

Carillion Private Finance Limited

**Directors' report and financial
statements**

Registered number 2997859

31 December 2002



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

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 directors anticipate that the company will continue its present role during 2003.

Profits and dividends

The profit on ordinary activities before taxation was £4,527,000 (2001: £3,000,621).

The directors do not recommend the payment of a dividend (2001: £Nil).

Directors and directors' interests

The directors who served during the year were:

J McDonough
 RW Robinson
 CFG Girling
 SN Jones

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 2002		At 1 January 2002 or date of appointment		Share option movements in year		
	Shares Number	Share options Number	Shares Number	Share Options Number	granted Number	exercised Number	lapsed Number
SN Jones	-	235,351	-	111,841	123,510	-	-

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 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 12 March 2003 and signed on its behalf by:

RF Tapp
 RF Tapp
 Secretary

Birch Street
 Wolverhampton
 WV1 4HY

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year 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 these 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.



KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL

Independent auditor's report to the members of Carillion Private Finance Limited

We have audited the financial statements on pages 4 to 9.

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

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 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 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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

12 March 2003

Profit and loss account
for the year ended 31 December 2002

	<i>Note</i>	2002 £	2001 £
Income from shares in participating interests		2,935,377	1,700,000
Interest receivable and similar income	3	1,591,623	1,300,621
		<hr/>	<hr/>
Profit on ordinary activities before taxation		4,527,000	3,000,621
Tax on profit on ordinary activities	4	(479,800)	(390,200)
		<hr/>	<hr/>
Retained profit for the year	9	4,047,200	2,610,421
		<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 2002

	<i>Note</i>	2002 £	£	2001 £	£
Fixed assets					
Investments	5		31,185,888		28,648,221
Current assets					
Debtors	6	334,453		546,749	
Creditors: amounts falling due within one year	7	(12,910,076)		(14,631,905)	
Net current liabilities			(12,575,623)		(14,085,156)
Total assets less current liabilities and net assets			18,610,265		14,563,065
Capital and reserves					
Called up share capital	8		6,902,895		6,902,895
Profit and loss account	9		11,707,370		7,660,170
Equity shareholders' funds	10		18,610,265		14,563,065

These financial statements were approved by the board of directors on 12 March 2003 and were signed on its behalf by:



SN Jones
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 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. This policy reflects a change from previous years where deferred tax assets or liabilities were only recognised to the extent that timing difference were expected to reverse in the foreseeable future.

There are no adjustments to the tax charge or net assets as a result of adopting FRS 19.

2 Directors and employees

The company had no employees other than its directors (2001: *None*) none of whom received or waived any remuneration (2001: *£Nil*).

3 Interest receivable and similar income

	2002 £	2001 £
Interest receivable from loans to participating interests	1,591,623	1,300,621

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:

	2002 £	2001 £
Current tax:		
UK corporation tax at 30% (2001: 30%)	479,800	390,200

Notes (continued)

4 Tax on profit on ordinary activities (continued)

(h) Factors affecting the charge for the year

The UK standard rate of corporation tax for the year is 30% (2001: 30%). The actual tax rate is lower than the standard rate for the reasons set out below:

	2002 £	2001 £
Profit on ordinary activities before tax	4,527,000	3,000,621
Tax on profit on ordinary activities at UK standard rate of corporation tax of 30% (2001: 30%)	1,358,100	900,200
Non-taxable income from shares in participating interests	(880,600)	(510,000)
Other	2,300	-
Current tax charge for the year	479,800	390,200

5 Investments

Cost	Shares in subsidiary undertakings £	Shares in participating interests £	Loans to participating interests £	Total £
At 1 January 2002	1	9,753,171	19,167,049	28,920,221
Additions	-	25,000	2,908,667	2,933,667
Disposal	-	(272,000)	-	(272,000)
Repayment	-	-	(396,000)	(396,000)
At 31 December 2002	1	9,506,171	21,679,716	31,185,888
Provisions				
At 1 January 2002	-	272,000	-	272,000
Movement	-	(272,000)	-	(272,000)
At 31 December 2002	-	-	-	-
Net book value				
At 31 December 2002	1	9,506,171	21,679,716	31,185,888
At 31 December 2001	1	9,481,171	19,167,049	28,648,221

Notes (continued)

5 Investments (continued)

Principal participating interests

Name of company	Country of incorporation and operation	Proportion of equity held
Accommodation Services (Holdings) Limited	Great Britain	40%
Arrow Light Rail Holdings Limited	Great Britain	12.5%
Education Care & Discipline Limited	Great Britain	50%
Education Care & Discipline Three Limited	Great Britain	50%
Ellenbrook Holdings Limited *	Great Britain	50%
Group 4 Carillion (Fazakerley) Limited	Great Britain	50%
Group 4 Carillion (Onley) Limited	Great Britain	50%
The Hospital Company (Darenth) Holdings Limited	Great Britain	30%
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 A55 (Holdings) Limited	Great Britain	50%
UK Highways M40 (Holdings) Limited	Great Britain	50%

* Addition in the year

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

6 Debtors

	2002 £	2001 £
Amounts due within one year:		
Amounts owed by participating interests	334,453	-
Amount due after more than one year:		
Amount owed by group undertakings	-	546,749
	<u>334,453</u>	<u>546,749</u>

7 Creditors: amounts falling due within one year

	2002 £	2001 £
Amount owed to group undertakings	12,029,661	14,231,290
Group tax relief payable	390,200	-
Amount owed to participating interests	10,415	10,415
Mainstream corporation tax (note 4)	479,800	390,200
	<u>12,910,076</u>	<u>14,631,905</u>

Notes (continued)

8 Share capital

	2002 £	2001 £
Authorised:		
8,000,000 ordinary shares of £1 each	8,000,000	8,000,000
Allotted, called up and fully paid:		
6,902,895 ordinary shares of £1 each	6,902,895	6,902,895

9 Profit and loss account

	£
At 1 January 2002	7,660,170
Retained profit for the financial year	4,047,200
At 31 December 2002	11,707,370

10 Reconciliation of movements in equity shareholders' funds

	2002 £	2001 £
Profit for the financial year	4,047,200	2,610,421
Shareholders' funds at beginning of year	14,563,065	11,952,644
Shareholders' funds at end of year	18,610,265	14,563,065

11 Contingent liabilities and financial commitments

The company has committed itself to invest £16.5 million of equity and subordinated debt (2001: £16.2 million) in the undertakings in which it has taken an interest. These commitments fall due as follows:

	2002 £m	2001 £m
Within one year	16.5	3.0
Between two and five years	-	13.2
	16.5	16.2

12 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 13 gives details of how to obtain a copy of the published financial statements of Carillion plc.

13 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.