UK Highways Services Limited

Financial statements

For the year ended 31 December 2006

Company No. 3224413

Company information

Company registration number	3224413
Registered office	Chatham Court Lesbourne Road REIGATE Surrey
Directors	S Weatherson P R Ibarboure V H Terrasson R C Turner
Secretary	T J G Ball
Bankers	HSBC PLC PO Box 648 27 - 32 Poultry LONDON EC2P 2BX
Auditor	Ernst & Young LLP Chartered Accountants Registered Auditors Apex Plaza Forbury Road READING RG1 1YE

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 December 2006

Principal activities and business review

The company is principally engaged in operational maintenance of a section of a privately funded motorway

The directors consider the results for the year to be satisfactory and they expect trading to continue at similar levels for the first half of 2007.

However notice of termination of the company's sole contract has now been served with effect on 12 July 2007 Shortly after that date the company will cease to trade and its activities will be wound up prior to 31 December 2007

Results and dividends

The profit for the year, after taxation, amounted to £1,531,483 (2005. £1,640,745) Particulars of dividends paid are detailed in note 8 to the financial statements

Financial risk management objectives and policies

Financial risk management objectives and policies

The company is exposed to a variety of financial risks which result from both its operating and investing activities The board is responsible for coordinating the company's risk management and focuses on actively securing the company's short to medium term cash flows Long term financial investments are managed to generate lasting returns

The company does not actively engage in the trading of financial assets and has no financial derivatives. The most significant financial risks to which the company is exposed to are described below·

Credit risk

The company's credit risk is primarily attributable to its trade debtors The amounts presented in the balance sheet are net of any allowance for doubtful debtors, estimated by the directors. One customer represents a significant proportion of the company's debtors

Cash flow risks

The company seeks to manage risks to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably

The directors and their interests in the shares of the company

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows

	Class of share	At 31 December 2006	At 1 January 2006
S Weatherson	Ordinary "C"	-	-
	Ordinary "T"	-	-
P R Ibarboure	Ordinary "C"	-	-
	Ordinary "T"	-	-
V H Terrasson	Ordinary "C"	-	-
	Ordinary "T"	-	-
R C Turner	Ordinary "C"	-	-
	Ordinary "T"	-	-

P R Ibarbourne and V H Terrasson are both French nationals and reside in the country of France

Directors and officers liability insurance

The company has, as permitted by S310(s) of the Companies Act 1985, maintained insurance cover on behalf of the directors and company secretary indemnifying them against certain liabilities which may be incurred by them in relation to the company

Directors' responsibilities

The directors are responsible for preparing the Annual 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 United Kingdom Accounting Standards (United Kingdom 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 judgements and estimates that are reasonable and prudent,
- 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 the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Auditor

A resolution to re-appoint Ernst & Young LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985

ON BEHALF OF THE BOARD

Director

V. [illegible]

22/6/07

Report of the independent auditor to the members of UK Highways Services Limited

We have audited the financial statements of UK Highways Services Limited for the year ended 31 December 2006 which comprise the principal accounting policies, profit and loss account, balance sheet, cash flow statement, statement of total recognised gains and losses and notes 1 to 24. 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 auditor

The directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities

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 Report of the Directors 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it

Report of the independent auditor to the members of UK Highways Services Limited (continued)

Basis of 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 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 Report of the Directors is consistent with the financial statements.

Ernst & Young LLP

ERNST & YOUNG LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
READING

20 June 2007

Principal accounting policies

Basis of accounting

The financıal statements have been prepared under the hıstorıcal cost conventıon and ın accordance wıth applıcable accountıng standards

The prıncıpal accountıng polıcıes have remaıned unchanged from the prevıous year except that the financıal statements for the year ended 31 December 2007 have, ın accordance wıth FRS 18 Accountıng Prıncıpals, not been prepared on a goıng concern basıs

The dırectors have gıven consıderatıon to FRS 18 when preparıng the financıal statements ın lıght of the notıce for termınatıon of theır sole contract wıth effect on 12 July 2007 Whıle the dırectors are satısfied that the company wıll contınue as a goıng concern untıl thıs date they have prepared the financıal statements on the basıs that the company wıll not contınue ın busıness beyond that date ıe break up basıs As a result the tangıble fixed assets of the company have been treated as current assets

The dırectors are satısfied that the termınatıon payment due to the company on cessatıon of the contract wıll be ın excess of any lıabılıtıes arısıng, and the financıal forecasts for the perıod to 31 December 2007 ındıcate that redundancy costs, any accrued ıncome that cannot be ınvoıced or bad debts arısıng wıll be fully covered by thıs termınatıon payment As a result the dırectors belıeve that the values carrıed on the company's balance sheet at 31 December 2006 to be faırly stated and approprıate ın lıght of thıs ınformatıon

