

CARILLION DEVELOPMENTS 2006 LIMITED

(formerly Mowlem Developments Limited)

Directors' Report and Financial Statements

31 December 2005

Registered number 792026



CARILLION DEVELOPMENTS 2006 LIMITED
(formerly Mowlem Developments Limited)

Directors' Report and Financial statements

<i>Contents</i>	<i>Page</i>
Directors' report	1
Statement of directors' responsibilities	2
Independent auditors' report to the members of Carillion Developments Limited (formerly Mowlem Developments Limited)	3
Profit and loss account	4
Balance sheet	5
Statement of total recognised gains and losses	6
Notes to the financial statements	7 – 11

CARILLION DEVELOPMENTS 2006 LIMITED

(formerly Mowlem Developments Limited)

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

Principal activities and business review

The company acts as an investment company. The directors do not foresee any changes in activities in the future.

Prior-period adjustments

Due to errors arising from the inclusion of certain investments, not legally owned by the company, the results of the Company have been restated for the years 2002, 2003 and 2004. The prior-period adjustments to the results and the carrying value of investments for the years 2002, 2003 and 2004 have been set out in note 12. The impact of such prior-period adjustments on the profit and loss account are shown in note 13 and included in the statement of total recognised gains and losses.

Results and dividend

The profit for the year was £852,794 (2004: restated £1,052,048). The directors paid an interim dividend of £1,800,000 partly out of prior year profits. No final dividend is proposed (2004: £nil).

Fixed assets

Details of fixed assets investments are set out in note 8.

Subsequent events

Subsequent to the year end, on 23 February 2006 Carillion JM Limited (formerly Mowlem plc) was acquired by Carillion plc.

On 24 May 2006 the company's name was changed to Carillion Developments 2006 Limited from Mowlem Developments Limited.

Directors and their interests

The following served as directors during the year:

A H Moore (resigned 11 May 2006)

Carillion Secretariat Limited (formerly Mowlem Secretariat Limited)

J McDonough (appointed 11 May 2006)

C F G Girling (appointed 11 May 2006)

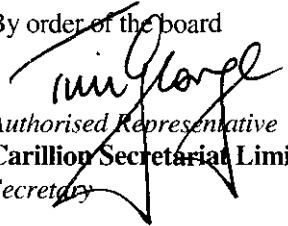
R W Robinson (appointed 11 May 2006)

None of the directors, excepting A H Moore whose interests are disclosed in the publicly available Carillion JM Limited (formerly Mowlem plc) consolidated financial statements, had an interest at 1 January 2005 or 31 December 2005 in the share capital of the company nor in the share capital of any other group companies except as a nominee.

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.

By order of the board


Authorised Representative
Carillion Secretariat Limited
Secretary

24 Birch Street
Wolverhampton
WV1 4HY

CARILLION DEVELOPMENTS 2006 LIMITED

(formerly Mowlem Developments Limited)

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 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.

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law.

Independent auditors' report to the members of Carillion Developments 2006 Limited (formerly Mowlem Developments Limited)

We have audited the financial statements of Carillion Developments 2006 Limited for the year ended 31 December 2005 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

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

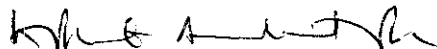
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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.

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 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

8 Salisbury Square
London
EC4Y 8BB

13 Dec 2006

CARILLION DEVELOPMENTS 2006 LIMITED
(formerly Mowlem Developments Limited)

Profit and loss account
for the year ended 31 December 2005

	<i>Note</i>	2005	2004
		£	restated * £
Sundry costs		<u>(673)</u>	-
Operating loss		(673)	-
Profit on disposal of fixed asset investments	2	<u>-</u>	<u>346,479</u>
(Loss)/profit on ordinary activities before interest and tax		(673)	346,479
Net interest receivable	3	<u>1,218,950</u>	<u>1,007,956</u>
Profit on ordinary activities before taxation		1,218,277	1,354,435
Taxation on profit on ordinary activities	4	<u>(365,483)</u>	<u>(302,387)</u>
Profit on ordinary activities after taxation		852,794	1,052,048
Dividend paid		<u>(1,800,000)</u>	-
(Loss) / profit for the year		<u>(947,206)</u>	<u>1,052,048</u>

All activities in the year are continuing.

Recognised gains and losses for the year, other than those stated in the profit and loss account, are set out in the statement of total recognised gains and losses.

Historical cost profits and losses are as shown in the profit and loss account above.

