Registered number 1521006

Alfred McAlpine Utility Services Group Limited

Annual report and financial statements for the year ended 31 December 2005

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Alfred McAlpine Utility Services Group Limited

Annual report and financial statements for the year ended 31 December 2005

Contents

Directors' report for the year ended 31 December 2005 ..... *1*
Independent auditors' report to the members of Alfred McAlpine Utility Services Group Limited 3
Profit and loss account for the year ended 31 December 2005 4
Balance sheet as at 31 December 2005 5
Notes to the financial statements for the year ended 31 December 2005 6

Alfred McAlpine Utility Services Group Limited

Directors' report for the year ended 31 December 2005

The directors present their report and the audited financial statements of the company for the year ended 31 December 2005.

Principal activities
The company operates as a holding company. The company did not trade for the year ended 31 December 2005.

Review of business and future developments
Alfred McAlpine PLC is a leading support services company focused on the built environment. Our principal businesses operate in large growth markets driven by the continuing trend to outsource the maintenance and management of buildings and by the high levels of investment required to maintain and renew the UK 's infrastructure. Over 75% of our revenues are now derived from long term contracts and framework agreements, providing visible, long term earnings streams.

Results and dividends
No dividends were paid during the year (2004: £3,132,000). The directors recommend that no final dividend be paid (2004: £3,132,000).

Directors and their interests
The directors who served during the year were as follows:

J W Reid	resigned on 28 April 2006
A P Jackson	resigned on 31 August 2005
I M Grice	
N D Cocker	resigned on 28 April 2006
D Lavelle	appointed on 14 February 2005
A Robertson	appointed on 31 August 2005
R Memmott	appointed on 1 November 2005

Directors' Interest
None of the directors had an interest in the share capital of the company during the year.
Directors' interests in the shares of the parent company are detailed in note 3 to the financial statements.

Statement of directors' responsibilities
Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005, and that applicable accounting standards have been followed.

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.

Alfred McAlpine Utility Services Group Limited

Directors' report for the year ended 31 December 2005 (continued)

Financial risk management
The company's activities expose it to a variety of financial risks including credit risk. The company is part of the Alfred McAlpine plc's overall risk management programme which seeks to minimise potential adverse effects on the company's financial performance. The company has no significant concentrations of credit risk. It has policies in place to ensure that sales or services are made to customers with an appropriate credit history.

Auditors
A resolution to reappoint PricewaterhouseCoopers LLP, as auditors to the company will be proposed at the annual general meeting.

By order of the Board

R W Memmott
Director
15 December 2006

Alfred McAlpine Utility Services Group Limited

Independent auditors' report to the members of Alfred McAlpine Utility Services Group Limited

We have audited the financial statements of Alfred McAlpine Utility Services Group 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.

Respective responsibilities of directors and auditors
As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom 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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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.

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 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 of the state of affairs of the company and at 31 December 2005 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
15 December 2006

Alfred McAlpine Utility Services Group Limited

Profit and loss account for the year ended 31 December 2005

	Note	2005 £'000	2004 £'000
Income from investments		**1,523**	-
Operating profit/profit on ordinary activities before taxation	2	**1,523**	-
Taxation	10	-	(116)
Profit on ordinary activities after taxation		**1,523**	(116)
Dividends		-	(3,132)
Retained profit/(loss) for the year	8	**1,523**	(3,248)

There are no recognised gains or losses or movements in shareholders' funds other than the profit or loss for the year.

All the operating activities in the year ended 31 December 2005 relate to continuing operations.

Alfred McAlpine Utility Services Group Limited

Balance sheet as at 31 December 2005

	Note	2005	2004
		£'000	£'000
Fixed assets			
Investments	4	**115,419**	115,419
Current assets			
Debtors – due within one year	5	**10,157**	22,634
Creditors - amounts falling due within one year	6	**(120,390)**	(134,390)
Net current liabilities		**(110,233)**	(111,756)
Total assets less current liabilities		**5,186**	3,663
Net assets		**5,186**	3,663
Capital and reserves			
Called up share capital	7	**219**	219
Profit and loss account	8	**4,967**	3,444
Shareholders' funds		**5,186**	3,663

The financial statements which comprise the profit and loss account, the balance sheet and the related notes, were approved by the board of directors on 15 December 2006 and signed on its behalf by:

R W Memmott
Director

Alfred McAlpine Utility Services Group Limited

Notes to the financial statements for the year ended 31 December 2005

1 Accounting policies

The accounts are prepared on the historical cost basis and in accordance with the Companies Act 1985 and applicable accounting standards in the UK. The directors consider it appropriate for the accounts to be prepared on a going concern basis. The principal policies adopted by the company are as follows:

Investments
Investment income is included in the accounts in the year in which it is receivable. Fixed asset investments are stated at cost less provisions for permanent diminution in value.