Turnover

Turnover ıs the total amount receıvable by the company for goods and servıces provıded, excludıng VAT and trade dıscounts

Fixed assets

All fixed assets are ınıtıally recorded at cost

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Plant & Machinery	-	Between 2 and 10 years straight line
Motor Vehicles	-	2 years straight line
Equipment	-	3 years straight line

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account at a constant rate of charge on the balance of capital repayments outstanding

Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies Future instalments under such leases, net of finance charges, are included with creditors Rentals payable are apportioned between the finance element, which is charged to the profit and loss account at a constant rate of charge on the balance of capital repayments outstanding, and the capital element which reduces the outstanding obligation for future instalments

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

Pension costs

Annual contributions payable to employees personal pension plans are charged to the profit and loss account

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity

Liquid resources

The company includes short term bank deposits as liquid resources

Profit and loss account

	Note	2006 £	2005 £
Turnover	1	**9,845,787**	9,580,841
Cost of sales		**7,284,896**	6,859,739
Gross profit		**2,560,891**	2,721,102
Other operating charges	2	**384,073**	383,932
Operating profit	3	**2,176,818**	2,337,170
Interest receivable	5	**17,487**	21,708
Interest payable and similar charges	6	**(7,421)**	(14,545)
Profit on ordinary activities before taxation		**2,186,884**	2,344,333
Tax on profit on ordinary activities	7	**655,401**	703,588
Profit for the financial year	21	**1,531,483**	1,640,745

All of the activities of the company are classed as continuing

Balance sheet

	Note	2006 £	2005 £
Fixed assets			
Tangible assets	9	–	188,867
Current assets			
Tangible assets	10	**103,213**	–
Debtors	11	**1,137,450**	1,895,353
Cash at bank		**1,016,170**	244,620
		2,256,833	2,139,973
Creditors: amounts falling due within one year	12	**1,888,913**	1,902,183
Net current assets		**367,920**	237,790
Total assets less current liabilities		**367,920**	426,657
Creditors: amounts falling due after more than one year	13	–	50,110
		367,920	376,547
Provisions for liabilities			
Deferred taxation	16	**8,890**	29,000
		359,030	347,547
Capital and reserves			
Called-up equity share capital	20	**50,000**	50,000
Profit and loss account	21	**309,030**	297,547
Shareholders' funds	22	**359,030**	347,547

These financial statements were approved by the directors on and are signed on their behalf by

V H Terrasson

21/6/07

The accompanying accounting policies and notes form part of these financial statements.

Cash flow statement

	Note	2006 £	2005 £
Net cash inflow from operating activities	23	**3,035,838**	1,431,614
Returns on investments and servicing of finance			
Interest received		**17,487**	21,708
Interest element of finance leases and hire purchase		**(7,421)**	(14,545)
Net cash inflow from returns on investments and servicing of finance		**10,066**	7,163
Taxation		**(762,691)**	(613,588)
Capital expenditure			
Payments to acquire tangible fixed assets		**–**	(75,546)
Receipts from sale of fixed assets		**103,213**	1,350
Net cash inflow/(outflow) from capital expenditure		**103,213**	(74,196)
Equity dividends paid		**(1,520,000)**	(1,780,000)
Cash inflow/(outflow) before financing		**866,426**	(1,029,007)
Financing			
Capital element of finance leases and hire purchase		**(94,876)**	(87,753)
Net cash outflow from financing		**(94,876)**	(87,753)
Increase/(decrease) in cash	23	**771,550**	(1,116,760)

The accompanying accounting policies and notes form part of these financial statements.

Other primary statements

Statement of total recognised gains and losses

	2006	2005
	£	£
Profit for the financial year	**1,531,483**	1,640,745
Total recognised gains and losses for the year	**1,531,483**	1,640,745
Prior year adjustment	–	430,000
Total gains and losses recognised since the last financial statements	**1,531,483**	2,070,745

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company
An analysis of turnover is given below

	2006	2005
	£	£
United Kingdom	**9,845,787**	9,580,841

2 Other operating charges

	2006	2005
	£	£
Administrative expenses	**384,073**	383,932

3 Operating profit

Operating profit is stated after charging/(crediting)

	2006	2005
	£	£
Depreciation of owned fixed assets	**17,608**	26,925
Depreciation of assets held under finance leases and hire purchase agreements	**68,046**	68,046
Profit on disposal of fixed assets	**-**	(1,350)
Auditor's remuneration		
Audit fees	**10,000**	10,000
Operating lease costs		
Plant and equipment	**5,199**	5,648

4 Directors and employees

The average number of staff employed by the company during the financial year amounted to·