* - see note 12

CARILLION DEVELOPMENTS 2006 LIMITED

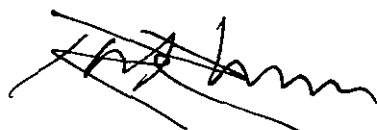
(formerly Mowlem Developments Limited)

Balance Sheet*at 31 December 2005*

	<i>Note</i>	2005	2004
		£	restated
			£
Fixed assets			
Investments	8	33,333	-
Current assets			
Debtors	9	799,496	1,414,552
Creditors: Amounts falling due			
 within one year	10	<u>(581,836)</u>	<u>(216,353)</u>
Net current assets		<u>217,660</u>	<u>1,198,199</u>
Net assets		<u><u>250,993</u></u>	<u><u>1,198,199</u></u>
Capital and reserves			
Called up share capital	11	200	200
Profit and loss account	13	250,793	1,197,999
Equity shareholders' funds		<u><u>250,993</u></u>	<u><u>1,198,199</u></u>

These financial statements were approved by the board of directors on *5 December* 2006 and were signed on its behalf by:

Director



CARILLION DEVELOPMENTS 2006 LIMITED
 (formerly Mowlem Developments Limited)

Statement of recognised gains and losses
For the year ended 31 December 2005

	2005	Restated
	£000	2004
		£000
(Loss) / profit for the year	(947,206)	1,052,048
Prior period adjustment as at 1 January 2004 (refer note 12)	42,855	-
Total recognised gains and (losses)	<u>(904,351)</u>	<u>1,052,048</u>

CARILLION DEVELOPMENTS 2006 LIMITED

(formerly Mowlem Developments Limited)

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. In these financial statements the following new standard has been adopted for the first time:

- FRS 21 'Events after the balance sheet date'

There has been no effect of the change in accounting policy on the current or prior year. The effect of the prior period adjustment on rectification of the erroneous the inclusion of certain investments is stated in note 12.

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Investments

Investments held as fixed assets are stated at cost less provision for permanent diminution in value.

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is provided in respect of all timing differences that have originated but not reversed at the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in the future, except that :

- (i) Provision is not made in respect of revaluation surpluses
- (ii) Deferred tax assets are recognised only to the extent that it is more likely than not that there will be suitable taxable profits in the future

Deferred tax is measured on a non-discounted basis at the tax rate applying on the balance sheet date.

2 Profit on disposal of investments

An analysis of the profit on disposal of investments shown in the profit and loss account is as follows:

	2005	2004
		restated
	£	£
Profit on disposal of City Greenwich Lewisham Rail Link plc	-	346,479

CARILLION DEVELOPMENTS 2006 LIMITED
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Notes (continued)

3 Net interest receivable

	2005	2004 restated
	£	£
Amounts receivable from group undertaking	1,218,950	1,000,629
Other	-	7,327
	<u>1,218,950</u>	<u>1,007,956</u>

4 Taxation on profit on ordinary activities

	2005	2004 restated
	£	£
Analysis of charge for the year:		
Current tax		
UK Corporation tax on profit for the year	(365,483)	(302,387)
Adjustments in respect of previous periods	-	-
	<u>(365,483)</u>	<u>(302,387)</u>
Tax charge for the year	<u>(365,483)</u>	<u>(302,387)</u>

Factors affecting tax charge for the year

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

	2005	2004 restated
	£	£
Profit on ordinary activities before tax	<u>1,218,277</u>	<u>1,354,435</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK (30%)	(365,483)	(406,331)
Effects of:		
Non-taxable chargeable gains	-	103,944
	<u>(365,483)</u>	<u>(302,387)</u>
Tax charge for the year	<u>(365,483)</u>	<u>(302,387)</u>

5 Employees

There were no employees during the year (2004: nil).

6 Directors' emoluments

The directors employed during the year were and remunerated by Carillion JM Limited (formerly Mowlem plc) for their services to the group as a whole. They receive no emoluments from this company. Information on the directors' share options can be found in the directors' report.

CARILLION DEVELOPMENTS 2006 LIMITED

(formerly Mowlem Developments Limited)

Notes (continued)

7 Auditors' remuneration

The auditors' remuneration is paid by Carillion JM Limited (formerly Mowlem plc), the ultimate holding company.

