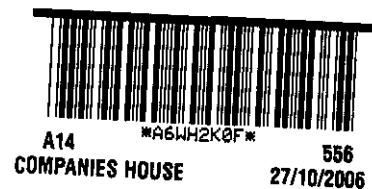


Carillion Holdings Limited

**Directors' report and financial
statements**

Registered number 3783019

For the year ended 31 December 2005



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Directors' report

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

Principal activities and business review

During the year the investment held in WPL Estates Limited was sold realising a profit of £728,287.

Directors and directors' interests

The directors who served during the year were:

CFG Girling
 RF Tapp
 J McDonough
 LJ Mills
 RW Robinson
 SP Eastwood

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:

	At 1 January 2005		Number of 50p ordinary shares Share options Movement in the period			At 31 December 2005	
	Fully paid	Share options	Granted	Exercised	Lapsed	Fully paid	Share options
RF Tapp	6,089	403,424	77,367	77,193	13,623	53,016	389,975
LJ Mills	21,740	-	-	-	-	21,740	-
SP Eastwood	16,878	58,315	30,096	-	-	5,443	88,411

No director had any beneficial interest in the share or loan capital of any subsidiary of Carillion plc.

Auditor

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditor of the company will be proposed at the Annual General Meeting.

Approved by the Board on 8 March 2006 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 they 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 Holdings Limited

We have audited the financial statements of Carillion Holdings 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 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.

Independent auditors' report to the members of Carillion Holdings 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

	<i>Note</i>	2005 £	2004 £
Administration expenses		(1,655,889)	-
Operating loss		(1,655,889)	-
Profit on sale of fixed asset investments		728,287	-
Loss on ordinary activities before interest		(927,602)	-
Interest payable	5	(300,835)	-
Interest receivable	4	310,799	-
Loss on ordinary activities before tax	2	(917,638)	-
Tax on loss on ordinary activities	6	456,578	-
Retained loss for the financial year	12	(461,060)	-

The above results are all derived from continuing operations.

The company has no recognised gains and losses in either the current or preceding year other than those disclosed in the profit and loss account.

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 year.

Balance sheet
at 31 December 2005

	<i>Note</i>	2005	2004
		£	£
Fixed assets			
Investments	7	1,130	1,041,461
Current assets			
Debtors	8	4,565,289	554,165
Creditors: amounts falling due within one year	9	(5,027,478)	(1,595,625)
Net current liabilities		(462,189)	(1,041,460)
Net (liabilities)/assets		(461,059)	1
Capital and reserves			
Called up share capital	11	1	1
Profit and loss account	12	(461,060)	-
Equity shareholders (deficit)/funds	10	(461,059)	1

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


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

Consolidated accounts

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. These financial statements, therefore, present information about the company as an individual undertaking and not about its group. The company is included within the consolidated financial statements of Carillion plc, the company's ultimate parent undertaking.

Investments

Fixed asset investments are stated at cost less provision for any impairment in the carrying value of the investment.

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 Operating loss on ordinary activities before taxation

	2005 £	2004 £
<i>Operating loss on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors remuneration	1,500	-
	<hr/>	<hr/>

3 Directors' remuneration

The directors who are the only employees of the company have neither received nor waived any emoluments during the year (2004: £Nil).

4 Interest receivable

	2005 £	2004 £
Interest receivable from related undertaking	310,799	-
	<hr/>	<hr/>
	310,799	-
	<hr/>	<hr/>

Notes (continued)

5 Interest payable

	2005 £	2004 £
Interest payable to group undertaking	300,835	-
	<u>300,835</u>	<u>-</u>

6 Tax on loss on ordinary activities

The tax (credit) is made up as follows:

	2005 £	2004 £
<i>UK taxation</i>		
Group relief	(456,578)	-
	<u>(456,578)</u>	<u>-</u>
Total current tax (see below)	<u>(456,578)</u>	<u>-</u>

Reconciliation of current tax (credit)

The UK standard rate of corporation tax is 30% (2004: 30%). The actual tax rate differs to the standard rate for the reasons set out below:

	2005 £	2004 £
Loss on ordinary activities before tax	(917,638)	-
Tax on loss on ordinary activities at UK standard rate of corporation tax of 30% (2004: 30%)	(275,292)	-
Share of Limited Partnership	37,200	-
Tax on profit on sale of investment	(218,486)	-
	<u>(456,578)</u>	<u>-</u>
Current tax (credit) for the year	<u>(456,578)</u>	<u>-</u>

7 Fixed asset investments

	Shares in subsidiary undertakings £	Participating interests £	Total £
Cost and net book value			
At 1 January 2005	5	1,041,456	1,041,461
Investment reclassified as loan	-	(590,956)	(590,956)
Acquisitions	-	625	625
Disposals	-	(450,000)	(450,000)
	<u>5</u>	<u>1,125</u>	<u>1,130</u>
At 31 December 2005	<u>5</u>	<u>1,125</u>	<u>1,130</u>

Notes (continued)

7 Fixed asset investments (continued)

The above investments in subsidiary undertakings, all of which are 100% owned and registered in England and Wales, are:

Carillion Quest Trustee Limited
 Carillion Trustees Limited
 Churchward Residential Limited
 Risk and Insurance Solutions Limited
 Carillion CR Limited

Carillion CR Limited is involved in property development. The remaining companies are dormant.

The investment in participating interests is in relation to joint ventures, which are owned 50% and are registered in England and Wales.

Name of joint venture	Net assets acquired (£)
Urban Catalyst Carillion LLP	500
Modern Housing Solutions (Prime) Limited	625

The consideration payable for the joint venture equals the nominal value of the net assets acquired.

8 Debtors

	2005 £	2004 £
Group tax relief available	456,578	-
Amounts owed by group undertakings	4,108,711	554,165
	<u>4,565,289</u>	<u>554,165</u>

9 Creditors: amounts falling due within one year

	2005 £	2004 £
Accruals	1,624	-
Amounts owed to group undertakings	5,025,854	1,595,625
	<u>5,027,478</u>	<u>1,595,625</u>

10 Reconciliation of movement in equity shareholders' (deficit)/funds

	2005 £	2004 £
Retained loss for the financial year	(461,060)	-
Equity shareholders' funds at beginning of year	1	1
	<u>(461,059)</u>	<u>1</u>

Notes (continued)

11 Share capital

	2005 £	2004 £
<i>Authorised:</i>		
100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>
<i>Allotted, called up and not paid:</i>		
1 ordinary share of £1 each	1	1
	<hr/>	<hr/>

12 Reconciliation of movement of reserves

	2005 £	2004 £
At start of year	-	-
Retained loss for the year	(461,060)	-
	<hr/>	<hr/>
At end of year	(461,060)	-
	<hr/>	<hr/>

13 Related party transactions

As a 100% 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 14 gives details of how to obtain a copy of the published financial statements of Carillion plc.

14 Controlling and parent company

The company's immediate and ultimate parent 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 Birch Street, Wolverhampton, WV1 4HY.