Monteray Limited

Directors' report and financial statements

Registered number 4054291

For the year ended 31 December 2005

Contents

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 company's principal activity during the year was the provision of facility management services.

The directors anticipate that the company will continue its present role during 2006.

Profits and dividends

The profit after taxation for the year ended 31 December 2005 was £3,518,000 *(2004: £3,421,000)*.

During the year, a dividend of £5,300,000 *(2004: £4,100,000)* has been paid.

Directors and directors' interests

The directors who served during the year were:

M Fellowes	
TD Kenny	
RS Ross	(resigned 21 March 2005)
RJ Masters	
DT Gearey	(resigned 4 April 2005)
DS Hurcomb	(appointed 21 March 2005)
RH Harris	(appointed 21 March 2005)

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

Number of shares	**At 31 December 2005**		At 1 January 2005 (or later date of appointment)		Share option movements in year (or since appointment)		
	Shares	**Share options**	Shares	Share options	granted	exercised	lapsed
TD Kenny	-	477,323	-	384,396	92,927	-	-
RH Harris	-	35,203	-	35,203	-	-	-
DS Hurcomb	-	30,895	-	-	30,895	-	-

At 31 December 2005 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.

Payments to suppliers

The company negotiates payments terms with its suppliers when it enters into binding purchase contracts. The company seeks to abide by these terms when it is satisfied that the supplier has provided goods or services in accordance with the agreed terms and conditions.

The company does not have a standard code which deals specifically with the payment of suppliers.

Trade creditor days at 31 December 2005 were 11 days *(2004: 13 days)*.

Directors' report *(continued)*

Employees

Communication and consultation within working teams takes place, as appropriate, as part of the normal pattern of every operation.

The establishment and maintenance of safe working practices at all work places is of greatest importance to the company and special training in health and safety is provided for all employees.

The company is an active and enthusiastic supporter of training and development for all employees.

Equal opportunities

Monteray Limited is an equal opportunities employer.

It is the policy of the company to give the fullest consideration to the employment needs of all prospective and existing employees. To that end, no job applicant or employee receives less favourable treatment than another on grounds of colour, race, nationality, ethnic or national origin, sex, religion or disability where the work content is commensurate with the individual's particular disability.

Special attention is given to interviewing, selection, recruitment and training to ensure that there is effective implementation of company policy. Promotion is based upon ability, merit and performance taking into account the future needs of the company. Where necessary, training is carried out to assist employees to develop potential.

All aspects of employment are regularly reviewed by management to ensure this policy is achieved.

Auditor

In accordance with Section 385 of the Companies Act 1985 a resolution to re-appoint KPMG Audit Plc as auditor of the company will be proposed at the Annual General Meeting.

Approved by the Board on 8 March 2006 and signed on its behalf by:

TD Kenny
Director

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 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 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.

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

KPMG Audit Plc
2 Cornwall Street
Birmingham
B3 2DL

Independent auditors' report to the members of Monteray Limited

We have audited the financial statements of Monteray Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, the cash flow statement 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.

KPMG Audit Plc
2 Cornwall Street
Birmingham
B3 2DL

Independent auditors' report to the members of Monteray 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 profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

8 March 2006

Profit and loss account

for the year ended 31 December 2005

	Note	2005 £000	2004 £000
Turnover	*1*	**118,505**	112,853
Cost of sales		**(109,979)**	(104,779)
Gross profit		**8,526**	8,074
Administrative expenses		**(3,480)**	(3,258)
Operating profit		**5,046**	4,816
Net interest receivable	2	**63**	61
Profit on ordinary activities before taxation	*3*	**5,109**	4,877
Tax on profit on ordinary activities	*6*	**(1,591)**	(1,456)
Profit for the financial year		**3,518**	3,421

All amounts relate to continuing operations.

There were no recognised gains and losses other than the profit for the current year and the profit for the previous year.

