

Carillion Private Finance (Secure) Limited

**Directors' report and financial
statements**

Registered number 5753809

For the year ended 31 December 2007

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

Principal activities

The principal activity of the company is that of investment in undertakings, which develop and operate projects under the Private Finance Initiative

The directors anticipate that the company will continue its present role during 2008

Business review

The principal risks facing the business are that the value of investments in undertakings, which are dependent on the success of the underlying projects, might be less than anticipated and the risk that Carillion Private Finance (Secure) Limited might have to inject cash into undertakings to maintain their value. The directors manage this risk through close involvement in the management of the underlying projects and regular monitoring of their performance

The company's key performance indicators are profit before tax and return on capital employed. The profit on ordinary activities before taxation was £2,466,000 (*period ended 31 December 2006 £35,387,000*). Return on capital employed (calculated as profit before tax net assets) was 23.35% (*period ended 31 December 2006 4.37%*).

Profits and dividends

The profit on ordinary activities before taxation was £2,466,000 (*period ended 31 December 2006 £35,387,000*).

A dividend of £Nil was declared and paid during the year (*period ended 31 December 2006 £28,000,000*).

Directors and directors' interests

The directors who served during the year and subsequently were

J McDonough
RW Robinson
CFG Girling (resigned 2 April 2007)
FR Herzberg
RJ Adam (appointed 2 April 2007)

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 each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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 5 March 2008 and signed on its behalf by



RF Tapp
Secretary

24 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 and applicable law (UK Generally Accepted Accounting Practice).

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

Independent auditors' report to the members of Carillion Private Finance (Secure) Limited

We have audited the financial statements of Carillion Private Finance (Secure) Limited for the year ended 31 December 2007 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

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 Private Finance (Secure) 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 2007 and of its profit 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

KPMG Audit Plc
Chartered Accountants
Registered Auditor

5 March 2008

Profit and loss account
for the year ended 31 December 2007

	<i>Note</i>	Year ended 31 December 2007 £000	9 months ended 31 December 2006 £000
Other operating income		87	-
Operating profit		87	-
Interest receivable		1,278	801
Interest payable	3	(1,278)	(801)
Income from shares in participating interests		2,379	588
Profit on sale of investments		-	34,799
Profit on ordinary activities before taxation		2,466	35,387
Tax on profit on ordinary activities	4	-	-
Profit on ordinary activities after taxation being profit for the financial year/period	10	2,466	35,387

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 the year/period

There were no recognised gains and losses in the current financial year or preceding period other than the profit or loss for that year/period

All amounts relate to continuing operations

Balance sheet
at 31 December 2007

	<i>Note</i>	2007 £000	2006 £000	£000
Fixed assets				
Investments	6		15,282	15,282
Current assets				
Debtors	7	29,713	27,446	
Creditors amounts falling due within one period	8	(34,436)	(34,635)	
Net current liabilities			(4,723)	(7,189)
Total assets less current liabilities being net assets			10,559	8,093
Capital and reserves				
Called up share capital	9	658	658	
Share premium account	10	48	48	
Profit and loss account	10	9,853	7,387	
Equity shareholders' funds	11	10,559	8,093	

These financial statements were approved by the board of directors on 5 March 2008 and were signed on its behalf by


FR Herzberg
Director

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

Basis of accounting

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

Consolidated financial statements

These financial statements present information about the company as an individual company and not about its group. The company is exempt under Section 228 of the Companies Act 1985 from the obligation to prepare group financial statements and to deliver them to the Registrar of Companies as it is a wholly owned subsidiary undertaking of another UK corporate body

Investments

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

Cash flow statement

In accordance with 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

Taxation

The charge for taxation is based on the result for each period and takes into account deferred taxation, calculated in accordance with the requirements of FRS19 "Deferred taxation". Deferred tax assets or liabilities are calculated on a non-discounted full provision basis in respect of timing differences that are expected to reverse in future periods

