City Special Waste Limited

Directors' report and financial statements

Registered number 02801677

Year ended 31 December 2007

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007.

Principal activities and business review

The principal activity of the company was that of hazardous waste removal contractors. The company did not trade in the current year after closure of the business in 2006.

Results

The loss for the year is disclosed in the profit and loss account on page 5.

The directors do not recommend a dividend payment *(2006: £Nil)*.

Directors

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

Carillion Management Limited

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.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG Audit Plc will therefore continue in office.

By order of the board

Authorised Representative
Carillion Secretariat Limited
Secretary

24 Birch Street
Wolverhampton
WV1 4HY

16 January 2009

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 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.

KPMG

KPMG Audit Plc
2 Cornwall Street
Birmingham
B3 2DL
United Kingdom

Independent auditors' report to the members of City Special Waste Limited

We have audited the financial statements of City Special Waste Limited for the year ended 31 December 2007 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.

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 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 City Special Waste 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 2007 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

16 January 2009

Profit and loss account
for the year ended 31 December 2007

	Note	2007	2006
		£	£
Turnover	2	-	763,976
Operating costs		-	(676,979)
Operating profit	3	-	86,997
Net interest payable	6	**(463,942)**	(339,857)
Loss on ordinary activities before taxation		**(463,942)**	(252,860)
Taxation on loss on ordinary activities	7	**320,751**	73,326
Loss for the financial year	15	**(143,191)**	(179,534)

All the above activities were discontinued during the second half of 2006.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the financial year and their historical cost equivalents.

Reserve movements are given in note 15.

Balance sheet
at 31 December 2006

	Note	2007		2006	
		£	£	£	£
Fixed assets					
Tangible assets	*9*		-		120,472
Current assets					
Debtors	*11*	274,625		730,076	
Cash at bank and in hand		-		-	
		274,625		730,076	
Creditors: amounts falling due within one year	*12*	(411,937)		(781,422)	
Net current liabilities			(137,312)		(51,346)
Total assets less current liabilities			(137,312)		69,126
Creditors: amounts falling due after more than one year	*13*		(5,835,368)		(5,898,615)
Net liabilities			(5,972,680)		(5,829,489)
Capital and reserves					
Called up share capital	*14*		100		100
Profit and loss account	*15*		(5,972,780)		(5,829,589)
Equity shareholders' deficit	*16*		(5,972,680)		(5,829,489)

These financial statements were approved by the board of directors on 16 January 2009 and were signed on its behalf by:

Carillion Management Limited
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, modified to include the revaluation of certain tangible fixed assets comprising land and buildings, and in accordance with applicable UK accounting standards.

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £5,972,680, which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Carillon plc, the company's ultimate parent undertaking. Carillion plc has indicated that for at least twelve months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Basis of preparation

The company's financial statements, which are expressed in sterling, are prepared under the historical cost convention and in accordance with applicable accounting standards.

During 2006 the ultimate holding company, Carillion JM Limited, restructured its business as a consequence of which a decision was taken to exit certain non-core businesses, which includes City Special Waste Limited. At the time of signing these accounts the group is currently in the process of finalising closure of this business. Accordingly the company made provision for future trading losses, operating expenses, employer redundancy expenses and other closure costs at 31 December 2006. 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 2006 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.

Joint arrangements

Where the company is party to a joint arrangement, the company accounts directly for its share of the revenue and expenditure, net assets and liabilities.

Cash flow statement

Under FRS 1 (revised 1996) 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.

Profit recognition

Profit on long term contracts is calculated in accordance with applicable accounting standards. In determining the attributable profit on contracts to a particular accounting period the company utilises estimation techniques. The principal estimation technique used is the preparation of profit and cash flow forecasts on a contract by contract basis which enables an assessment to be made of the final outturn on each contract. Profit is then recognised when the outcome of the contract can be foreseen with reasonable certainty and is attributed in line with the degree of completion of each contract.

Notes *(continued)*

1 Accounting policies *(continued)*

Profit recognition (continued)

The result for each year includes settlement of claims on contracts completed in prior years. In preparing contract forecasts, a prudent and reasonable evaluation of claims is included in the assessment of the final outturn.

Taxation

The charge for taxation is based on the result for each year and takes into account deferred taxation. Deferred tax assets or liabilities arise from timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. Liabilities are calculated on a non-discounted full provision basis. Assets are calculated on the same basis, but are recognised only to the extent that it is probable that they will be recovered.