Balance sheet
at 31 December 2005

	Note	2005 £000	£000	2004 £000	£000
Fixed assets					
Tangible assets	8		17		23
Current assets					
Debtors	9	13,819		10,481	
Cash at bank and in hand		1,904		3,026	
		15,723		13,507	
Creditors: amounts falling due within one year	10	(14,165)		(10,173)	
Net current assets			1,558		3,334
Net assets			1,575		3,357
Capital and reserves					
Called up share capital	12		-		-
Profit and loss account	14		1,575		3,357
Equity shareholders' funds	13		1,575		3,357

These financial statements were approved by the Board of directors on 8 March 2006 and were signed on its behalf by:

TD Kenny
Director

Cash flow statement

for the year ended 31 December 2005

	Note	2005 £000	2004 £000
Net cash inflow from operating activities	16	**5,638**	5,872
Returns on investments and servicing of finance	16	**63**	61
Taxation paid		**(1,517)**	(1,494)
Capital expenditure and financial investment	16	**(6)**	(35)
Equity dividends paid		**(5,300)**	(4,100)
(Decrease)/increase in cash in the year		**(1,122)**	304

		2005 £000	2004 £000
Reconciliation of net cash flow to movement in net funds			
(Decrease)/increase in cash in the year		**(1,122)**	304
Net funds at the start of the period cash		**3,026**	2,722
Net funds at the end of the year – cash		**1,904**	3,026

Notes
(forming part of the financial statements)

1 Principal 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.

Turnover

Turnover represents the net amount receivable, excluding value added tax for the provision of services supplied to customers during the year. All turnover arises within the UK.

Tangible fixed assets

Depreciation is based on historic cost less the estimated residual value and the estimated useful economic lives of the assets. The estimated economic lives of the plant and machinery held is between 3 and 10 years.

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 FRS19 "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.

Leased assets

Operating lease rental charges are charged to the profit and loss account in equal annual instalments over the life of the related lease.

Pensions

The company participates in a Carillion group-wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company.

The company also participates in a group wide defined contribution scheme. Contributions to this scheme are charged to the profit and loss account as incurred.

2 Net interest receivable

	2005	2004
	£000	£000
Bank interest receivable	63	61

Notes *(continued)*

3 Profit on ordinary activities before taxation

	2005 £000	2004 £000
Profit on ordinary activities before taxation is stated after charging		
Depreciation	**12**	19
Auditors' remuneration - audit	**12**	10
Rentals under operating leases:		
Hire of vehicles	**38**	42

4 Directors' remuneration

The directors neither received nor waived any remuneration during the year.

5 Staff numbers and costs

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

	Number of employees 2005	2004
Administration	**24**	23

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	**1,155**	1,088
Social security costs	**132**	126
Other pension costs (see note 15)	**65**	62
	1,352	1,276

6 Tax on profit on ordinary activities

(a) Analysis of taxation charge in the year

The taxation charge is based on the profit for the year as follows:

	2005 £000	2004 £000
UK corporation tax		
Current tax on income for the year	**1,600**	1,470
Adjustment in respect of prior periods	**(8)**	(18)
Total current tax	**1,592**	1,452
Deferred tax (see note 11)		
Origination/reversal of timing differences	**(1)**	4
Total deferred tax	**(1)**	4
Tax on profit on ordinary activities	**1,591**	1,456

Notes *(continued)*

6 Tax on profit on ordinary activities *(continued)*

(b) Reconciliation of current taxation charge

The UK standard rate of corporation tax for the year is 30% *(2004: 30%)*. The actual tax rate differs to the standard rate for the reasons set out below:

	2005 **£000**	2004 £000
Profit on ordinary activities before tax	**5,109**	4,877
Tax on profit on ordinary activities at UK standard rate of corporation tax of 30% *(2004: 30%)*	**1,533**	1,463
Effects of		
Permanently disallowable expenses	**67**	7
Adjustments to tax charge in respect of previous periods	**(8)**	(18)
Current tax charge for the year (note 6(a))	**1,592**	1,452

7 Dividends paid

	2005 **£000**	2004 £000
Interim dividend paid at £26,500 per share *(2004: £20,500 per share)*	**5,300**	4,100

8 Tangible fixed assets

	Plant, machinery and vehicles £000
Cost	
At beginning of year	47
Additions	6
At end of year	53
Depreciation	
At beginning of year	24
Provided during the year	12
At end of year	36
Net book value	
At 31 December 2005	**17**
At 31 December 2004	23

Notes *(continued)*

9 Debtors

	2005 £000	2004 £000
Amounts falling due within one year		
Trade debtors	**4,063**	116
Amounts owed by group undertakings	**-**	9
Amounts owed by related parties (see note 17)	**1**	9
Other debtors	**36**	7
Deferred taxation (see note 11)	**5**	4
Prepayments and accrued income	**9,714**	10,336
	13,819	10,481

10 Creditors: amounts falling due within one year

	2005 £000	2004 £000
Trade creditors	**696**	206
Amounts owed to group undertakings	**1,357**	84
Amounts owed to related parties (see note 17)	**2,036**	97
Corporation tax	**850**	775
Other taxation and social security	**219**	232
Other creditors	**12**	1
Accruals	**8,995**	8,778
	14,165	10,173

11 Deferred taxation

The deferred tax asset comprises:

	Deferred tax £000
At the beginning of the year	**4**
Transferred from the profit and loss account	**1**
At the end of the year	**5**

Deferred tax arises due to depreciation in excess of capital allowances.

