

Monteray Limited

**Directors' report and financial
statements**

Registered number 4054291

For the year ended 31 December 2009

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2009

Principal activities

Monteray Limited was formed in 2000 as a joint venture between Carillion Services (51%), Balfour Beatty Workplace (24.5%) and Reliance Facilities Management (24.5%) to provide facilities management services to the UK estate of British Telecommunications plc (BT). A new facilities management contract was signed on 18 January 2008, with the initial service phase commencing on 1 February 2008. The full service phase commenced 1 April 2009 for five years, with an option to extend for a further four years.

In addition to the main contract services, Monteray Limited provided manned guarding and reception services to BT under a separate dedicated security contract. Monteray Limited sub-contracted this work to a single company. This contract expired on 30 November 2009.

Business review

The turnover in relation to both core service as defined in both the facilities and security contracts and variable work during 2009 was £120 million (2008: £128 million). On 30 April 2009, Monteray Limited and BT reached an agreement to amend the new facilities management contract and the services provided therein to meet BT's budgetary requirements driven by the current and forecast economic climate. The reduction in turnover is due to the loss of the security contract and a reduced variable works program. As part of the re-alignment of its services, the business will continue to trade under the name Monteray.

The operating margin percentage has improved as a result of the changes in service provision, in particular timing of changes in core income and underlying service delivery cost, to 9.5% (2008: 5.77%).

The principal risks and uncertainties for Monteray are:

- Monteray is a company servicing the needs of only one customer, BT. The revised agreement reached on 30 April 2009 re-aligned contract services to meet BT's budgetary requirements, thus creating a re-based position for stability and, potentially growth for the future.
- The variable works stream is not guaranteed or exclusive. The current economic climate has adversely affected budgets in the period. The company must actively source opportunities and build relationships with budget holders within the closed BT market if the turnover is to be maintained and, potentially increased.
- To deliver the new financial and operating model Monteray Ltd commissioned a technology driven solution to the management of the mobile workforce including new hardware and software which is expected to be successfully completed and fully implemented in 2010.
- Monteray Ltd mitigates its Health & Safety risks by virtue of the fact that it fully complies with all relevant legislation and Approved Codes of Practices.

Profits and dividends

The profit after taxation for the year ended 31 December 2009 was £5,583,000 (2008: £5,429,000).

During the year a final dividend in relation to 2009 was paid totalling £2,000,000 (2008: £3,200,000).

Directors

The directors who served during the year and subsequently were:

D Pemberton	(appointed 20 November 2009)
SP Gibbs	(resigned 20 November 2009)
JC Platt	(resigned 26 February 2010)
MH Phillips	
B Nealon	
AD Parker	
R Sykes	(appointed 26 February 2010)

Directors' report *(continued)*

Payments to suppliers

It is the policy of the company to agree terms and conditions with its suppliers and for payment to be made on these terms provided suppliers meet their obligations to the company's satisfaction. The company does not apply a general recognised code with regard to the payment of all its suppliers.

The number of days credit outstanding at 31 December 2009 was 34 days (2008 16 days)

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.

Political and charitable donations

There were no political or charitable donations in the year (2008 None)

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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditor

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.

Approved by the Board on 28 May 2010 and signed on its behalf by



AD Parker
Director

24 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).

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Independent auditors' report to the members of Monteray Limited

We have audited the financial statements of Monteray Limited for the year ended 31 December 2009 set out on pages 6 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' 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 explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Monteray Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



MT Hopton (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants



28 May 2010

Profit and loss account
for the year ended 31 December 2009

	<i>Note</i>	2009 £000	2008 £000
Turnover	<i>1</i>	119,604	128,425
Cost of sales		(103,112)	(117,164)
		<hr/>	<hr/>
Gross profit		16,492	11,261
Administrative expenses		(5,130)	(3,854)
		<hr/>	<hr/>
Operating profit before exceptional items		11,362	7,407
Exceptional items	<i>2</i>	(3,603)	-
		<hr/>	<hr/>
Operating profit after exceptional items	<i>4</i>	7,759	7,407
Interest receivable	<i>3</i>	4	190
		<hr/>	<hr/>
Profit on ordinary activities before taxation		7,763	7,597
Tax on profit on ordinary activities	<i>7</i>	(2,180)	(2,168)
		<hr/>	<hr/>
Profit for the financial year	<i>15</i>	5,583	5,429
		<hr/> <hr/>	<hr/> <hr/>

