

**The Carillion Construction Company (East Africa)
Limited**

**(formerly The Mowlem Construction Company
(East Africa) Limited)**

Directors' report and financial
statements

Registered number 775010

31 December 2005



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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 principal activity of the Company during the year was the carrying out of civil engineering and drilling contracts in Africa. Operations in East Africa are in the process of being wound down.

Results

The results for the year ended 31 December 2005 are disclosed in the financial statements on pages 6 to 15.

The directors do not recommend the payment of a dividend (2004: £300,000 paid in December, partly out of prior year profits).

Going concern

At the year end the company's balance sheet shows net liabilities of £684,219. It is the view of the company's management that the carrying values of all material assets have been stated at their realisable value, all material liabilities have been fairly stated at 31 December 2005 and no material adjustments are expected during settlement of those liabilities. The accounting policies stated below were adopted by the company for preparation of these financial statements before incorporating the above adjustments. Accordingly, these financial statements have not been prepared on a going concern basis.

Subsequent events

Subsequent to the year end, on 23 February 2006 Carillion JM Limited (formerly Mowlem plc) was acquired by Carillion plc. The name of the company was changed to The Carillion Construction Company (East Africa) Limited from The Mowlem Construction Company (East Africa) Limited on 24th May 2006.

Directors and directors' interests

The directors who held office during the year were as follows:

DJ Booth
GT Brown (resigned 31st May 2005)
Carillion Management Limited (formerly Mowlem Management Limited)
DJ Ridley
PR Mainwaring (appointed 31st May 2005, resigned 11th May 2006)
S McClure (appointed 12th March 2003, resigned 30th April 2005)
R W Robinson (appointed 11th May 2006)
J McDonough (appointed 11th May 2006)
C F G Girling (appointed 11th May 2006)

The beneficial interest of the directors, including their wives, husband and children who have not attained majority, in the Ordinary shares of the ultimate holding company, Carillion JM Limited (formerly Mowlem plc), required to be disclosed by the Companies Act 1985, except for those directors whose interests are disclosed in the publicly available Carillion JM Limited (formerly Mowlem plc) consolidated accounts, are as below:

	31 December 2005		31 December 2004	
	Beneficially held	Options held	Beneficially held	Options held
DJ Booth	9,435	2,211	9,318	117
DJ Ridley	-	143,026	-	163,619

Directors' report *(continued)*

There were no contracts or arrangements in which the directors of the Company had interests which are required to be disclosed under the Companies Act 1985.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution concerning the reappointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board


Director

24 Birch Street
Wolverhampton
West Midlands 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 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 judgements 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 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.

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law.



Independent auditors' report to the members of The Carillion Construction Company (East Africa) Limited

We have audited the financial statements of The Carillion Construction Company (East Africa) Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of total recognised gains and losses, the Reconciliation of movements in shareholders' funds 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.

Independent auditors' report to the members of The Carillion Construction Company (East Africa) 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
Chartered Accountants
Registered Auditor
23rd October 2006

P O Box 695
8 Salisbury Square
London EC4Y 8BB

Profit and loss account

for the year ended 31 December 2005

	<i>Note</i>	2005 £	2004 £
Turnover	2	8,130	33,584
Operating costs		(825,958)	-
		-----	-----
Operating (loss) /profit	3	(817,828)	33,584
Tax charge on profit on ordinary activities	6	-	(9,254)
		-----	-----
(Loss)/profit on ordinary activities after taxation		(817,828)	24,330
Dividend		-	(300,000)
		-----	-----
Retained loss for the financial year		(817,828)	(275,670)
		=====	=====

The operations of the company are in the process of being wound down.

Reserve movements are given in note 11.

The notes on pages 9 to 15 form part of these financial statements.

Balance sheet

at 31 December 2005

	Notes	2005 £	2005 £	2004 £	2004 £
Fixed assets					
Tangible assets	7		-		17,948
Current assets					
Debtors	8	-		851,137	
Cash at bank and in hand		11,072		857	
		<u>11,072</u>		<u>851,994</u>	
Creditors: amounts falling due within one year	9	(695,291)		(734,611)	
Net current (liabilities)/assets			(684,219)		117,383
Net (liabilities)/assets			(684,219)		135,331
Capital and reserves					
Called up share capital	10		100,000		100,000
Profit and loss account	11		(784,219)		35,331
Shareholders' (deficit)/funds			(684,219)		135,331

The notes on pages 9 to 15 form part of these financial statements.