12 Share capital

	2005 £	2004 £
Authorised, allotted, called up and fully paid:		
200 shares of £1 each	**200**	200

Notes *(continued)*

13 Reconciliation of movements in equity shareholders' funds

	2005	2004
	£000	£000
Profit for the financial year	**3,518**	3,421
Dividends paid	**(5,300)**	(4,100)
Net reduction in shareholders' funds	**(1,782)**	(679)
Equity shareholders' funds at beginning of year	**3,357**	4,036
Equity shareholders' funds at end of year	**1,575**	3,357

14 Reconciliation of movement on reserves

	2005	2004
	£000	£000
Profit for the financial year	**3,518**	3,421
Dividends paid	**(5,300)**	(4,100)
Profit and loss reserve at start of year	**3,357**	4,036
Profit and loss reserve at end of year	**1,575**	3,357

15 Pension contributions

The pension schemes to which the company contributes are of both the defined benefit and defined contribution types and are for the benefit of all relevant employees of Carillion plc and its UK subsidiary undertakings, associates and joint ventures ("the group"). Details of the latest actuarial valuation of the principal schemes are given in the Carillion plc consolidated financial statements.

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The company participates in the Carillion Staff Pension Scheme, which is a funded defined benefit scheme. Details of the latest actuarial valuations, which were performed by a qualified actuary, of the principal defined benefit schemes are given in the group's consolidated financial statements. Note 18 gives details of how to obtain a copy of the financial statements of Carillion plc.

FRS 17

As the schemes are run for the Carillion group as a whole the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis. Hence, as permitted by FRS 17: *Retirement benefits* the scheme is accounted for by the company as if the scheme was a defined contribution scheme.

At 31 December 2005 the staff pension scheme had a deficit on an FRS 17 basis of £27.2 million *(2004: £40.3 million)*, net of deferred taxation of 30%.

The contributions to the defined benefit schemes made by the company represent the regular cost of providing the benefits without any recognition of fund surpluses or deficits which are dealt with by Carillion plc. The pension cost for the year was £55,249 *(2004: £54,000)*. There were no contributions outstanding at 31 December 2005 *(2004: £6,032)*.

The pension charge of the defined contribution scheme was £9,728 *(2004: £8,000)*. There were no contributions outstanding at 31 December 2005 *(2004: £1,301)*.

Notes *(continued)*

16 Analysis of cash flows

	2005 £000	2004 £000
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	**5,046**	4,816
Depreciation	**12**	19
	5,058	4,835
(Increase)/decrease in debtors	**(3,337)**	1,619
Increase/(decrease) in creditors	**3,917**	(582)
Net cash inflow from operating activities	**5,638**	5,872
Returns on investment and servicing of finance		
Net interest received	**63**	61
Capital expenditure		
Payment to acquire tangible fixed assets	**6**	35

17 Related party disclosures

The company is controlled by Carillion Services Limited, its immediate parent company.

At 31 December 2005 and 31 December 2004 the material balances outstanding and transaction totals with related parties, other than dividends, were as follows. Debtor and creditor balances include amounts included in prepayments and accruals:

2005	**Debtors £000**	**Creditors £000**	**Included in cost of sales £000**	**Included in turnover £000**
Related party				
Carillion Services Limited	-	**5,244**	**44,740**	**43**
Reliance Integrated Services Limited	-	**3,586**	**27,067**	**41**
Haden Building Management Limited	**1**	**2,323**	**24,058**	**26**

2004	Debtors £000	Creditors £000	Included in cost of sales £000	Included in turnover £000
Related party				
Carillion Services Limited	9	3,615	42,411	86
Reliance Integrated Services Limited	6	2,093	25,869	57
Haden Building Management Limited	3	2,055	24,073	40

The share capital of the company is held 51% by Carillion Services Limited and 24.5% each by members of the Haden and Reliance groups.

18 Ultimate holding company

The company's ultimate controlling 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.