Carillion Fleet Lease Limited

Directors' report and financial statements

Registered number 04458616

Year ended 31 December 2006

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

Principal activities and business review

The business of the company consists of providing vehicle leasing services

The directors anticipate that the company will continue its present role during 2007

Results and dividends

The loss for the year after taxation amounted to £56,652 *(2005 £132,144)* The directors do not recommend the payment of a dividend

Directors and directors' interests

The directors who served during the year were

CFG Girling
RW Robinson
L J Mills

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, Carillion plc, had the following interest in, and options to subscribe for, ordinary shares of 50p each in Carillion plc

	At 31 December 2006		At 1 January 2006	
	Shares Number	**Share options Number**	Shares Number	Share options Number
L J Mills	**21,740**	-	21,740	-

At 31 December 2006, 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

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 is to be proposed at the Annual General Meeting

Approved by the board on 7 March 2007 and signed on its behalf by

Tim George

TF George
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 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 Fleet Lease Limited

We have audited the financial statements of Carillion Fleet Lease Limited for the year ended 31 December 2006 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 We also 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 Fleet Lease 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 2006 and of its loss 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

7 March 2007

Profit and loss account
for the year ended 31 December 2006

	Note	2006 £	2005 £
Turnover	2	**2,857,616**	1,601,447
Cost of sales		**(2,465,634)**	(1,503,578)
Operating profit	3	**391,982**	97,869
Interest payable and similar charges	5	**(472,913)**	(289,539)
Loss on ordinary activities before taxation		**(80,931)**	(191,670)
Tax on loss on ordinary activities	6	**24,279**	59,526
Loss for the financial year		**(56,652)**	(132,144)

All amounts relate to continuing operations

There were no recognised gains and losses in either the current or preceding financial year other than the loss for the current year and preceding year

Balance sheet
at 31 December 2006

	Note	2006		2005	
		£	£	£	£
Fixed assets					
Tangible assets	7		**9,188,638**		7,136,735
Current assets					
Debtors	8	**339,945**		316,771	
Creditors amounts falling due within one year	9	**(3,345,778)**		(2,058,584)	
Net current liabilities			**(3,005,833)**		(1,741,813)
Total assets less current liabilities			**6,182,805**		5,394,922
Creditors amounts falling due after more than one year	10		**(6,160,860)**		(5,315,220)
Provisions for liabilities and charges	11		**(242,434)**		(243,539)
Net liabilities			**(220,489)**		(163,837)
Capital and reserves					
Called up equity share capital	12		**2**		2
Profit and loss account	13		**(220,491)**		(163,839)
Equity shareholders' funds			**(220,489)**		(163,837)

These financial statements were approved by the board of directors on 7 March 2007 and were signed on its behalf by

LJ Mills
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

Basis of preparation

The company has net liabilities of £220,489 Carillion plc, the company's immediate parent undertaking, has indicated that it will provide or procure such funds as are necessary to enable the company to settle all external liabilities as they fall due for at least a period of twelve months

Income recognition

Rental income from operating leases is recognised on a straight line basis over the period of the lease

Cash flow statement

In accordance with Financial Reporting Standard 1, 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 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

Fixed assets

All fixed assets are initially recorded at cost

Depreciation

Depreciation is provided on all tangible fixed assets, and is based upon the cost of the asset less its estimated residual value at the end of its lease agreement Depreciation is spread evenly over the life of the lease contract, as follows

Vehicles - 3½ years

2 Turnover

Turnover represents the net amount receivable, excluding value added tax, from customers for rentals due under operating leases

Turnover during the year was generated from services wholly provided in the United Kingdom

3 Operating profit

	2006	2005
	£	£
Operating profit is stated after charging		
Depreciation of assets leased to customers	2,465,634	1,378,578

The audit fee for both 2006 and 2005 has been borne by Carillion Fleet Management Limited