	2006	2005
	No	No
Number of staff	**3**	3

The aggregate payroll costs of the above were

	2006	2005
	£	£
Wages and salaries	**135,983**	148,404
Social security costs	**17,870**	17,884
Other pension costs	**4,100**	4,100
	157,953	170,388

Directors' emoluments have been borne by other group companies The directors of the company are also directors or officers of other companies within the group The directors' services to the company do not occupy a significant amount of their time As such the directors do not consider that they have received any remuneration for their incidental services to the company for the years ended 31 December 2005 and 31 December 2006

5 Interest receivable

	2006	2005
	£	£
Bank interest receivable	**17,487**	21,708

6 Interest payable and similar charges

	2006	2005
	£	£
Finance charges	**7,421**	14,545

7 Taxation on ordinary activities

(a) Analysis of charge in the year

	2006	2005
	£	£
Current tax		
In respect of the year		
UK Corporation tax based on the results for the year at 30% (2005 - 30%)	**675,740**	712,000
Under provision in prior years	**(229)**	(1,412)
Total current tax	**675,511**	710,588
Deferred tax:		
Origination and reversal of timing differences	**(20,110)**	(7,000)
Tax on profit on ordinary activities	**655,401**	703,588

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2005 - 30%)

	2006	2005
	£	£
Profit on ordinary activities before taxation	**2,186,884**	2,344,333
Profit on ordinary activities by rate of tax	**656,065**	703,300
Expenses not deductible for tax purposes	**344**	4,363
Depreciation for the period in excess of capital allowances	**19,331**	12,109
Other timing differences	**-**	(8,100)
Under provision in prior years	**(229)**	(1,412)
Current year overprovision	**-**	328
Total current tax (note 7(a))	**675,511**	710,588

8 Dividends

Dividends on shares classed as equity

	2006	2005
	£	£
Paid during the year		
Ordinary shares	**1,520,000**	1,780,000

9 Tangible fixed assets

	Plant & Machinery £	Motor Vehicles £	Equipment £	Total £
Cost				
At 1 January 2006	819,189	8,999	22,857	851,045
Transfers (Note 10)	(819,189)	(8,999)	(22,857)	(851,045)
At 31 December 2006	–	–	–	–
Depreciation				
At 1 January 2006	630,508	8,999	22,671	662,178
Charge for the year	85,468	–	186	85,654
Transfers (Note 10)	(715,976)	(8,999)	(22,857)	(747,832)
At 31 December 2006	–	–	–	–
Net book value				
At 31 December 2006	–	–	–	–
At 31 December 2005	188,681	–	186	188,867

Included within the net book value at 31 December 2005 is £118,358 relating to assets held under finance leases and hire purchase agreements, see note 12 The depreciation charged to the financial statements in that year in respect of such assets amounted to £68,046

10 Tangible current assets

	2006 £	2005 £
Plant & Machinery	**103,213**	–

Plant & Machinery includes assets with a net book value of £50,312 relating to assets held under finance leases and hire purchase agreements The depreciation charged to the financial statements in the year in respect of such assets amounted to £68,046

As set out within the accounting policies the company has received notice of termination of the company's sole contract and having given consideration to FRS 18 and the going concern basis of preparation of the financial statements the directors have considered all assets and liabilities of the company at the balance sheet date to be current As a result the tangible fixed assets of the company have been transferred to current assets, see note 9 to the financial statements

11 Debtors

	2006 £	2005 £
Trade debtors	**741,366**	1,419,626
Amounts owed by group undertakings	**2,444**	2,414
Other debtors	–	45,313
Prepayments and accrued income	**393,640**	428,000
	1,137,450	1,895,353

12 Creditors: amounts falling due within one year

	2006	2005
	£	£
Amounts due under finance leases and hire purchase agreements	**50,110**	94,876
Trade creditors	**31,940**	21,066
Amounts owed to affiliated undertakings	**1,317,976**	1,173,786
Corporation tax	**324,820**	412,000
Other taxation and social security	**50,452**	4,455
Accruals and deferred income	**113,615**	196,000
	1,888,913	1,902,183

Amounts due under finance leases and hire purchase agreements are secured against the assets to which they relate

13 Creditors: amounts falling due after more than one year

	2006	2005
	£	£
Amounts due under finance leases and hire purchase agreements	–	50,110

Amounts due under finance leases and hire purchase agreements are secured against the assets to which they relate

14 Commitments under finance leases and hire purchase agreements

Future commitments under finance leases and hire purchase agreements are as follows

	2006	2005
	£	£
Amounts payable within 1 year	**50,110**	94,876
Amounts payable between 2 to 5 years	-	50,110
	50,110	144,986

15 Pensions

The company contributes towards employees' personal pension schemes There were no unpaid contributions as at 31 December 2006 or 31 December 2005