The company has no recognised gains and losses in either the current or preceding year, other than those disclosed in the profit and loss account

There is no difference between the results as disclosed in the profit and loss account and the result on an unmodified historical cost basis in either the current or preceding financial year

Balance sheet
at 31 December 2009

	Note	2009 £000	2008 £000	£000
Fixed assets				
Tangible assets	9		2,339	2,241
Current assets				
Debtors	10	14,298	19,946	
Cash at bank and in hand		12,098	7,083	
		<u>26,396</u>	<u>27,029</u>	
Creditors, amounts falling due within one year	11	<u>(21,580)</u>	<u>(25,698)</u>	
Net current assets			<u>4,816</u>	<u>1,331</u>
Net assets			<u>7,155</u>	<u>3,572</u>
Capital and reserves				
Called up share capital	14	-	-	-
Profit and loss account	15	7,155	3,572	3,572
Equity shareholders' funds	16	<u>7,155</u>	<u>3,572</u>	<u>3,572</u>

These financial statements were approved by the Board of directors on 28 May 2010 and were signed on its behalf by



AD Parker
 Director

Company registered number 4054291

Cash flow statement
for the year ended 31 December 2009

	<i>Note</i>	2009 £000	2008 £000
Net cash inflow from operating activities	17	9,882	11,939
Returns on investments and servicing of finance	17	4	190
Taxation paid		(2,422)	(1,945)
Capital expenditure and financial investment	17	(449)	(2,237)
Equity dividends paid		(2,000)	(3,200)
Increase in cash in the year		5,015	4,747
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the year		5,015	4,747
Net funds at the start of the year – cash		7,083	2,336
Net funds at the end of the year – cash		12,098	7,083

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

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Directors' Report

The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The directors, having assessed the responses of the directors of the company's ultimate parent Carillion plc to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Carillion group to continue as a going concern or its ability to continue with the current banking arrangements

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Carillion plc, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

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 historical 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 profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

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

Notes (continued)

1 Principal accounting policies (continued)

Pensions

The company operates a defined contribution scheme

Two employees also participate in a Carillion group-wide defined contribution scheme. Contributions to both schemes are charged to the profit and loss account as incurred.

In 2008, one employee participated in the Carillion Staff Pension Scheme, which is 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.

As the company is unable to identify its share of the scheme's assets and liabilities on a consistent and reasonable basis, the scheme has been accounted for as permitted under FRS 17 as a defined contribution scheme and contributions charged to the profit and loss account as incurred.

Further details of the Carillion Staff Pension Scheme are given in the annual report of Carillion plc.

2 Exceptional items

Restructuring costs of £3,603,000 were incurred in the period following an amendment to the new facilities management contract on 30 April 2009, to meet BT's future facilities management needs.

3 Interest receivable

	2009 £000	2008 £000
Bank interest receivable	4	190

4 Operating profit after exceptional items

	2009 £000	2008 £000
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Operating profit after exceptional items is stated after charging

Depreciation	351	12
Auditors' remuneration - audit	23	20
Rentals under operating leases		
IT equipment	1,940	76
Hire of vehicles	3,611	1,046
Loss on disposal of fixed assets	-	8

Fees paid to the company's auditor, KPMG Audit Plc, and its associates for services 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.

5 Directors' remuneration

The directors neither received nor waived any remuneration during the current or preceding financial year.

