

Registered number 1521006

Alfred McAlpine Utility Services Group
Limited

Annual report and financial statements
for the year ended 31 December 2006

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Alfred McAlpine Utility Services Group Limited

Annual report and financial statements for the year ended 31 December 2006

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Alfred McAlpine Utility Services Group Limited

Directors' report for the year ended 31 December 2006

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

Principal activities

The company operates as a holding company. The company did not trade for the year ended 31 December 2006

Review of business and future developments

Alfred McAlpine Utility Services Group Limited is a wholly owned subsidiary of Alfred McAlpine plc, a leading support services company focused on the built environment. The 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 (2005: £nil). The directors recommend that no final dividend be paid (2005: £nil).

Directors

The directors who served during the year were as follows

I M Grice	
D Lavelle	(resigned 23 April 2007)
A Robertson	
R Memmott	
J W Reid	(resigned 28 April 2006)
N Cocker	(resigned 28 April 2006)
S W Hudson	(appointed 28 April 2006)

Alfred McAlpine Utility Services Group Limited

Directors' report for the year ended 31 December 2006 (continued)

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 2006, 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.

Financial risk management

The company's activities expose it to a variety of financial risks. 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.

Auditors and disclosure of information to auditors

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

At the time when the report is approved:

- so far as the directors are aware, there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the Board



Company Secretary
20 June 2007

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 2006 which comprise the profit and loss account, the balance sheet and related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom 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). 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 into 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 whether in our opinion 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 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.

Alfred McAlpine Utility Services Group Limited

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 2005 and of its result 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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

25 June 2007

Alfred McAlpine Utility Services Group Limited

Profit and loss account for the year ended 31 December 2006

	Note	2006 £'000	2005 £'000
Income from Investments		-	1,523
Operating profit	2	-	1,523
Profit on ordinary activities before taxation		-	1,523
Taxation	4	-	-
Profit for the year	10	-	1,523

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

All the operating activities relate to continuing operations

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents

Alfred McAlpine Utility Services Group Limited

Balance sheet as at 31 December 2006

	Note	2006 £'000	2005 £'000
Fixed assets			
Investments	5	115,419	115,419
Current assets			
Debtors	6	-	10,157
Creditors - amounts falling due within one year	7	(110,233)	(120,390)
Net current liabilities		(110,233)	(110,233)
Total assets less current liabilities		5,186	5,186
Net assets		5,186	5,186
Capital and reserves			
Called up share capital	8	219	219
Profit and loss account	9	4,967	4,967
Equity shareholders' funds	10	5,186	5,186

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 20 June 2007 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 2006

1 Accounting policies

The financial statements are prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 1985 and applicable accounting standards in the UK. The principal accounting policies adopted which have been consistently applied unless otherwise noted, 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 FRS1 (revised 1996).

Group accounts

In accordance with Section 228(1) Companies Act 1985 group accounts have not been prepared on the basis that the company is a wholly owned subsidiary of Alfred McAlpine plc, which is incorporated in Great Britain, and is incorporated in the consolidated financial statements of Alfred McAlpine plc, which are publicly available.

2 Operating profit

During the year the company paid £nil (2005: £nil) in audit fees and £nil (2005: nil) in non-audit fee remuneration and £nil in tax compliance (2005: nil). The audit fees of the company have been borne by another group company.

3 Directors' interests

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.

As at 31 December, S W Hudson and R W Memmott held options and awards over shares in the ultimate parent undertaking, Alfred McAlpine plc, as follows:

Alfred McAlpine plc Executive Share Option Scheme 2000

	Date of Grant	Option Price	As at 01/01/06	Granted in year	Exercised in year	Lapsed in year	As at 31/12/06
S W Hudson	22/03/01	280 5p	4,000	-	4,000	-	-
	03/09/03	304 5p	10,000	-	6,756	-	3,244

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

Alfred McAlpine Utility Services Group Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

3 Directors' interest (continued)

The Alfred McAlpine PLC Savings-Related Share Option Scheme 1998

	Date of Grant	Option Price	As at 01/01/06	Granted in year	Exercised in year	Lapsed in year	As at 31/12/06
S W Hudson	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 2006 was 579 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.

Name of Director	Date of Award	Initial Awards		At 1 January 2006		Number of Awards Satisfying Vesting Criteria during year	Number of Matching Shares Awarded During Year	At 31 December 2006	
		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			Outstanding Initial Award and Exceptional Performance Award Shares	Deferred Award Shares
S W Hudson	23/04/02	436 1p	6,000	9,000	-	-	-	9,000	-

The Alfred McAlpine PLC Long-Term Incentive Plan 2005

	Date of Grant	Option Price	As at 01/01/06	Granted in year	Exercised in year	Lapsed in year	As at 31/12/06
S W Hudson	23/06/05	370 0p	8,108	-	-	-	8,108
	21/04/06	487 0p	-	7,392	-	-	7,392
R W Memmott	11/01/06	370 50p	-	7,287	-	-	7,287
	21/04/06	487 0p	-	8,316	-	-	8,316

Alfred McAlpine Utility Services Group Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

4 a) Tax on profit on ordinary activities

	2006 £'000	2005 £'000
Taxation is based on the profit for the year and comprises		
Current year corporation tax	-	-

b) Proof of tax

	2006 £'000	2005 £'000
Profit on ordinary activities before tax	-	1,523
Profit on ordinary activities at 30% (2005 30%)	-	457
Effects of		
Income not taxable	-	(457)
Current taxation credit for the year	-	-

5 Investments

	Total £'000
Shares in Subsidiaries	
Cost.	
At 1 January 2006 & 31 December 2006	115,462
Provisions	
At 1 January 2006 & 31 December 2006	(43)
At 31 December 2006	115,419
At 31 December 2005	115,419

The table below provides details of the companies in which Alfred McAlpine Utility Services Group Limited has holdings

Alfred McAlpine Utility Services Group Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

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)

6 Debtors

	2006 £'000	2005 £'000
Due within one year		
Amounts owed by group undertakings	-	10,157

Amounts owed by group undertakings are interest free, unsecured and repayable on demand

Alfred McAlpine Utility Services Group Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

7 Creditors - amounts falling due within one year

	2006 £'000	2005 £'000
Amounts owed to group undertakings	110,233	120,390

The loans are interest free and repayable on demand

8 Called up share capital

	2006 £'000	2005 £'000
Authorised, allotted and fully paid:		
217,800 Ordinary shares of £1 each	218	218
1,000 'A' Ordinary shares of £1 each	1	1
	219	219

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

9 Reserves

	Profit and loss account £'000
At 1 January 2006	4,967
Profit for the year	-
At 31 December 2006	4,967

Alfred McAlpine Utility Services Group Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

10 Reconciliation of movements in equity shareholders' funds

	2006 £'000	2005 £'000
Profit for the financial year	-	1,523
Opening shareholders' funds	5,186	3,663
Closing equity shareholders' funds	5,186	5,186

11 Ultimate parent undertaking

The company's ultimate parent company and controlling party is Alfred McAlpine plc which is incorporated in England and Wales

The company has taken advantage of the exemption provided by FRS 8 not to disclose transactions with entities that are part of the same group

Copies of the group financial statements of Alfred McAlpine plc are available from Companies House, Crown Way, Cardiff, CF14 3UZ