

TPS Consult Limited

**Directors' report and financial
statements**

Registered number 2574820

For the year ended 31 December 2002



Contents

Directors' report	1
Statement of directors' responsibilities	2
Independent auditors' report to the members of TPS Consult Limited	3
Profit and loss account	4
Balance sheet	5
Notes	6

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 company is principally engaged in the provision of architectural and engineering design services.

The directors anticipate that the company will continue its present role within the Carillion Group during 2003.

On 10 October 2003 the issued share capital of the company was transferred from Carillion plc to Carillion Construction Limited, a subsidiary of Carillion plc.

On 10 October 2003, an extraordinary meeting was held to approve the increase of authorised share capital by 7,500,000 ordinary shares of £1 each. At the same date these shares were issued to Carillion Construction Limited.

Profits and dividends

The loss on ordinary activities before taxation was £10,722,000 (2001: £811,000).

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

Directors and directors' interests

The directors who served during the year were:

ME Dunn
PF Reeder
GH Turner (appointed 18 July 2003)
MJ Smout (resigned 18 July 2003)

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 appointment date if later		Share option movements in the year		
	Shares	Share options	Shares	Share options	Granted	Exercised	Lapsed
PF Reeder	-	5,471	-	3,650	1,821	-	-
ME Dunn	-	12,515	-	12,515	-	-	-
GH Turner	5,982	30,479	5,982	30,479	1,821	-	-
MJ Smout	48,372	397,433	48,372	397,433	-	-	-

At 31 December 2002 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.

Auditor

In accordance with Section 384 of the Companies Act 1985 a resolution to re-appoint KPMG Audit Plc as auditor of the company will be proposed at the Annual General Meeting.

Approved by the Board on 10 October 2003 and signed on its behalf by:


PF Reeder
Director

Birch Street
Wolverhampton
WV1 4HY

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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 those 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; and
- prepare the financial statements on a 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 auditors' report to the members of TPS Consult Limited

We have audited the financial statements on pages 4 to 11.

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 auditors' 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.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

10 October 2003

Profit and loss account
for the year ended 31 December 2002

	<i>Note</i>	2002 £000	2001 £000
Turnover	2	21,461	19,234
Cost of sales		(27,163)	(15,882)
		<hr/>	<hr/>
Gross (loss)/profit		(5,702)	3,352
Administrative expenses		(4,890)	(4,190)
		<hr/>	<hr/>
Loss on ordinary activities before interest		(10,592)	(838)
Interest (payable)/receivable from group undertakings		(130)	27
		<hr/>	<hr/>
Loss on ordinary activities before taxation	3	(10,722)	(811)
Taxation on loss on ordinary activities	6	3,290	116
		<hr/>	<hr/>
Loss for the financial year	13	(7,432)	(695)
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing operations.


There were no recognised gains and losses in either the current or preceding financial year other than the profit or loss for those years.

There is no difference between the results 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 2002

	<i>Note</i>	2002 £000	£000	2001 £000	£000
Fixed assets					
Tangible assets	7		156		187
Current assets					
Stocks	8	66		89	
Debtors	9	13,688		9,590	
Cash at bank and in hand		1		2	
		<u>13,755</u>		<u>9,681</u>	
Creditors: amounts falling due within one year	10	<u>(18,503)</u>		<u>(7,028)</u>	
Net current (liabilities)/assets			<u>(4,748)</u>		<u>2,653</u>
Net (liabilities)/assets			<u>(4,592)</u>		<u>2,840</u>
Capital and reserves					
Called up share capital	11		44,368		44,368
Profit and loss account	12		(48,960)		(41,528)
Equity shareholders' funds	13		<u>(4,592)</u>		<u>2,840</u>

These financial statements were approved by the board of directors on 10 October 2003 and signed on its behalf by:


PF Reeder
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

The financial statements have been prepared in accordance with applicable Accounting Standards under the historical cost convention.

Basis of preparation

The financial statements have been prepared on a going concern basis.