These financial statements were approved by the board of directors on 23rd October 2006 and were signed on its behalf by:


 Director

Statement of total recognised gains and losses

for the year ended 31 December 2005

	2005 £	2004 £
(Loss)/profit for the financial year	(817,828)	24,330
Currency translation	(1,722)	4,572
	<hr/>	<hr/>
Total recognised (losses)/ gains relating to the financial year	(819,550)	28,902
	<hr/> <hr/>	<hr/> <hr/>

Note of historical cost profits and losses

for the year ended 31 December 2005

Historical cost profits and losses are shown in the profit and loss account for the year on page 6.

Reconciliation of movements in shareholders' funds

for the year ended 31 December 2005

	2005 £	2004 £
(Loss)/Profit for the financial year	(817,828)	24,330
Other recognised gains relating to the year	(1,722)	4,572
Dividend paid	-	(300,000)
	<hr/>	<hr/>
Net decrease in shareholders' funds in the year	(819,550)	(271,098)
Opening shareholders' funds	135,331	406,429
	<hr/>	<hr/>
Closing shareholders' (deficit)/funds	(684,219)	135,331
	<hr/> <hr/>	<hr/> <hr/>

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. In these financial statements the following new standard has been adopted for the first time.

FRS 21 'Events after the balance sheet date' - There has been no effect of the change in accounting policy on the current or prior year.

Basis of preparation

The Company's financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Going concern

At the year end the company's balance sheet shows net liabilities of £684,219. It is the view of the company's management that the carrying values of all material assets have been stated at their realisable value, all material liabilities have been fairly stated at 31 December 2005 and no material adjustments are expected during settlement of those liabilities. The accounting policies stated below were adopted by the company for preparation of these financial statements before incorporating the above adjustments. Accordingly, these financial statements have not been prepared on a going concern basis.

The company's management believes that it will be able to meet all its liabilities as they fall due for payment based on the financial support letter provided by the ultimate holding company and the undertaking provided by the holding company not to call for settlement of amounts owing to the group where to do so would place the company in an insolvent position.

Turnover

Contracting turnover comprises the value of work executed during the year including the settlement of monetary claims on contracts completed in previous years.

Profit

Operating profit comprises the results of carrying out civil engineering contracts. It includes the results attributable to contracts completed and contracts in progress after deducting amounts recognised in previous years and after making provision for foreseeable losses. Claims receivable are recognised as income when received or certified for payments, except that in estimating the amounts of foreseeable losses, a prudent and reasonable assessment of such claims is made.

Leases

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Fixed assets and depreciation

Depreciation is provided by the Company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold land and buildings	-	life of lease
Plant and machinery	-	3 to 5 years

Notes (continued)

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing difference between the treatment of certain items for taxation and accounting purposes. Deferred tax is provided in respect of all timing differences that have originated but not reversed at the balance sheet date where an event has occurred that results in an obligation to pay more of less tax in the future, except that:

- (i) Provision is not made in respect of revaluation surpluses.
- (ii) Deferred tax assets are recognised only to the extent that it is more likely than not that there will be suitable taxable profits in the future.

Deferred tax is measured on a non-discounted basis at the tax rate applying on the balance sheet date.

Pension funding

The Company participates in a group wide pension scheme providing benefits based on final pensionable pay. This scheme has both a defined benefit and defined contribution section. The assets of the scheme are held separately to those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore as required by FRS 17 'Retirement Benefits', accounts for the scheme as if it was a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period. Refer to Carillion JM Limited (formerly Mowlem plc) Group accounts for further details of the scheme and disclosure.

Contract work in progress

Contract work in progress is stated at net realisable value which includes attributable profit on contracts and is determined on the basis of measured work to the balance sheet date. Deductions are made for net foreseeable losses and progress payments received are deducted.

This policy is applied irrespective of the length of the contract since, in the opinion of the directors, it is not appropriate to adopt a separate accounting policy for short term contracts

Foreign currencies

Assets and liabilities denominated or recorded in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Trading results are translated at the average rate for the year. Exchange differences arising on the retranslation of the net assets of overseas operations at the commencement of the year and of their retained results for the year are taken to reserves. Other exchange differences arising in the ordinary course of trading, are included in the profit and loss account.

2. Turnover

The Company has only one class of business which is generated in East Africa.

Notes (continued)

3. Operating (Loss)/Profit

Operating (Loss)/Profit is stated after charging/(crediting):

	2005	2004
	£	£
Provision for contract losses	807,417	-
Refund on depot closure	-	(39,221)
Hire of plant and equipment	7,693	1,933
Profit on sale of fixed assets	3,218	-
	<u>818,328</u>	<u>(37,288)</u>

In 2005 the auditors' remuneration was paid by Carillion JM Limited (formerly Mowlem plc), the then ultimate holding company. This is the same arrangement as existed in 2004.