8 Investments

The movement on investments for the year 2005 was as follows:

	Shares £	Unsecured loan stock £	Total £
<i>Investments in joint ventures</i>			
At 1 January 2005	80,700	4,993,073	5,073,773
Prior period adjustment (note 12)	(80,700)	(4,993,073)	(5,073,773)
	<hr/>	<hr/>	<hr/>
Adjusted balance	-	-	-
Additions			
33.3% holding in Yorkshire Transformations Holdings Limited - Swarcliffe	33,333	-	33,333
	<hr/>	<hr/>	<hr/>
At 31 December 2005	33,333	-	33,333
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

9 Debtors

	2005 £	2004 restated £
Amounts due from parent company	<u>799,496</u>	<u>1,414,552</u>

10 Creditors: Amounts falling due within one year

	2005 £	2004 restated £
Corporation tax	<u>581,836</u>	<u>216,353</u>

11 Called up share capital

	2005 £	2004 £
Authorised, allotted, called up and fully paid: ordinary shares of £1 each	<u>200</u>	<u>200</u>

CARILLION DEVELOPMENTS 2006 LIMITED
(formerly Mowlem Developments Limited)

Notes (continued)

12 Prior-period adjustments

As stated in the Directors' Report, in the previous accounting years, the Company had incorrectly recorded investments in equity and unsecured loan stocks of certain joint venture entities in the financial years 2001 onwards. The Company had also accounted for the income and expenses arising from such investments as well as the gain on disposal of certain investments in subsequent years.

During the current year, the Company has identified this error and has adjusted accordingly the opening shareholder funds as at 1 January 2004. There is no impact on profitability for the year 2001. The detailed adjustments to the profit and loss account and the investment schedule for the years ended 31 December 2002, 2003 and 2004 is set out below:

	Profit and Loss account £	Investments £
Financial Year 2001		
Amount due from parent company in respect of		
- share capital invested	-	(50,200)
- unsecured loan stock movements	-	<u>(1,316,000)</u>
Adjustments for 2002	-	<u>(1,366,200)</u>
Financial Year 2002		
Unsecured loan stock interest receivable	(171,500)	
Corporation tax relief on interest adjustment	51,450	
Creditor in respect of share capital invested		(25,000)
Adjustments for 2002	<u>(120,050)</u>	<u>(25,000)</u>
Financial Year 2003		
Unsecured loan stock interest receivable	(205,500)	
Group interest - payable	54,305	
- receivable	35,916	
Corporation tax relief on interest adjustment	34,584	
Provision against fixed asset investments	243,600	243,600
Amount due from parent company in respect of		
- unsecured loan stock movements	-	(3,224,000)
Adjustments for 2003	<u>162,905</u>	<u>(2,980,400)</u>
Cumulative adjustments at 31 December 2003	<u><u>42,855</u></u>	<u><u>(4,371,600)</u></u>

CARILLIÓN DEVELOPMENTS 2006 LIMITED

(formerly Mowlem Developments Limited)

Notes (continued)**12 Prior-period adjustments (continued)**

	Profit and Loss account £	Investments £
The adjustments for the year ended 31 December 2004 are stated below:		
Financial Year 2004		
Unsecured loan stock interest receivable	(552,090)	
Group interest receivable	220,140	
Corporation tax relief on interest adjustment	99,585	
Dividends received from joint ventures	(300,000)	
Profit on disposal of fixed asset investments	(86,800)	(86,800)
Provision against fixed asset investments	(243,600)	(243,600)
Amount due from parent company in respect of		
- share capital invested		(5,700)
- unsecured loan stock movements		(453,073)
- disposal proceeds of shares		87,000
	<hr/>	<hr/>
Adjustments for 2004	(862,765)	(702,173)
	<hr/>	<hr/>
Cumulative adjustments at 31 December 2004	(819,910)	(5,073,773)
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13 Movement in profit and loss account

	2005 £	2004 £
At 1 January	1,197,999	103,096
Prior year adjustment (refer note 12)	-	42,855
	<hr/>	<hr/>
Adjusted balance at 1 January	1,197,999	145,951
Retained (loss) / profit for the year	(947,206)	1,052,048
	<hr/>	<hr/>
At 31 December	250,793	1,197,999
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CARILLION DEVELOPMENTS 2006 LIMITED

(formerly Mowlem Developments Limited)

Notes (continued)

14 Future capital expenditure

	2005	2004 restated
	£	£
Capital expenditure – contracted for	-	-

15 Cash flow

Under Financial Reporting Standard 1 (Revised 1996), the company is exempt from the requirement to prepare a cash flow statement, being a wholly owned subsidiary of a parent undertaking established under the law of a member state of the European Community.

16 Related party transactions

The company is exempt from the requirements of Financial Reporting Standard 8: Related Parties, to disclose transactions with members of the Carillion JM Limited (formerly Mowlem plc) group as more than 90% of its voting rights are controlled within the group.

17 Ultimate and controlling holding company

The results of the company are included in the consolidated Financial Statements of Carillion JM Limited (formerly Mowlem plc), its ultimate United Kingdom parent undertaking, a company registered in England, copies of whose Financial Statements can be obtained from: The Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ

Subsequent to the year-end, on 23 February 2006, Carillion JM Limited (formerly Mowlem plc) was acquired by Carillion plc.