The going concern basis assumes that the group will continue to trade, since Carillion plc has indicated that it will provide or procure such funds as are necessary to enable the company to continue its development activities for a period of at least twelve months and enable the company to continue to pay its debts on this basis. The directors consider it appropriate to prepare the financial statements on a going concern basis.

Group financial statements

The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare group financial statements and deliver them to the Registrar of Companies. The financial statements therefore present information about the undertaking as an individual undertaking and not about its group. The company is included within the consolidated financial statements of Carillion plc, the company's parent undertaking.

Cash flow statement

In accordance with Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cashflow statement on the grounds that Carillion plc, the company's ultimate parent undertaking includes the company's cashflows in its own published consolidated cashflow statement.

Long term contracts

Amounts recoverable on contracts, which are included in debtors, are stated at cost plus attributable profit less any foreseeable losses. The 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 each year includes settlement of claims on contracts completed in prior years. Payments received on account of contracts 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.

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes appropriate overheads.

Tangible fixed assets

Depreciation is based on historic cost less estimated residual values and the estimated useful economic lives of the assets concerned as follows:

Plant, machinery and vehicles	3-5 years
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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 FRS 19 'Deferred Tax'. Deferred tax assets or liabilities, which arise from timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation, are calculated on a non-discounted full provision basis. This policy reflects a change from previous years where deferred tax assets or liabilities were only recognised on a partial provision basis.

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.

Gains or losses arising on the translation of the opening net assets of overseas branches are taken to reserves together with exchange differences on related foreign currency borrowings.

Notes (continued)

1 Principal accounting policies (continued)

Turnover

Turnover is stated exclusive of value added tax and represents the value of work executed during the year.

Leased assets

All leases are accounted for as operating leases. Rentals are charged to the profit and loss account in equal annual instalments over the life of the lease.

Government grants

Government grants in respect of capital expenditure are credited to the profit and loss account over the life of the related asset.

Pensions

The company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company.

2 Turnover

The analysis of turnover by geographical area is as follows:

	2002 £000	2001 £000
United Kingdom	20,907	18,650
Europe	534	90
Other	20	494
	<hr/> 21,461 <hr/>	<hr/> 19,234 <hr/>

3 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging

	2002 £000	2001 £000
Depreciation of tangible fixed assets	125	178
Auditors' remuneration:		
Audit	11	18
Operating leases:		
Hire of other assets	244	196
	<hr/> 244 <hr/>	<hr/> 196 <hr/>

The audit fee above represents a recharged amount from Carillion plc.

4 Directors remuneration

	2002 £	2001 £
Directors' emoluments	103,000	106,000
	<hr/>	<hr/>
	Number	Number
Number of directors who are members of defined benefit pension schemes	3	3
	<hr/>	<hr/>

During the year £15,000 (2001: £14,000) was paid into the defined benefit pension schemes.

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the financial year was as follows:

	2002 Number	2001 Number
Technical staff	252	233
Administration staff	45	48
	<u>297</u>	<u>281</u>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	8,907	8,252
Social security costs	840	824
Other pension costs	1,063	952
	<u>10,810</u>	<u>10,028</u>

6 Tax credit on loss on ordinary activities

(a) Analysis of taxation credit in year

	2002 £000	2001 £000
UK Taxation:		
Corporation tax	3,290	324
Adjustment in respect of previous periods:		
Group relief	-	7
Deferred tax	-	(215)
	<u>3,290</u>	<u>116</u>

(b) Reconciliation of current taxation credit

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

	2002 £000	2001 £000
Loss on ordinary activities before tax	(10,722)	(811)
	<u>(10,722)</u>	<u>(811)</u>
Tax on profit on ordinary activities at UK standard rate of corporation tax of 30% (2001: 30%)	(3,217)	(243)
Permanently disallowable expenses	9	18
Accelerated capital allowances not equalised	(82)	(99)
	<u>(3,290)</u>	<u>(324)</u>
Current tax credit for the year	<u>(3,290)</u>	<u>(324)</u>

(c) Factors that may effect future tax charges

The company has an unprovided potential deferred tax asset in respect of accelerated capital allowances of £310,900 which may affect future tax charges. No asset been recognised as it is unlikely that the company can utilise these losses in the future.

