**TPS Consult Limited**

# Directors' report and financial statements

Registered number 2574820

For the year ended 31 December 2005

# Contents

# 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 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 2006.

**Losses and dividends**

The loss on ordinary activities before taxation was £2,329,000 *(2004: £6,180,000)*.

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:

| | |
|---|---|
| PF Reeder | (resigned 29 April 2005) |
| CFG Girling | (resigned 1 January 2005) |
| RW Robinson | (resigned 1 January 2005) |
| SR Foskett | |
| RS Ross | (appointed 1 January 2005, resigned 21 March 2005) |
| TD Kenny | (appointed 1 January 2005) |
| RH Harris | (appointed 21 March 2005) |

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 2005 | | At 1 January 2005 or appointment date if later | | Share option movements in the year | | |
|---|---|---|---|---|---|---|---|
| | **Shares** | **Share options** | Shares | Share options | Granted | Exercised | Lapsed |
| RH Harris | - | **35,203** | - | 35,203 | - | - | - |
| TD Kenny | - | **477,323** | - | 384,396 | 92,927 | - | - |

At 31 December 2005 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.

## Directors' report *(continued)*

**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 and signed on its behalf by:

**TD Kenny**
*Director*

Birch Street
Wolverhampton
WV1 4HY

8 March 2006

## 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

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 of TPS Consult 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 3, 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.

KPMG Audit Plc
2 Cornwall Street
Birmingham
B3 2DL

## Independent auditors' report to the members of TPS Consult 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 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*

8 March 2006

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

| | *Note* | 2005 £000 | 2004 £000 |
|---|---|---|---|
| **Turnover** | *1* | **19,762** | 20,618 |
| Cost of sales | | **(16,753)** | (22,096) |
| **Gross profit/(loss)** | | **3,009** | (1,478) |
| Administrative expenses | | **(5,526)** | (4,751) |
| **Operating loss** | | **(2,517)** | (6,229) |
| Interest receivable from group undertakings | | **188** | 49 |
| **Loss on ordinary activities before taxation** | *2* | **(2,329)** | (6,180) |
| Taxation on loss on ordinary activities | *5* | **638** | 1,831 |
| **Retained loss for the financial year** | *11* | **(1,691)** | (4,349) |

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 2005*

| | Note | 2005 £000 | 2005 £000 | 2004 £000 | 2004 £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | *6* | | **220** | | 157 |
| **Current assets** | | | | | |
| Debtors | *7* | **16,364** | | 12,526 | |
| Cash at bank and in hand | | **1** | | 187 | |
| | | **16,365** | | 12,713 | |
| **Creditors:** amounts falling due within one year | 9 | **(17,094)** | | (11,688) | |
| **Net current (liabilities)/assets** | | | **(729)** | | 1,025 |
| **Net (liabilities)/assets** | | | **(509)** | | 1,182 |
| **Capital and reserves** | | | | | |
| Called up share capital | *10* | | **54,368** | | 54,368 |
| Profit and loss account | *11* | | **(54,877)** | | (53,186) |
| **Equity shareholders' (deficit)/funds** | *12* | | **(509)** | | 1,182 |

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

**TD Kenny**
*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.

The company has net liabilities of £509,000. The financial statements have been prepared on a going concern basis as the ultimate holding company has confirmed that it will continue to provide funds to the company to enable it to meet its debts as they fall due for payment. Therefore, the directors consider it appropriate to prepare the financial statements on a going concern basis.

***Cash flow statement***

In accordance with Financial Reporting Standard 1 'Cash flow statements' (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.

***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 disclosed separately 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.

***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

***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 Financial Reporting Standard 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.

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

# Notes *(continued)*

## 1 Principal accounting policies *(continued)*

***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.

***Pensions***

The pension schemes to which the company contributes are of both the defined benefit and defined contribution types and are for the benefit of all relevant employees of Carillion plc and its UK subsidiary undertakings, associates and joint ventures ("the group"). Details of the latest actuarial valuation of the principal schemes are given in the Carillion plc consolidated financial statements.