Pensions

The company participates in the Mowlem staff pension scheme as described in note 19.

As the company is unable to identify its share of the group pension scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17: "Retirement benefits", the scheme is accounted for as if it is a defined contribution scheme.

Contributions in respect of defined contribution schemes are charged to the profit and loss account as incurred.

Tangible fixed assets

The company has continued to follow the transitional provisions of FRS 15 "Tangible fixed assets" to retain the book value of freehold land and buildings which were last revalued in 1985.

Depreciation is based on historical cost or revaluation, less the estimated residual values, and the estimated economic lives of the assets concerned. Freehold land is not depreciated. Other tangible assets are depreciated in equal annual instalments over the period of their estimated economic lives, which are principally as follows:

Freehold buildings	50 years
Long leasehold land and buildings	50 years
Short leasehold land and buildings	Period of lease
Plant, machinery and vehicles	3-10 years

Long term contract balances

Amounts recoverable on contracts, which are included in debtors, are stated at cost plus attributable profit less any foreseeable losses. Payments received on account of contracts are deducted from amounts recoverable on contracts in debtors or long term contract balances in stock. Where such amounts have been received and exceed amounts recoverable, the net amounts are included in creditors.

Leased assets

Rental charges under operating leases are charged to the profit and loss account on a straight line basis over the life of each lease.

Assets held under finance leases and hire purchase contracts are included in tangible fixed assets and are depreciated over the shorter of the contract term or their useful life. The capital element of outstanding finance leases and hire purchase contracts is included in creditors. The finance charge element of rentals is charged to the profit and loss account at a constant periodic rate of charge on the outstanding obligations.

Notes *(continued)*

1 Accounting policies *(continued)*

Pre-contract costs

Pre-contract costs are expensed as incurred until the company is appointed preferred bidder. Provided the contract is expected to generate sufficient net cash inflows to enable recovery and the award of the contract is virtually certain, pre-contract costs incurred post the appointment as preferred bidder are included in stocks. Where pre-contract bid costs are reimbursed at financial close, the proceeds are initially applied against the asset included in stocks. Any excess recoveries of costs are carried forward as deferred income and released to profit over the period of the contract to which the pre-contract costs relate.

Turnover

Turnover represents the net amount receivable, excluding value added tax, for goods and services supplied to all customers including fellow subsidiary undertakings. In respect of long term contracting activities, turnover reflects the value of work executed during the year. It also includes the company's proportion of work carried out by joint arrangements during the year.

2 Turnover

The company has only one class of business, which is generated in the UK.

3 Operating loss

	2007	2006
	£	£
Operating loss is stated		
after charging		
Depreciation	-	12,993
Hire of plant and machinery	-	1,433,250
Loss on sale of fixed assets	-	16,664

The audit fee for the year ended 31 December 2007 amounted to £3,000 and was bourne by the ultimate parent company Carillion plc.

Fees paid to the company's auditor, KPMG Audit Plc, and its associates for other than the statutory audit of the company are not disclosed in these financial statements since the consolidated financial statements of the company's parent, Carillion plc, are required to disclose non-audit fees on a consolidated basis.

4 Remuneration of directors

The two directors of the company are employed by Carillion JM Limited and are remunerated by that company in respect of their services to the group as a whole. They receive no emoluments from this company.

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was nil *(2006: 10)*.

	2007	2006
	£	£
Wages and salaries	-	491,826
Social security costs	-	46,062
Pension costs	-	784
	-	538,672

6 Net interest payable

	2007	2006
	£	£
Payable to ultimate parent company	**463,942**	340,230
Bank interest receivable	-	(373)
	463,942	339,857

7 Taxation on loss on ordinary activities

Analysis of credit for the year

	2007	2006
	£	£
UK corporation tax		
Current tax	**(191,393)**	(76,649)
Adjustments in respect of prior periods	**(83,232)**	(49,481)
	(274,625)	(126,130)
Deferred tax		
Origination and reversal of timing differences	**(46,126)**	52,804
Tax credit for the year	**(320,751)**	(73,326)

Notes *(continued)*

7 Taxation on loss on ordinary activities *(continued)*

Factors affecting tax charge for the year

The tax assessed differs from the application of the standard rate of corporation tax in the UK of 30% *(2006: 30%)* to the company's loss before taxation for the following reasons:

	2007 £	2006 £
UK corporation tax		
Loss on ordinary activities before tax	**(463,942)**	(252,860)
Current tax at 30% *(2006: 30%)*	**(139,183)**	(75,858)
Effects:		
Expenses not deductible for tax purposes	**-**	1,589
Capital allowances in excess of depreciation	**(22,210)**	(2,380)
Other timing differences	**(30,000)**	-
Adjustments in respect of previous periods	**(83,232)**	(49,481)
Total current tax credit	**(274,625)**	(126,130)

8 Deferred taxation

	2007 £	2006 £
At beginning of year	**(46,126)**	6,678
Capital allowances in excess of depreciation	**(16,874)**	10,196
Other timing differences	**63,000**	(63,000)
At end of year – liability	**-**	(46,126)

Notes *(continued)*

9 Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Total £
Cost			
At beginning and end	148,836	28,957	177,793
Group transfers	(148,836)	(28,957)	(177,793)
At end of year	-	-	-
Depreciation			
At beginning of year	40,435	16,886	57,321
Group transfers	(40,435)	(16,886)	(57,321)
At end of year	-	-	-
Net book value			
At 31 December 2007	-	-	-
At 31 December 2006	108,401	12,071	120,472

10 Investment

The following investment was held by City Special Waste Limited during the year:

	Investment in fellow subsidiary £
Cost	
At beginning and end of year	-

The subsidiary company is incorporated and registered in the UK. It did not trade during the year to 31 December 2007. The holding represents 100% of 100 £1 ordinary shares.

Group financial statements are not presented as the company is itself a wholly owned subsidiary of another company incorporated in Great Britain. Group financial statements are prepared by the ultimate holding company, disclosed in note 18.

Notes *(continued)*

11 Debtors

	2007	2006
	£	£
Amounts recoverable on contracts	-	298,028
Amounts due from other Group Companies	-	254,108
Group relief	274,625	127,649
Other debtors and prepayments	-	50,291
	274,625	730,076

12 Creditors: amounts falling due within one year

	2007	2006
	£	£
Trade creditors	33,751	9,726
Amounts due to other Group Companies	357,545	134,967
Other creditors	20,641	590,603
Deferred tax – see note 8	-	46,126
	411,937	781,422

13 Creditors: amounts falling due after more than one year

	2007	2006
	£	£
Amounts owing to holding company	5,835,368	5,898,615

14 Called up share capital

	2007	2006
	£	£
Authorised		
Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	100	100

15 Reserves

	Profit and loss account
	£
Deficit at beginning of year	(5,829,589)
Retained loss for the year	(143,191)
Deficit at end of year	**5,972,780**

Notes *(continued)*

16 Reconciliation of movements in equity shareholders' funds

	2007	2006
	£	£
Loss for the financial year	**(463,942)**	(179,534)
Opening equity shareholders' deficit	**(5,829,489)**	(5,649,955)
Closing equity shareholders' deficit	**(6,293,431)**	(5,829,489)

17 Related party transactions

As a subsidiary of Carillion 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.

18 Ultimate holding company

The company's ultimate controlling company is Carillion plc which is incorporated in Great Britain

Copies of the group financial statements of Carillion plc are available from 24 Birch Street, Wolverhampton WV1 4HY.

19 Pension scheme

The company is a member of the Mowlem staff pension scheme. Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits,' the scheme has been accounted for, in these financial statements, as if the scheme were defined contribution scheme.

At 31 December 2007 the scheme had a deficit of £12.5 million *(2006: £46.3 million).*

The latest full actuarial valuation was carried out at 31 December 2006 and was updated for FRS 17 purposes to 31 December 2007. The market value of the schemes' assets at the date of valuation were £459.6 million, which represented approximately 93% of the benefits that had been accrued to members at that date on an ongoing basis, after allowing for increases in salaries.

The company contributions to both schemes for the year, totalled £nil *(2006: £784).* It has been agreed that an employer contribution rate of 20.3% of pensionable pay will apply in future years.

The principal actuarial assumptions used are shown below:

	2007	2006	2005
	%	%	%
Discount rate	**5.60**	5.00	4.75
Inflation rate	**3.40**	3.00	2.75
Rate of increase in pensions in payment and deferment	**3.40**	3.00	2.75
Rate of general increase in salaries	**4.90**	4.25	4.25