

**Carillion International (Construction Projects)
Limited**

**Directors' report and financial
statements**

Registered number 1745606

Year ended 31 December 2006



Contents

Directors' report	1
Statement of directors' responsibilities in respect of the directors' report and the financial statements	2
Independent auditors' report to the members of Carillion International (Construction Projects) Limited	3
Profit and loss account	5
Balance sheet	6
Statement of total recognised gains and losses	7
Notes	8

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

Principal activity and business review

The company holds an 18% interest in a major waste water project in Egypt

The consortium in which the company has an interest does not anticipate tendering for new contracts

Profits and dividends

The profit before taxation was £2,220 (2005 £8,543) During the year, a dividend was paid of £Nil (2005 £4,500,000)

Directors and directors' interests

The directors serving during the year were

RD MacIver
 MC Palmer

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 1 January 2006		Share option movements in year			At 31 December 2006	
	Shares	Share options	Granted	Exercised	Lapsed	Shares	Share options
	Number	Number	Number	Number	Number	Number	Number
RD MacIver	30,863	-	-	-	-	26,663	-
MC Palmer	5,727	-	840	-	-	5,727	840

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

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 the directors have taken all the steps that they ought to have taken as directors 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 for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the Annual General Meeting

Approved by the board on 7 March 2007 and signed on its behalf by


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.



KPMG Audit Plc

2 Cornwall Street
Birmingham B3 2DL
United Kingdom

Independent auditors' report to the members of Carillion International (Construction Projects) Limited

We have audited the financial statements of Carillion International (Construction Projects) Limited for the year ended 31 December 2006 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 Carillion International
(Construction Projects) 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 2006 and of its loss 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
Chartered Accountants
Registered Auditor

7 March 2007

Profit and loss account
for the year ended 31 December 2006

	<i>Note</i>	2006 £	2005 £
Turnover	<i>1</i>	-	-
Other expenses		-	(562)
		<hr/>	<hr/>
Operating loss		-	(562)
Interest receivable and similar income	<i>4</i>	2,220	9 105
		<hr/>	<hr/>
Profit on ordinary activities before taxation	<i>2</i>	2,220	8,543
Tax on profit on ordinary activities	<i>5</i>	(7,382)	(2,356)
		<hr/>	<hr/>
(Loss)/profit for the financial year	<i>11</i>	(5,162)	6,187
		<hr/>	<hr/>

The operating profit arises from continuing operations

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

Balance sheet
at 31 December 2005

	<i>Note</i>	2006 £	2005 £
Current assets			
Debtors	7	207,182	214,564
Cash at bank and in hand		60,815	58,600
		<u>267,997</u>	<u>273,164</u>
Creditors amounts falling due within one year	8	(151,470)	(156,688)
Net assets also being net current assets		<u>116,527</u>	<u>116,476</u>
Capital and reserves			
Called up share capital	10	2	2
Profit and loss account	11	116,525	116,474
Equity shareholders' funds	11	<u>116,527</u>	<u>116,476</u>

These financial statements were approved by the board of directors on 7 March 2007 and were signed on its behalf by



RD MacIver
 Director

Statement of total recognised gains and losses
for the year ended 31 December 2006

	2006 £	2005 £
(Loss)/profit for the financial year	(5,162)	6 187
Currency adjustments	5,213	17 173
	<hr/>	<hr/>
Total recognised gains for the year	51	23,360
	<hr/>	<hr/>

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 under the historical cost convention and in accordance with applicable UK accounting standards. The company's interest in its joint arrangement is included in the financial statements using the proportional consolidation method. Joint arrangements are unincorporated entities which are effectively an extension of the Carillion Group's business and do not carry on a trade or business of their own.

Turnover

Turnover represents the company's 18% share of the turnover of a major wastewater project in Egypt.

