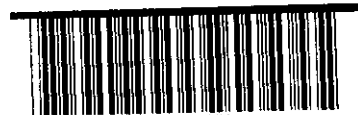


**Highways Construction Limited**

**Directors' report and financial  
statements**

Registered number 129059

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.

### Business review and future developments

Turnover for the year amounted to £Nil (2004: £Nil) and the loss before taxation was £Nil (2004: loss of £7,782). The directors do not anticipate that the company will trade in the foreseeable future.

### Proposed dividend

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

### Directors and directors' interests

The directors who served during the year were:

RW Robinson  
RF Tapp

The directors who held office at the end of the financial year, other than those whose interests are disclosed in the financial statements of the ultimate holding company and their families, 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		Share option movements in year		
	Shares Number	Share options Number	Shares Number	Share options Number	Granted Number	Exercised Number	Lapsed Number
RF Tapp	53,016	389,975	6,089	403,424	77,367	77,193	13,623

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

### 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.

Approved by the board of directors on 8 March 2006 and signed on its behalf by:

RF Tapp

RF Tapp  
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 Highways Construction Limited**

We have audited the financial statements of Highways Construction 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.

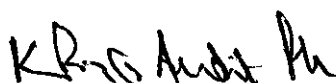
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

# **Independent auditors' report to the members of Highways Construction 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 results for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

8 March 2006

**Profit and loss account**  
*for the year ended 31 December 2005*

	<i>Note</i>	<b>2005</b> £	2004 £
Other expenses		-	(7,782)
<b>Operating loss</b>		-	(7,782)
<b>Loss on ordinary activities before taxation</b>	2	-	(7,782)
Tax on loss on ordinary activities	4	-	-
<b>Retained loss for the financial year</b>	7	-	(7,782)

The operating loss in 2004 arose from continuing operations.

Movements in reserves are set out in note 7 to the financial statements.

The company has no recognised gains or losses in either the current or preceding year, other than those disclosed in the profit and loss account.

**Balance sheet**  
*at 31 December 2005*

	<i>Note</i>	<b>2005</b> £	2004 £
<b>Current assets</b>			
Debtors	5	<b>459,071</b>	459,071
		<hr/>	<hr/>
<b>Net assets also being net current assets</b>		<b>459,071</b>	459,071
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	6	<b>220,000</b>	220,000
Profit and loss account	7	<b>239,071</b>	239,071
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>	7	<b>459,071</b>	459,071
		<hr/>	<hr/>

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

*RF Tapp*

**RF Tapp**  
*Director*



## 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 statements:

#### *Basis of accounting*

These financial statements have been prepared in accordance with applicable accounting standards using the historical cost convention.

#### *Taxation*

The charge for taxation is based on the result for each year and takes into account deferred taxation. Deferred tax assets or liabilities arise from timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. Liabilities are calculated on a non-discounted full provision basis. Assets are calculated on the same basis, but are recognised only to the extent that it is probable that they will be recovered.

#### *Foreign currencies*

Transactions denominated in foreign currencies are translated into sterling and recorded at the rates of exchange ruling at the dates of the transactions. Balances denominated in a foreign currency are translated into sterling at the exchange rate ruling at the balance sheet date.

#### *Cash flow statement*

Under Financial Reporting Standard 1 (revised) 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.

### 2 Loss on ordinary activities before taxation

	2005 £	2004 £
<i>Loss on ordinary activities is stated</i>		
<i>after charging</i>		
Auditors' remuneration – audit	-	-
	<hr/>	<hr/>

The audit fee for the two years ended 31 December 2005 has been borne by Carillion Construction Limited.

### 3 Directors' remuneration

The directors, who were the only employees, neither received nor waived any emoluments during the year (2004: £Nil).

## Notes (continued)

### 4 Tax on loss on ordinary activities

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

	2005 £	2004 £
UK corporation tax at 30% (2004: 30%)	-	-

#### (b) Reconciliation of current taxation charge

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	-	(7,782)
Tax on loss on ordinary activities at UK standard rate of corporation tax of 30% (2004: 30%)	-	(2,335)
Permanent disallowables	-	2,335
Current tax charge for the year	-	-

#### (c) Factors affecting future tax charges

There are no known factors that may affect future tax charges.

### 5 Debtors

	2005 £	2004 £
Trade debtors	253,550	253,550
Amounts owed by group undertakings	176,199	176,199
Prepayments and accrued income	29,322	29,322
	459,071	459,071

### 6 Share capital

	2005 £	2004 £
<i>Authorised, allotted and fully paid:</i>		
100,000 ordinary "A" shares of £1 each	100,000	100,000
120,000 ordinary "B" shares of £1 each	120,000	120,000
	220,000	220,000

## Notes (continued)

### 7 Reconciliation of movements in shareholders' funds

	Share capital	Profit and loss account	2005 Total	2004 Total
	£	£	£	£
Retained loss for the financial year	-	-	-	(7,782)
<b>Net decrease in shareholders' funds</b>	-	-	-	(7,782)
Shareholders' funds at the beginning of the year	220,000	239,071	459,071	466,853
<b>Shareholders' funds at end of year</b>	<b>220,000</b>	<b>239,071</b>	<b>459,071</b>	<b>459,071</b>

### 8 Capital commitments

There were no capital commitments at 31 December 2005 or at 31 December 2004.

### 9 Related party transactions

As a 100% 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 10 gives details of how to obtain a copy of the published financial statements of Carillion plc.

### 10 Controlling and parent company

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

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