The Carillion Construction Company (East Africa) Limited

Directors' report and financial statements

Registered number 775010

Year ended 31 December 2007

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

Principal activities and business review

The company wound down its civil engineering and drilling contracts in Africa during the prior year and did not trade in 2007

Results

The profit for the year is disclosed in the profit and loss account on page 5

The directors do not recommend the payment of a dividend *(2006 £Nil)*

Directors

The directors who held office during the year were as follows

DJ Booth
Carillion Management Limited
R W Robinson
J McDonough
C F G Girling (resigned 2 April 2007)
RJ Adam (appointed 2 April 2007)

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 each 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

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution concerning the reappointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting

By order of the board

Authorised Representative
Carillion Management Limited
Director

24 Birch Street
Wolverhampton
WV1 4HY

5 March 2008

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)

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 judgements 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 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
United Kingdom

Independent auditors' report to the members of The Carillion Construction Company (East Africa) Limited

We have audited the financial statements of The Carillion Construction Company (East Africa) Limited for the year ended 31 December 2007 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 The Carillion Construction Company (East Africa) 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 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

5 March 2008

Profit and loss account
for the year ended 31 December 2007

	Note	2007 £	2006 £
Turnover	2	-	734
Operating costs		(927)	(1,951)
Operating loss before taxation	3	(927)	(1,217)
Tax on loss on ordinary activities	6	269,966	15,641
Profit for the financial year		269,039	14,424

The operations of the company are in the process of being wound down

There is no difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis

Reserve movements are given in note 9

Balance sheet
at 31 December 2007

	Note	**2007**		2006	
		£	**£**	£	£
Current assets					
Cash at bank and in hand		**4,724**		8,890	
Creditors: amounts falling due within one year	*7*	**(404,165)**		(677,365)	
Net current liabilities			**(399,441)**		(668,475)
Net liabilities			**(399,441)**		(668,475)
Capital and reserves					
Called up share capital	*8*		**100,000**		100,000
Profit and loss account	*9*		**(499,441)**		(768,475)
Shareholders' deficit	*10*		**(399,441)**		(668,475)

These financial statements were approved by the board of directors on 5 March 2008 and were signed on its behalf by

Authorised Representative

Carillion Management Limited
Director

Statement of total recognised gains and losses
for the year ended 31 December 2007

	2007	2006
	£	£
Profit for the financial year	**269,039**	14,424
Currency translation	**(5)**	1,320
Total recognised gains relating to the financial year	**269,034**	15,744

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 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 financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £399,441, 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 Carillon plc, the company's ultimate parent undertaking Carillion plc has indicated that for at least twelve 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 As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so

Joint arrangements

Where the company is party to a joint arrangement, the company accounts directly for its share of the revenue and expenditure, net assets and liabilities

Cash flow statement

Under FRS 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

Profit recognition

Profit on long term contracts is calculated in accordance with applicable accounting standards In determining the attributable profit on contracts to a particular accounting period the company utilises estimation techniques The principal estimation technique used is the preparation of profit and cash flow forecasts on a contract by contract basis which enables an assessment to be made of the final outturn on each contract Profit is then recognised when the outcome of the contract can be foreseen with reasonable certainty and is attributed in line with the degree of completion of each contract

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

Notes *(continued)*

1 Accounting policies *(continued)*

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling and recorded using the contracted exchange rate Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account

Turnover

Turnover represents the net amount receivable, excluding value added tax, for goods and services supplied to all customers including fellow subsidiary undertakings In respect of long term contracting activities, turnover reflects the value of work executed during the year It also includes the company's proportion of work carried out by joint arrangements during the year

2 Turnover

The company had only one class of business which was generated in East Africa The business was wound down in the prior year and all operations have now ceased

3 Operating loss

The audit fee for the year ended 31 December 2007 amounting to £3,000 *(2006 £3,000)* was borne by Carillion JM Limited, its immediate parent company

Fees paid to the company's auditor, KPMG Audit Plc, and its associates for 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

4 Directors' emoluments

The directors received no emoluments from The Carillion Construction Company (East Africa) Limited during the year

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category was as follows

	Number of employees	
	2007	2006
Direct labour and operatives	1	1

The aggregate payroll of these persons was as follows

	£	£
Wages and salaries	**661**	594

Notes *(continued)*

6 Tax on loss on ordinary activities

Analysis of credit for the year

	2007	2006
	£	£
Overseas tax		
Current tax	**(7,275)**	(15,641)
Adjustments in respect of prior periods	**(262,691)**	-
Total current tax	**(269,966)**	(15,641)

Factors affecting tax credit for the year

The tax assessed differs from the application of the standard rate of corporation tax in the UK of 30% *(2006 30%)* to the company's loss before taxation for the following reasons

	2007	2006
	£	£
Current tax reconciliation		
Loss on ordinary activities before tax	**(927)**	(1,217)
Loss on ordinary activities at 30% *(2006 30%)*	**(278)**	365
Effects of		
Permanent differences	**(6,997)**	(334)
Capital allowances in excess of depreciation	**-**	(15,672)
Adjustment in respect of prior periods	**(262,691)**	-
Total current tax credit	**(269,966)**	(15,641)

There is no actual or potential liability for deferred tax

Factors that may affect future current and total tax charges

The company's future tax charge will be affected by the fall in the UK mainstream corporation tax rate from 30% to 28% from 1 April 2008

7 Creditors: amounts falling due within one year

	2007	2006
	£	£
Current tax	**2,347**	12,245
Amounts owing to holding company	**337,989**	601,291
Accruals and deferred income	**63,829**	63,829
	404,165	677,365

Notes *(continued)*

8 Called up share capital

	2007 £	2006 £
Authorised, allotted, called up and fully paid		
100,000 ordinary shares of £1 each	**100,000**	100,000

9 Reserves – Profit and loss account

	2007 £	2006 £
At beginning of year - deficit	**(768,475)**	(784,219)
Currency translation	**(5)**	1,320
Profit for the financial year	**269,039**	14,424
At end of year – deficit	**(499,441)**	(768,475)

10 Reconciliation of movements in shareholders' deficit

	2007 £	2006 £
Profit for the financial year	**269,039**	14,424
Currency translation	**(5)**	1,320
Net increase in shareholders' funds in the year	**269,034**	15,744
Opening shareholders' deficit	**(668,475)**	(684,219)
Closing shareholders' deficit	**(399,441)**	(668,475)

11 Trading indemnities and bonding arrangements

The foregoing accounts may include contracts entered into by Carillion JM Limited, the immediate parent company that, by arrangement, are executed directly by this company, for which the appropriate third party counter-indemnities are issued by the ultimate holding company in the normal course of business

The company is liable in the ordinary course of its business to liquidated and ascertained damages for delay in completion of contracts beyond the period specified in the contract plus certified extensions of time Adjustment is made in valuing contract work in progress for any probable liability, with account being taken of current and foreseen time delays against programme and extensions of time which may reasonably be anticipated

Notes *(continued)*

12 Related party transactions

As a subsidiary of Carillion plc, the company is exempt from the requirements of FRS 8 'Related Party Transactions', to disclose transactions with entities that are part of the group or investees of the group qualifying as related parties

13 Ultimate holding company

The company's ultimate controlling company is Carillion plc which is incorporated in Great Britain

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