Long term contracts

Amounts recoverable on contracts, which are included in debtors, are stated at cost plus attributable profit less any foreseeable losses. Profit on an individual contract is recognised when the outcome of the contract can be foreseen with reasonable certainty and is the lower of profit earned to date and that forecast at completion. The result for the year includes settlement of claims on contracts completed in prior years. Payments received on account are deducted from amounts recoverable on contracts in debtors or long term contract balances in stock. Where such amounts have been received and exceed amounts recoverable the net amounts are included in creditors.

Foreign currencies

The accounts of overseas joint arrangements are translated into sterling and recorded at the rate of exchange ruling at the year end. Realised exchange gains or losses on trading are credited or charged respectively to the profit and loss account.

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.

Cash flow statement

Under 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.

2 Fees paid to the company's auditor

	2006 £	2005 £
Fees for the audit of the company	3	-

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

Fees paid to the company's auditor, KPMG Audit plc, and its associates, for services other than the statutory audit of the company are not disclosed in these financial statements since the consolidated financial statements of the company's ultimate parent, Carillion plc, are required to disclose non-audit fees on a consolidated basis.

Notes (continued)

3 Directors' emoluments

The directors who are the only employees have neither received nor waived any emoluments during the year (2005 £Nil)

4 Interest receivable and similar income

	2006 £	2005 £
Bank interest receivable	2,220	9,105

5 Tax on profit on ordinary activities

(a) Analysis of taxation charge in the year

	2006 £	2005 £
<i>UK corporation tax</i>		
Current tax	2,230	2,563
Group relief – prior year adjustment	5,152	(37,107)
Total current tax	7,382	(34,544)
Adjustment in respect of prior years - deferred tax	-	36,900
Tax on profit on ordinary activities	7,382	2,356

(b) Reconciliation of current taxation charge

The UK standard rate of corporation tax for the year is 30% (2005 30%). The actual tax rate differs to the standard rate for the reasons set out below

	2006 £	2005 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	2,220	8,543
Tax on profit on ordinary activities at UK standard rate of corporation tax of 30% (2005 30%)	666	2,563
<i>Effects of</i>		
Allowable currency gain in reserves	1,564	-
Prior adjustment	5,152	(37,107)
Current tax charge for the year	7,382	(34,544)

(c) Factors affecting future tax charges

There are no known factors that may affect future tax charges

Notes (continued)

6 Joint arrangements

The company has an 18% interest in the Cairo Wastewater Consortium which is an unincorporated joint arrangement operated in Egypt

7 Debtors

	2006 £	2005 £
Amounts due from group undertakings	180,020	180,020
Corporation tax receivable	27,162	34,544
	<u>207,182</u>	<u>214,564</u>

8 Creditors: amounts falling due within one year

	2006 £	2005 £
Amounts owed to group undertakings	107,390	107,390
Accruals	44,080	49,298
	<u>151,470</u>	<u>156,688</u>

9 Deferred tax asset

	2006 £	2005 £
At 1 January	-	(36,900)
Transfer to profit and loss account	-	36,900
	<u>-</u>	<u>-</u>
At 31 December	-	-

There was no unprovided deferred taxation at the year end

Notes (continued)

10 Share capital

	2006 £	2005 £
<i>Authorised</i>		
100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
2 ordinary shares of £1 each	2	2
	<hr/>	<hr/>

11 Reconciliation of movements in shareholders' funds

	Share capital £	Profit and loss account £	2006 Total £	2005 Total £
(Loss)/profit for the financial year	-	(5,162)	(5,162)	6,187
Dividends paid	-	-	-	(4,500,000)
Currency adjustments	-	5,213	5,213	17,173
	<hr/>	<hr/>	<hr/>	<hr/>
Net increase/(decrease) in shareholders' funds	-	51	51	(4,476,640)
Shareholders' funds at beginning of year	2	116,474	116,476	4,593,116
	<hr/>	<hr/>	<hr/>	<hr/>
Shareholders' funds at end of year	2	116,525	116,527	116,476
	<hr/>	<hr/>	<hr/>	<hr/>

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 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.