Notes *(continued)*

4 Directors' emoluments

The directors, being the only employees in the current and preceding period, neither received nor waived any remuneration

5 Interest payable and similar charges

	2006 £	2005 £
Term loan	**472,913**	289,539

6 Taxation

(a) Analysis of taxation credit in the year

	2006 £	2005 £
Current tax		
Current tax group relief(note 6(b))	**(23,174)**	(150,457)
Deferred taxation		
Origination and reversal of timing differences	**(1,105)**	92,956
Prior year adjustment	**-**	(2,025)
Total deferred tax (see note 11)	**(1,105)**	90,931
Tax on loss on ordinary activities	**(24,279)**	(59,526)

(b) Reconciliation of current tax credit

The UK standard rate of corporation tax for the year is 30% *(2005 30%)* The company's effective tax rate differs to the standard rate for the reasons set out below

	2006 £	2005 £
Current tax reconciliation		
Loss on ordinary activities before tax	**(80,931)**	(191,670)
Tax on loss on ordinary activities at UK standard rate of corporation tax of 30% *(2005 30%)*	**(24,279)**	(57,501)
Depreciation in excess of capital allowances	**1,105**	(130,456)
Other timing differences	**-**	37,500
Total current tax charge	**(23,174)**	(150,457)

Notes *(continued)*

7 Tangible fixed assets

	Vehicles £
Cost	
At beginning of year	9,252,862
Additions	4,591,098
Disposals	(117,905)
At end of year	13,726,055
Depreciation	
At beginning of year	2,116,127
Charge for the year	2,465,634
Disposals	(44,344)
At end of year	4,537,417
Net book value	
At 31 December 2006	**9,188,638**
At 31 December 2005	7,136,735

Residual values

The following table sets out the maturity of the un-guaranteed residual value of vehicles leased to customers

	Vehicles £
Year in which residual value will be recovered	
Between two and five years	2,658,000

Regular reviews are made of residual values in the light of available market data and provisions are made in respect of leases where recovery is in doubt

8 Debtors

	2006 £	2005 £
Group relief	**173,631**	150,457
Amounts owed by group undertaking	**166,314**	166,314
	339,945	316,771

Notes *(continued)*

9 Creditors: amounts falling due within one year

	2006	2005
	£	£
Term loan	**3,220,778**	1,933,584
Other creditors	**125,000**	125,000
	3,345,778	2,058,584

Further details of the loan are disclosed in note 10

10 Creditors: amounts falling due after more than one year

	2006	2005
	£	£
Term loan	**6,160,860**	5,315,220

	£	£
Amounts payable		
In more than one year but not more than two years	**3,020,641**	2,281,352
In more than two years but not more than five years	**3,140,219**	3,033,868
	6,160,860	5,315,220

The loan is secured by way of a floating charge over the company's assets Interest charged on the loan is set at a variable rate determined by the provider of the loan

11 Provisions for liabilities and charges

	Deferred tax
	£
At beginning of year	243,539
Transfer to profit and loss account	(1,105)
At end of year	**242,434**

The provision for liabilities and charges relates to deferred tax arising from accelerated capital allowances and other timing differences and represents the full potential liability at 30%

Notes *(continued)*

12 Share capital

	2006	2005
	£	£
Authorised		
100 ordinary shares of £1 each	**100**	100
Allotted, called up and fully paid		
2 ordinary shares of £1 each	**2**	2

13 Reconciliation of movements in equity shareholders' deficit

	Share capital	**Profit and loss account**	**Total**
	£	**£**	**£**
At beginning of year	2	(163,839)	(163,837)
Deficit for the financial year	-	(56,652)	(56,652)
At end of year	**2**	**(220,491)**	**(220,489)**

14 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £Nil *(2005 £Nil)*

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 not to provide information on related party transactions with other undertakings within the Carillion plc group Note 16 gives details of how to obtain a copy of the published financial statements of Carillion plc

16 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 24 Birch Street, Wolverhampton, WV1 4HY