2 Directors, employees and auditor's fee

The company had no employees other than its directors (*period ended 31 December 2006 none*), none of whom received or waived any remuneration (*period ended 31 December 2006 £Nil*)

No auditor's fee was paid in the year (*period ended 31 December 2006 £Nil*). The audit fee is borne by the parent company

3 Interest payable

	Year ended 31 December 2007 £000	9 months ended 31 December 2006 £000
Interest payable to immediate parent undertaking	1,278	801

Notes *(continued)*

4 Tax on profit on ordinary activities

(a) Analysis of taxation charge for the period

	Year ended 31 December 2007 £000	9 months ended 31 December 2006 £000
<i>UK corporation tax</i>		
Current tax	-	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	-	-
	<hr/>	<hr/>

(b) Factors affecting the charge for the period

The UK standard rate of corporation tax for the year is 30% (*period ended 31 December 2006 30%*) The actual tax rate is lower than the standard rate for the reasons set out below

	Year ended 31 December 2007 £000	9 months ended 31 December 2006 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	2,466	35,387
	<hr/>	<hr/>
Tax on profit on ordinary activities at UK standard rate of corporation tax of 30%	740	10,616
<i>Effects of</i>		
Non-taxable capital profits	(26)	(10,440)
Non-taxable income from shares in participating interests	(714)	(176)
	<hr/>	<hr/>
Current tax charge for the year/period	-	-
	<hr/>	<hr/>

(c) Factors affecting future tax charges

From 1 April 2008, the tax rate has changed from 30% to 28%

5 Dividends

	Year ended 31 December 2007 £000	9 months ended 31 December 2006 £000
Interim dividend paid	-	28,000
	<hr/>	<hr/>

Notes (continued)

6 Investments

	Shares in participating interests £000	Loans to participating interests £000	Total £000
<i>Cost</i>			
At beginning and end of year	42	15,240	15,282
	<u>42</u>	<u>15,240</u>	<u>15,282</u>
<i>Net book value</i>			
At 31 December 2007 and 31 December 2006	42	15,240	15,282
	<u>42</u>	<u>15,240</u>	<u>15,282</u>

Principal subsidiary undertakings, participating interests and other investments

Name of company	Country of incorporation and operation	Proportion of equity held
<i>Participating interests</i>		
Accommodation Services (Holdings) Limited	Great Britain	40%

These companies are all involved in the development and operation of projects under the Private Finance Initiative

7 Debtors

	2007 £000	2006 £000
Amounts due within one year		
Amounts owed by group undertakings	29,498	27,032
Amounts owed by participating interests	215	414
	<u>29,713</u>	<u>27,446</u>

8 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Amounts owed to fellow group undertakings	34,436	34,635
	<u>34,436</u>	<u>34,635</u>

Notes (continued)

9 Share capital

	2007 £000	2006 £000
<i>Authorised</i>		
10,000,000 ordinary shares of £1 each	10,000	10,000
<i>Allotted, called up and fully paid</i>		
658,468 ordinary shares of £1 each	658	658

10 Reserves

	Share premium account £000	Profit and loss account £000
At beginning of year	48	7,387
Profit for the financial year	-	2,466
At end of year	48	9,853

11 Reconciliation of movements in equity shareholder's funds

	Year ended 31 December 2007 £000	9 months ended 31 December 2006 £000
Issue of share capital	-	706
Profit for the financial year/period	2,466	35,387
Equity dividends paid	-	(28,000)
Net increase in shareholder's funds	2,466	8,093
Opening shareholders' funds	8,093	-
Closing shareholders' funds	10,559	8,093

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

13 Controlling and parent company

The company is a wholly-owned subsidiary of Carillion Private Finance Limited, which is incorporated in Great Britain

The company's ultimate parent undertaking is Carillion plc, which is incorporated in Great Britain

The consolidated financial statements of Carillion plc are available to the public and can be obtained from 24 Birch Street, Wolverhampton, WV1 4HY