Notes (continued)

6 Staff numbers and costs

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

	Number of employees	
	2009	2008
Contract	2,033	890
Administration	67	99
	<u>2,100</u>	<u>989</u>

The aggregate payroll costs of these persons were as follows

	£000	£000
Wages and salaries	38,346	18,293
Social security costs	3,149	2,012
Other pension costs	384	199
	<u>41,879</u>	<u>20,504</u>

There were no accrued or prepaid pension contributions at the end of the year (2008 £Nil)

7 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

	2009	2008
	£000	£000
<i>UK corporation tax</i>		
Current tax on income for the year	2,206	2,171
Adjustment in respect of prior periods	1	-
	<u>2,207</u>	<u>2,171</u>
<i>Deferred tax (see note 13)</i>		
Origination/reversal of timing differences	(27)	(3)
	<u>2,180</u>	<u>2,168</u>

Notes (continued)

7 Tax on profit on ordinary activities (continued)

(b) Reconciliation of current taxation charge

The current tax charge for the year is higher (2008 higher) than the standard rate of corporation tax in the UK of 28% (2008 28.5%). The differences are explained below

	2009 £000	2008 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	7,763	7,597
	<hr/>	<hr/>
Tax on profit on ordinary activities at UK standard rate of corporation tax of 28% (2008 28.5%)	2,174	2,165
<i>Effects of</i>		
Permanently disallowable expenses	6	3
Accelerated capital allowances	26	3
Adjustments in respect of prior periods	1	-
	<hr/>	<hr/>
Current tax charge for the year (note 7 (a))	2,207	2,171
	<hr/> <hr/>	<hr/> <hr/>

(c) Factors that may affect future current and total tax charges

The company's future tax charge will be affected by its ability to utilise the deferred tax asset set out in note 13

8 Dividends paid

	2009 £000	2008 £000
Final dividend paid at £10.000 per share	2,000	2,000
Interim dividend paid at £6.000 per share	-	1,200
	<hr/>	<hr/>
	2,000	3,200
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

9 Tangible fixed assets

	Plant, machinery and vehicles £000	Assets under construction £000	Total £000
<i>Cost</i>			
At beginning of year	8	2,235	2,243
Additions	414	35	449
Disposals	(35)	-	(35)
Transfer	1,519	(1,519)	-
	<hr/>	<hr/>	<hr/>
At end of year	1,906	751	2,657
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At beginning of year	2	-	2
Provided during the year	351	-	351
Disposals	(35)	-	(35)
	<hr/>	<hr/>	<hr/>
At end of year	318	-	318
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2009	1,588	751	2,339
	<hr/>	<hr/>	<hr/>
At 31 December 2008	6	2,235	2,241
	<hr/>	<hr/>	<hr/>

Assets under construction, £751,000 (2008 £2,235,000) relates to the introduction of a new mobile workforce IT platform, including associated software and hardware. At 31 December 2009, the system was still in development.

10 Debtors

	2009 £000	2008 £000
Trade debtors	1,957	6,811
Amounts owed by group undertakings	303	342
Amounts owed by other related parties	58	-
Other debtors	1,808	-
Deferred taxation (see note 13)	34	7
Prepayments and accrued income	10,138	12,786
	<hr/>	<hr/>
	14,298	19,946
	<hr/>	<hr/>
Included within debtors are the following amounts falling due after more than one year		
Other debtors	915	-
Prepayments and accrued income	1,583	-
	<hr/>	<hr/>
	2,498	-
	<hr/>	<hr/>

Notes (continued)

11 Creditors: amounts falling due within one year

	2009 £000	2008 £000
Trade creditors	6,346	4,572
Amounts owed to group undertakings	2,183	3,143
Amounts owed to other related parties	3,270	5,399
Corporation tax	1,056	1,271
Other taxation and social security	2,703	2,040
Other creditors	45	120
Accruals	5,977	9,153
	<u>21,580</u>	<u>25,698</u>

12 Financial and capital commitments

	2009 £000	2008 £000
Commitments for capital expenditure	47	751

Commitments for capital expenditure relates to a contract for the provision of a new mobile workforce IT platform, including software and hardware

Non-cancellable operating lease rentals are payable as follows

	2009 Other £000	Vehicles £000	Total £000	2008 Other £000	Vehicles £000	Total £000
Within one year	-	174	174	-	1,259	1,259
Between one and five years	2,170	1,183	3,353	2,387	367	2,754
Over five years	-	-	-	597	-	597
	<u>2,170</u>	<u>1,357</u>	<u>3,527</u>	<u>2,984</u>	<u>1,626</u>	<u>4,610</u>

The company leases vehicles for operational purposes and leases typically run for a period of three to five years. None of the leases includes contingent rentals. The company leases IT equipment for operational purposes, the lease runs until March 2014.

