than one year:		
Amounts owed by group undertakings	4,771,758	546,749
	<u>          </u>	<u>          </u>

### 5 Creditors: amounts falling due within one year

	1999 £	1998 £
Amount owed to group undertakings	-	6
Amount owed to participating interests	15,814	5,953
	<u>          </u>	<u>          </u>
	15,814	5,959
	<u>          </u>	<u>          </u>

### 6 Creditors: amounts falling due after more than one year

	1999 £	1998 £
Amount owed to group undertakings	-	6,402,895
	<u>          </u>	<u>          </u>

### 7 Deferred taxation

The company has no provided or unprovided deferred tax liabilities (1998: £Nil).

## Notes (continued)

### 8 Share capital

	1999 £	1998 £
<b>Authorised:</b>		
8,000,000 ordinary shares of £1 each (1998: 1,000,000)	8,000,000	1,000,000
	<u>          </u>	<u>          </u>
<b>Allotted, called up and fully paid:</b>		
6,902,895 ordinary shares of £1 each (1998: 500,000)	6,902,895	500,000
	<u>          </u>	<u>          </u>

On 16 July 1999 the company's authorised share capital was increased by 7,000,000 ordinary shares.

On 29 July 1999 6,402,895 additional ordinary shares of £1 each were issued at par. The consideration was settled via inter group loan accounts.

### 9 Reconciliation of movements in equity shareholders' funds

	1999 £	1998 £
<b>Profit for the financial year</b>	1,200,000	-
Share capital issued	6,402,895	-
	<u>          </u>	<u>          </u>
Movement in shareholders' funds	7,602,895	-
Opening shareholders' funds	774,749	774,749
	<u>          </u>	<u>          </u>
<b>Closing shareholders' funds</b>	8,377,644	774,749
	<u>          </u>	<u>          </u>

### 10 Contingent liabilities and financial commitments

The company has committed itself to invest £13.4 million (1998: £6.8 million) in the undertakings in which it has taken an interest. These commitments fall due as follows:

	1999 £m	1998 £m
Within one year	8.3	0.1
Between two and five years	5.1	6.7
	<u>          </u>	<u>          </u>
	13.4	6.8
	<u>          </u>	<u>          </u>

### 11 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.