16 Deferred taxation

The movement in the deferred taxation provision during the year was

	2006	2005
	£	£
Provision brought forward	**29,000**	36,000
Profit and loss account movement arising during the year	**(20,110)**	(7,000)
Provision carried forward	**8,890**	29,000

16 Deferred taxation (continued)

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2006	2005
	£	£
Excess of taxation allowances over depreciation on fixed assets	11,290	31,000
Other timing differences	(2,400)	(2,000)
	8,890	29,000

17 Derivatives

The company had no financial derivatives during the financial year ended 31 December 2006 or 31 December 2005

18 Leasing commitments

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as set out below

	Assets other than land & buildings	
	2006	2005
	£	£
Operating leases which expire		
Within 1 year	-	5,648

19 Related party transactions

Transroute International SA and Carillion Private Finance Limited each own 50% of the ordinary share capital in the company

Details of related party transactions are

	Value of sales / (costs) 2006 £	Due to / (from)at 31 December 2006 £	Value of sales / (costs) 2005 £	Due to / (from) at 31 December 2005 £
Carillion Private Finance Limited (and other undertakings)				
1 Provision of maintenance services	(6,778,761)	1,317,976	(6,459,061)	1,163,856
2 Other	12,261	(2,444)	12,759	(2,414)
Transroute International SA				
1 Administration services	-	-	2,043	-
Transroute UK Limited				
1 Provision of staff services	(122,018)	-	(119,006)	9,930

The groups in which the results of this company are included are Group Egis SA, a company incorporated in France, and Carillion plc which is incorporated in Great Britain The accounts for Group Egis SA are available from Le Greffe du Tribunal de Commerce de Versailles, Place Mignot, 78000 Versailles, France The accounts for Carillion plc are available from 24 Birch Street, Wolverhampton, WV1 4HY

20 Share capital

Authorised share capital

	2006 £	2005 £
25,000 Ordinary "T" shares of £1 each	**25,000**	25,000
25,000 Ordinary "C" shares of £1 each	**25,000**	25,000
	50,000	50,000

Allotted, called up and fully paid

	2006 No	**2006** £	2005 No	2005 £
Ordinary "T" shares of £1 each	**25,000**	**25,000**	25,000	25,000
Ordinary "C" shares of £1 each	**25,000**	**25,000**	25,000	25,000
	50,000	**50,000**	50,000	50,000

The Ordinary "T" shares and Ordinary "C" shares rank pari passu in all respects

21 Reserves

	Profit and loss account £
At 1 January 2006	**297,547**
Profit for the year	**1,531,483**
Equity dividends	**(1,520,000)**
At 31 December 2006	**309,030**

22 Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Profit for the financial year	**1,531,483**	1,640,745
Equity dividends paid	**(1,520,000)**	(1,780,000)
Net addition/(reduction) to shareholders' funds	**11,483**	(139,255)
Opening shareholders' funds	**347,547**	56,802
Prior year adjustment	**–**	430,000
Closing shareholders' funds	**359,030**	347,547

23 Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	2006 £	2005 £
Operating profit	**2,176,818**	2,337,170
Depreciation	**85,654**	94,971
Profit on disposal of fixed assets	**–**	(1,350)
Increase in stocks	**(103,213)**	–
Decrease/(increase) in debtors	**757,903**	(852,782)
Increase/(decrease) in creditors	**118,676**	(146,395)
Net cash inflow from operating activities	**3,035,838**	1,431,614

Reconciliation of net cash flow to movement in net funds

	2006 £	2005 £
Increase/(decrease) in cash in the period	**771,550**	(1,116,760)
Cash outflow in respect of finance leases and hire purchase	**94,876**	87,753
	866,426	(1,029,007)
Change in net funds	**866,426**	(1,029,007)
Net funds at 1 January 2006	**99,634**	1,128,641
Net funds at 31 December 2006	**966,060**	99,634

23 Notes to the statement of cash flows (continued)

Analysis of changes in net funds

	At 1 Jan 2006 £	Cash flows £	At 31 Dec 2006 £
Net cash			
Cash in hand and at bank	**244,620**	**771,550**	**1,016,170**
Debt			
Finance leases and hire purchase agreements	**(144,986)**	**94,876**	**(50,110)**
Net funds	**99,634**	**866,426**	**966,060**

24 Post balance sheet events

Since the balance sheet date the directors have received confirmation that the company's sole contract will be terminated on 12 July 2007

As a result the company will not be able to continue in business beyond this date The directors have given consideration to FRS 18, Accounting Policies, and the basis of preparing the financial statements for the year to 31 December 2006 in light of this termination of contract This is further explained within the directors report and the basis of preparation with the accounting policies

Also since the balance sheet date £300,000 has been distributed to the shareholders of the company as an interim dividend during the financial year to 31 December 2007 This was paid on 12 March 2007