Cash flow statements
The company is a wholly-owned subsidiary of Alfred McAlpine plc and is included in the consolidated financial statements of Alfred McAlpine plc, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996).

2 Operating profit

During the year the company paid £nil (2004: £nil) in audit fees and £nil (2004: nil) in non-audit fee remuneration and £nil in tax compliance fees (2004: nil). The audit fees of the company have been borne by Alfred McAlpine Infrastructure Services Limited.

3 Directors' interest

The shareholdings of I M Grice, D Lavelle and A Robertson in Alfred McAlpine PLC are shown in the notes to the financial statements of Alfred McAlpine PLC. Other directors' interests in ordinary shares in Alfred McAlpine plc at 31 December were as follows:

	2005	2004
Ordinary shares of 25p each	**Number**	**Number**
N Cocker	3,394	-
J W Reid (registered as Grant Thornton Stonehage)	-	171,230

As at 31 December, directors held options and awards over shares in the ultimate parent undertaking, Alfred McAlpine PLC, as follows:

Alfred McAlpine PLC Executive Share Option Scheme (1991)*
Alfred McAlpine PLC Executive Share Option Scheme 2000#

	Date of Grant	Option Price	As at 01/01/05	Granted in year	Exercised in year	Lapsed in year	As at 31/12/05
N D Cocker	18/04/00*	178.0p	7,500	-	7,500	-	-
	22/03/01#	280.5p	5,935	-	5,935	-	-

Alfred McAlpine Utility Services Group Limited

Subject to Alfred McAlpine PLC achieving specific performance targets, options issued at no consideration under the terms of the 1991 & 2000 Executive Share Option Schemes are ordinarily exercisable between three and ten years from their date of grant.

The Alfred McAlpine PLC Savings-Related Share Option Scheme 1998

	Date of Grant	Option Price	As at 01/01/05	Granted in year	Exercised in year	Lapsed in year	As at 31/12/05
N D Cocker	27/08/03	228p	2,580	-	-	-	2,580
J W Reid	27/08/03	228p	2,580	-	-	-	2,580

Savings-related share options are normally exercisable during the six-month period following completion of either a three-year or five-year savings contract. The market price of an ordinary share in Alfred McAlpine PLC on 31 December 2005 was 397.0p.

The Alfred McAlpine Restricted Share Plan

Under the terms of the Plan the Board of Alfred McAlpine PLC grants awards of restricted shares in Alfred McAlpine PLC to key executives. The shares may be released if Alfred McAlpine PLC achieves specified performance criteria and the executive remains in the company's employment. The maximum value of the initial share awards that may be made to a participant in any year may not exceed 50% of salary. In addition, the vesting of the awards of shares may be deferred into the Alfred McAlpine Employee Benefit Trust for a further three years and, subject to the achievement of a further performance target, become eligible to be matched on a one for one basis.

Further details of the Plan and the performance criteria used can be found in the Report and Accounts of Alfred McAlpine PLC.

	Initial Awards			At 1 January 2005				At 31 December 2005	
Name of Director	Date of Award	Market Value per share at Date of Award	Number of Initial Award Shares	Outstanding Initial Award and Exceptional Performance Award Shares	Deferred Award Shares held in EBT	Number of Awards Satisfying Vesting Criteria during year	Number of Matching Shares Awarded During Year	Outstanding Initial Award and Exceptional Performance Award Shares	Deferred Award Shares
N Cocker	23-Apr-02	436.1	8,026	12,039				12,039	
	16-May-03	245.1	20,000	30,000				30,000	
	22-Apr-04	298.95	5,000	7,500				7,500	
J W Reid	22-Mar-01	280.5	10,000	12,356	2,644			12,356	2,644
	23-Apr-02	436.1	8,000	12,000				12,000	
	16-May-03	245.1	18,556	27,834				27,834	

The Alfred McAlpine PLC Long-Term Incentive Plan 2005

	Date of Grant	Option Price	As at 01/01/05	Granted in year	Exercised in year	Lapsed in year	As at 31/12/05
J W Reid	23/06/05	370p	-	7,073	-	-	7,073

During the year the company sold its interest in Core Utility Solutions Limited for £9,000,000. The consideration was received during the year.