The company participates in the Carillion Staff Pension Scheme, the Carillion "B" scheme and the Carillion public sector scheme, which are funded defined benefit schemes. Details of the latest actuarial valuations, which were performed by a qualified actuary, of these defined benefit schemes are given in the group's consolidated financial statements. Note 16 gives details of how to obtain a copy of the financial statements of Carillion plc.

## 2 Loss on ordinary activities before taxation

| | 2005 £000 | 2004 £000 |
|---|---|---|
| ***Loss on ordinary activities before taxation is stated*** | | |
| *after charging* | | |
| Depreciation of tangible fixed assets | **104** | 69 |
| Auditors' remuneration: | | |
| Audit | **12** | 12 |
| Operating leases: | | |
| Hire of other assets | **264** | 291 |

## 3 Directors' remuneration

| | 2005 £000 | 2004 £000 |
|---|---|---|
| Director's emoluments | **94** | 237 |

The emoluments of the highest paid director were £93,671 *(2004: £125,589)*.

The highest paid director is a member of a defined benefit scheme, under which his accrued pension per annum at the year end was £131,032 *(2004: £19,700)*.

Retirement benefits are accruing to the following number of directors under:

| | 2005 Number | 2004 Number |
|---|---|---|
| Defined benefit schemes | **1** | 1 |

During the year £26,560 *(2004: £19,700)* was paid into the defined benefit pension schemes.

# Notes *(continued)*

## 4 Staff numbers and costs

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

| | 2005 Number | 2004 Number |
|---|---|---|
| Technical staff | **235** | 245 |
| Administration staff | **48** | 52 |
| | **283** | 297 |

The aggregate payroll costs of these persons were as follows:

| | £000 | £000 |
|---|---|---|
| Wages and salaries | **10,015** | 9,425 |
| Social security costs | **1,030** | 972 |
| Other pension costs | **1,379** | 1,315 |
| | **12,424** | 11,712 |

## 5 Tax credit on loss on ordinary activities

### *(a) Analysis of taxation credit in year*

The taxation credit is based on the loss for the year as follows:

| | 2005 £000 | 2004 £000 |
|---|---|---|
| *UK corporation tax* | | |
| Current tax on loss for the year | **(488)** | (1,888) |
| Group relief receivable | - | - |
| Total current taxation | **(488)** | (1,888) |
| *Deferred taxation* | | |
| Other timing differences | **(150)** | 57 |
| Tax credit in year | **(638)** | (1,831) |

## Notes *(continued)*

### 5 Tax credit on loss on ordinary activities *(continued)*

***(b) Reconciliation of current taxation credit***

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 |
|---|---|---|
| | **£000** | £000 |
| Loss on ordinary activities before tax | **(2,329)** | (6,180) |
| Tax on loss on ordinary activities at UK standard rate of corporation tax of 30% *(2004: 30%)* | **(699)** | (1,854) |
| *Effects of* | | |
| Permanently disallowable expenses | **361** | 23 |
| Accelerated capital allowances not equalised | **(150)** | (57) |
| Current tax credit for the year | **(488)** | (1,888) |

### 6 Tangible fixed assets

| | **Plant, machinery and vehicles £000** |
|---|---|
| ***Cost*** | |
| At beginning of year | 1,064 |
| Additions | 167 |
| At end of year | 1,231 |
| ***Depreciation*** | |
| At beginning of year | 907 |
| Charge in year | 104 |
| At end of year | 1,011 |
| ***Net book value*** | |
| **At 31 December 2005** | **220** |
| At 31 December 2004 | 157 |