Notes (continued)

7 Tangible fixed assets

	Plant, machinery And vehicles £000
<i>Cost</i>	
At beginning of year	793
Additions	94
At end of year	887
<i>Depreciation</i>	
At beginning of year	606
Charge in year	125
At end of year	731
<i>Net book value</i>	
At 31 December 2002	156
At 31 December 2001	187

8 Stocks

	2002 £000	2001 £000
Finished goods and goods for resale	66	89

9 Debtors

	2002 £000	2001 £000
Amounts falling due within one year:		
Trade debtors	6,008	4,810
Amounts recoverable on contracts	2,552	2,745
Amounts owed by group undertakings	1,612	1,358
Group relief receivable	3,290	497
Other debtors	101	81
Prepayments and accrued income	125	99
	13,688	9,590

Notes (continued)

10 Creditors: amounts falling due within one year

	2002 £000	2001 £000
Payments received on account - long term contracts	1,751	1,150
Trade creditors	611	559
Amounts owed to group undertakings	13,129	3,025
Corporation tax	-	-
Other tax and social security	392	203
Other creditors	312	378
Accruals and deferred income	2,308	1,713
	<u>18,503</u>	<u>7,028</u>

11 Share capital

	2002 £000	2001 £000
<i>Authorised, allotted, called up and fully paid:</i>		
44,368,002 ordinary shares of £1 each	44,368	44,368

On 10 October 2003, an extraordinary meeting was held to approve the increase of authorised share capital by 7,500,000 ordinary shares of £1 each. At the same date, these shares were issued to Carillion Construction Limited.

12 Profit and loss account reserve

	Profit and loss account £000
At beginning of year	(41,528)
Loss for the year	(7,432)
	<u>(48,960)</u>
At end of year	<u>(48,960)</u>

13 Reconciliation of movements in shareholders' funds

	2002 £000	2001 £000
Loss for the financial year	(7,432)	(695)
Opening shareholders' funds	2,840	3,535
	<u>(4,592)</u>	<u>2,840</u>
Closing shareholders' funds	<u>(4,592)</u>	<u>2,840</u>

Notes (continued)

14 Pension contributions

The company participates in both the Carillion Staff Pension Scheme and the Public Sector Scheme, which are both funded defined benefit schemes. Details of the latest actuarial valuations, which were performed by a qualified actuary, of the principal schemes is given in the group's consolidated financial statements. Note 17 gives details of how to obtain a copy of the financial statements of Carillion plc.

The contributions to the defined benefit schemes made by the company represent the regular cost of providing the benefits without any recognition of fund surpluses or deficits which are dealt with by Carillion plc. The pension cost for the year was £1,063,000 (2001: £952,000). There were no prepayments or outstanding contributions at 31 December 2002 or 2001.

As the schemes are run for the Carillion group as a whole the company is unable to identify its share of the assets and liabilities of the schemes, on a consistent and reasonable basis. Hence, as permitted by FRS 17: Retirement Benefits, both schemes will be accounted for by the company as if they were defined contribution schemes when the accounting standard is fully adopted.

At 31 December 2002 on an FRS 17 basis the Staff Scheme had a deficit of £50.9 million (2001: surplus of £14.9 million), and the Public Sector Scheme a deficit of £7.3 million (2001: surplus of £5.6 million).

15 Commitments

The annual commitments under non-cancellable operating leases was as follows:

	2002 Land and buildings £000	Other assets £000	2001 Land and Buildings £000	Other assets £000
On operating leases which expire:				
Within one year	12	15	106	83
Within two to five years inclusive	184	112	90	133
	<hr/>	<hr/>	<hr/>	<hr/>
	196	127	196	216
	<hr/>	<hr/>	<hr/>	<hr/>

16 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 17 gives details of how to obtain a copy of the published financial statements of Carillion plc.

17 Controlling and parent companies

The company's ultimate controlling company is Carillion Construction Limited, whilst the company's ultimate controlling company is Carillion plc, which is incorporated in Great Britain and registered in England and Wales.

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