4. Directors' emoluments

The directors of the Company are employed by Carillion JM Limited (formerly Mowlem plc.) and are remunerated by that company in respect of their services to the group as a whole. They receive no emoluments from The Carillion Construction Company (East Africa) Limited.

5. Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category was as follows:

	2005	2004
Direct labour and operatives	1	1
	<u>1</u>	<u>1</u>
The aggregate payroll of these persons was as follows:	£	£
Wage and salaries	4,608	6,585
Other pension costs	-	559
	<u>4,608</u>	<u>7,144</u>

Notes (continued)

6. Tax on (Loss)/Profit on ordinary activities

i) Analysis of charge for the year

	2005	2004
	£	£
Current tax charge	-	(9,254)
Total current charge	<u>-</u>	<u>(9,254)</u>
Total tax charge	<u>-</u>	<u>(9,254)</u>

ii) Factors affecting tax charge for the year

	2004	2004
	£	£
(Loss)/Profit on ordinary activities before tax	<u>(817,828)</u>	<u>33,584</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30 per cent (2004: 30 per cent)	245,348	(10,075)
Effects of:		
Profit on sale of fixed assets	965	-
Tax value of losses not utilised	(249,415)	-
Capital allowances in excess of depreciation	3,102	821
Total current tax charge	<u>-</u>	<u>(9,254)</u>

There is no actual or potential liability for deferred tax.

Notes (continued)

7. Tangible fixed assets

	Freehold Land and Buildings	Plant and Machinery	Total
	£	£	£
Cost			
At 1 January 2005	16,985	12,011	28,996
Currency translation	1,456	1,030	2,486
Disposals	(18,441)	(13,041)	(31,482)
	<hr/>	<hr/>	<hr/>
At 31 December 2005	-	-	-
Depreciation			
At 1 January 2005	(5,293)	(5,755)	(11,048)
Currency translation	(454)	(494)	(948)
Disposals	5,747	6,249	11,996
	<hr/>	<hr/>	<hr/>
At 31 December 2005	-	-	-
Net book value			
At 31 December 2005	-	-	-
	<hr/>	<hr/>	<hr/>
At 1 January 2005	11,692	6,256	17,948
	<hr/>	<hr/>	<hr/>

8. Debtors

	2005	2004
	£	£
<i>Amounts falling due within one year</i>		
Amounts recoverable on contracts	-	786,916
Amounts owed by fellow subsidiaries	-	64,221
	<hr/>	<hr/>
	-	851,137
	<hr/>	<hr/>

Notes (continued)

9. Creditors: amounts falling due within one year

	2005 £	2004 £
Current tax	29,778	26,130
Amounts owing to holding company	494,321	553,972
Amounts owing by fellow subsidiaries	3,054	-
Other creditors	80,378	67,500
Accruals and deferred income	87,760	87,009
	<u>695,291</u>	<u>734,611</u>

10. Called up share capital

	2005 £	2004 £
<i>Authorised</i> 100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
<i>Allotted, called up and fully paid</i> 100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

11. Reserves – Profit and loss account

	2005 £	2004 £
At beginning of year	35,331	306,429
Currency translation	(1,722)	4,572
Loss for the year	(817,828)	24,330
Dividends	-	(300,000)
	<u>(784,219)</u>	<u>35,331</u>
At end of year – (deficit) / surplus	<u>(784,219)</u>	<u>35,331</u>

Notes (continued)

12. Trading indemnities and bonding arrangements

The foregoing accounts may include contracts entered into by Carillion JM Limited (formerly Mowlem plc), the ultimate holding company that, by arrangement, are executed directly by this Company, for which the appropriate third party counter-indemnities are issued by the ultimate holding company in the normal course of business.

The Company is liable in the ordinary course of its business to liquidated and ascertained damages for delay in completion of contracts beyond the period specified in the contract plus certified extensions of time. Adjustment is made in valuing contract work in progress for any probable liability, account being taken of current and foreseen time delays against programme and extensions of time which may reasonably be anticipated.

13 Cash flow statement

Under FRS1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking. A cash flow statement is prepared by the ultimate holding company.

14 Related party transactions

As a subsidiary of Carillion JM Limited (formerly Mowlem plc), the Company is exempt from the requirements of FRS 8, 'Related Party Transactions', to disclose transactions with entities that are part of the group or investees of the group qualifying as related parties.

15 Ultimate holding company

The results of the Company are included in the consolidated accounts of Carillion JM Limited (formerly Mowlem plc), its ultimate United Kingdom parent undertaking, a company registered in England, copies of whose accounts can be obtained from: The Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.

Subsequent to the year end on 23 February 2006, Carillion JM Limited (formerly Mowlem plc) was acquired by Carillion plc.