## Notes *(continued)*

### 7 Debtors

| | 2005 £000 | 2004 £000 |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Trade debtors | **2,798** | 3,742 |
| Amounts recoverable on contracts | **2,594** | 1,839 |
| Amounts owed by group undertakings | **9,788** | 4,512 |
| Group relief receivable | **534** | 1,888 |
| Other debtors | **70** | 45 |
| Prepayments and accrued income | **238** | 308 |
| Deferred taxation asset | **342** | 192 |
| | **16,364** | 12,526 |

### 8 Deferred tax

| | £000 |
|---|---|
| Deferred tax asset at 1 January 2005 | 192 |
| Charged to profit and loss account during the year | 150 |
| **Deferred tax asset at 31 December 2005** | **342** |

The elements of deferred taxation are as follows:

| | 2005 £000 | 2004 £000 |
|---|---|---|
| Difference between accumulated depreciation and capital allowances | **150** | 192 |
| Short term timing differences | **192** | - |
| | **342** | 192 |

### 9 Creditors: amounts falling due within one year

| | 2005 £000 | 2004 £000 |
|---|---|---|
| Payments received on account - long term contracts | **493** | 602 |
| Trade creditors | **368** | 581 |
| Amounts owed to group undertakings | **14,841** | 8,557 |
| Other tax and social security | **259** | 427 |
| Other creditors | **264** | 264 |
| Accruals and deferred income | **869** | 1,257 |
| | **17,094** | 11,688 |

# Notes *(continued)*

## 10 Share capital

| | 2005 | 2004 |
|---|---|---|
| | **£000** | £000 |
| *Authorised, allotted, called up and fully paid:* | | |
| 54,368,000 ordinary shares of £1 each | **54,368** | 54,368 |

## 11 Profit and loss account reserve

| | Profit and loss account £000 |
|---|---|
| At beginning of year | (53,186) |
| Profit for the year | (1,691) |
| **At end of year** | **(54,877)** |

## 12 Reconciliation of movements in shareholders' funds

| | 2005 | 2004 |
|---|---|---|
| | **£000** | £000 |
| Loss for the financial year | **(1,691)** | (4,349) |
| Increased share capital | - | 2,500 |
| Opening shareholders' funds | **1,182** | 3,031 |
| **Closing shareholders' funds** | **(509)** | 1,182 |

## 13 Pension contributions

As the schemes are run for the Carillion group as a whole, the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis. Hence, as permitted by FRS 17: "Retirement benefits" the scheme is accounted for by the company as if the scheme was a defined contribution scheme.

At 31 December 2005, the staff, "B" and public sector schemes had deficits on an FRS 17 basis of £27.2 million *(2004: £40.3 million)*, £0.8 million surplus *(2004: £0.1 million surplus)* and £9.5 million deficit *(2004: £8.8 million deficit)* respectively, net of deferred taxation of 30%.

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 £1,379,000 *(2004: £1,315,000)*.

The company also participates in the Carillion Pension Plan, a defined contribution scheme, which commenced on 1 April 2003. The pension cost charge for the period represents contributions payable by the company to the scheme.

The pension charge of the defined contribution schemes was £Nil *(2004: £Nil)*.

Contributions outstanding at 31 December 2005 were £Nil *(2004: £Nil)*.

## Notes *(continued)*

### 14 Commitments

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

| | 2005 | | 2004 | |
|---|---|---|---|---|
| | **Land and buildings £000** | **Other assets £000** | Land and buildings £000 | Other assets £000 |
| On operating leases which expire: | | | | |
| Within one year | **13** | **26** | - | 15 |
| Within two to five years inclusive | **108** | **92** | 122 | 70 |
| | **121** | **118** | 122 | 85 |

### 15 Related party transactions

As a wholly owned subsidiary of Carillion plc, the company has taken advantage of the exemption under Financial Reporting Standard 8 'Related Party Disclosures' not to provide information on related party transactions with other undertakings within the Carillion group. Note 16 gives details of how to obtain a copy of the published financial statements of Carillion plc.

### 16 Controlling and parent companies

The company's immediate 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.