13 Deferred taxation

The deferred tax asset comprises

	Deferred tax £000
At the beginning of year	7
Origination of timing differences	27
	<u>34</u>

Deferred tax arises due to depreciation in excess of capital allowances

Notes (continued)

14 Share capital

	2009 £	2008 £
<i>Authorised, allotted, called up and fully paid:</i>		
200 shares of £1 each	<u>200</u>	<u>200</u>

15 Reserves

	Profit and loss account £000
At beginning of year	3,572
Profit for the financial year	5,583
Dividends paid	<u>(2,000)</u>
At end of year	<u>7,155</u>

16 Reconciliation of movements in equity shareholders' funds

	2009 £000	2008 £000
Profit for the financial year	5,583	5,429
Dividends paid	<u>(2,000)</u>	<u>(3,200)</u>
Net increase in shareholders' funds	3,583	2,229
Equity shareholders' funds at beginning of year	<u>3,572</u>	<u>1,343</u>
Equity shareholders' funds at end of year	<u>7,155</u>	<u>3,572</u>

Notes (continued)

17 Analysis of cash flows

	2009 £000	2008 £000
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit after exceptional items	7,759	7,407
Depreciation	351	12
Loss on disposal of fixed assets	-	8
	<u>8,110</u>	<u>7,427</u>
Decrease/(increase) in debtors	5,675	(10,220)
(Decrease)/increase in creditors	(3,903)	14,732
	<u>9,882</u>	<u>11,939</u>
Net cash inflow from operating activities		
Interest received		
Returns on investment and servicing of finance	4	190
	<u>4</u>	<u>190</u>
Capital expenditure		
Payment to acquire tangible fixed assets	449	2,237
	<u>449</u>	<u>2,237</u>

18 Related party disclosures

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

At 31 December 2009 and 31 December 2008 the material balances outstanding and transaction totals with related parties, other than dividends, were as follows

2009

	Debtors £000	Creditors £000	Included in cost of sales £000	Included in turnover £000
Related party				
Carillion Services Limited	108	1,253	1,243	108
Reliance Facilities Management Limited	58	40	581	-
Balfour Beatty Workplace Limited (formerly Haden Building Management Limited)	-	459	2,347	-
Reliance Security Services Limited	-	2,772	16,128	-
Building Environmental Hygiene Limited	-	5	90	-
Carillion Construction Limited	195	467	2,757	158
Carillion Fleet Management Limited	-	264	2,302	-
Carillion Insurance Advisers Limited	-	9	389	-
Carillion Managed Services Limited	-	49	306	-
Carillion Regional Construction Limited	-	7	227	-
Planned Maintenance Engineering Limited	-	99	827	-
Carillion Rail Limited	-	29	97	-
	<u>361</u>	<u>5,453</u>	<u>27,294</u>	<u>266</u>

The creditor balance above includes accruals of £4,300,000

Notes (continued)

18 Related party disclosures (continued)

2008

	Debtors	Creditors	Included in cost of sales	Included in turnover
	£000	£000	£000	£000
Related party				
Carillion Services Limited	-	2,520	24,573	-
Reliance Facilities Management Limited	-	49	16,320	-
Balfour Beatty Workplace Limited (formerly Haden Building Management Limited)	-	652	17,618	-
Reliance Security Services Limited	-	4,606	16,930	-
Balfour Beatty Fleet Services Limited	-	92	414	-
Building Environmental Hygiene Limited	-	-	62	-
Carillion Aquamen Management Services Limited	-	2	35	-
Carillion Construction Limited	-	340	1,526	-
Carillion Fleet Management Limited	327	-	583	-
Carillion Insurance Advisers Limited	-	-	204	-
Carillion Managed Services Limited	-	181	938	-
Carillion Regional Construction Limited	-	100	108	-
Planned Maintenance Engineering Limited	15	-	408	-
Reliance Consultancy Services UK Limited	-	-	3	-
	<u>342</u>	<u>8,542</u>	<u>79,722</u>	<u>-</u>

The share capital of the company is held 51% by Carillion Services Limited and 24.5% each by Balfour Beatty Workplace Limited (formerly Haden Building Management Limited) and Reliance Facilities Management Limited

19 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