4 Fixed asset investments

Shares in subsidiaries	Total £'000
Cost:	
At 1 January 2005 and 31 December 2005	115,462
Provision:	
At 1 January 2005 and 31 December 2005	(43)
Net book value:	
At 31 December 2005 and 31 December 2004	115,419

The table shows the share interests held by the company at 31 December 2005:

Alfred McAlpine Utility Services Group Limited

The table shows the share interests held by the company at 31 December 2005: **Name**	**Nature of business**	**Percentage holding**	**Country of Incorporation**
Alfred McAlpine Infrastructure Services Limited	Provision of utility contracting services	100%	England & Wales
Eastern Contracting Holdings BV *	Parent of Alfred McAlpine Utility Services SE Limited, a provider of utility contracting services	100%	The Netherlands
UK Power Construction Limited	Provision of electrical overhead services	100%	England & Wales
Stirling Water (2003) Limited	Provision of utility contracting services	25%	England & Wales
Alfred McAlpine Utility Services NW Limited	Provision of utility contracting services	100%	England & Wales
Swanbeach Limited (formerly Encore Environmental Aggregates Limited)	Recycling of by-products arising from road work excavations	100%	England & Wales
Kennedy Pipelining Services Limited	No longer trading	100%	England & Wales
STH Plant Limited	No longer trading	100%	England & Wales
Proby Limited	No longer trading	100%	England & Wales
Bertrem Limited	No longer trading	100%	Isle of Man
Kennedy Group Investments Limited	No longer trading	100%	England & Wales
Hale Brooks Limited	No longer trading	100%	Isle of Man
Kennedy Utility Services (Scotland) Limited	No longer trading	100%	Scotland
Astley Self Drive Limited	No longer trading	100%	England & Wales
Kendat Cabling Services Limited	No longer trading	100%	England & Wales
Kennedy Highways Limited	No longer trading	100%	England & Wales
Kennedy Brooks Limited	No longer trading	100%	Ireland

* Eastern Contracting Holdings BV includes a contracting Branch in Ireland which runs a contract with the Irish Electricity Supply Board (ESB)

5 Debtors

Due within one year:	**2005 £'000**	2004 £'000
Amounts owed by group undertakings	**10,157**	22,634

6 Creditors: Amounts falling due within one year

	2005 No	2004 No
Amounts owed to group undertakings	**120,390**	134,390

The loans are interest free and repayable on demand.

7 Called up share capital

	Ordinary share of £1 each	"A" ordinary shares of £1 each	Total
At 31 December 2004 and 31 December 2005	217,800	1,000	218,800

The "A" Ordinary shares of £1 each are non-equity shares.

The holders of the "A" Ordinary Shares:

(i) have no rights to dividends other than those recommended by the directors in respect of "A" Ordinary shares;

(ii) have no redemption rights;

(iii) rank pari passu with the holders of the Ordinary shares in respect of repayment of paid-up capital on a winding-up but have no further right to participate in distribution of surplus assets;

(iv) have no voting rights.

8 Reserves

	Profit and loss account £'000
At 1 January 2005	3,444
Profit for the year	1,523
At 31 December 2005	4,967

9 Reconciliation of movements in equity shareholders' funds

	2005 £'000	2004 £'000
Opening equity shareholders' funds	**3,663**	6,911
Profit/(loss) for the financial year	**1,523**	(3,248)
Closing equity shareholders' funds	**5,186**	3,663

10 Taxation

The company has the following operating lease commitments:

	2005 £'000	2004 £'000
Taxation is based on profit for the year and comprises:		
Prior year adjustment – Corporation Tax	-	(16)
Prior year adjustment – Deferred Tax	-	(100)
Total corporation tax credit for year	-	(116)
Profit on ordinary activities before tax	1,523	-
Profit on ordinary activities at 30% (2004: 30%)	457	-
Prior year adjustment – Corporation Tax	-	(16)
Income not taxable	(457)	-
	-	(16)

11 Ultimate parent undertaking

The company's ultimate parent company is Alfred McAlpine plc, a company incorporated in Great Britain and registered in England and Wales. Copies of the group financial statements of Alfred McAlpine plc are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

The group and company have taken advantage of the exemptions provided by FRS8 not to disclose transactions with entities that are part of the same group.